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1012E1016

Candidate's Seat No : _____

**MBA (GM) Sem.-3 Examination
CS & ER**

Time : 2-30 Hours]

December-2024

[Max. Marks : 70

Q-1 Explain in detail the provisions of CSR given in companies act 2013. **14**

Q-2 Explain the role of following Institutions in CSR: **14**
(i) Government
(ii) Different Markets
(iii) Media

OR

Briefly explain:

- (i) Stewardship Theory
- (ii) Transaction cost Theory

Q-3 Explain Triple bottom line concept and its importance in implementing CSR. **14**

OR

Why is measuring corporate social responsibility important? Explain the various ways to measure CSR.

Q-4 A) Explain Green Marketing Mix. How the green marketing is different from traditional marketing. **14**

OR

B) Briefly explain the impact of computer hardware on environment. Also explain the measures adopted by some organizations to reduce its impact to the environment.

Q-5 **CASE STUDY** **14**

A company needs the support of their CEO to develop CSR projects. Starbucks has CEO Howard Schultz, a charismatic leader who has advocated CSR as part of Starbucks' corporate strategy. Schultz's charisma is reflected in the great number of projects that Starbucks is involved in across the world. Schultz makes his employees (partners) a top priority. He believes the employees need to be taken care of with programs, such as the free tuition to Arizona State University.

Under Schultz's leadership, the goal for Starbucks is to develop CSR programs that follow the Triple Bottom Line: Helping People, Saving the Planet, and being Profitable. The logic behind

this business strategy is that once a company like Starbucks makes an ethical decision to help people and the planet, more profits can come from the good work the company is doing. The goal is for Starbucks to generate a win-win-win situation that benefits the company, the communities where they do business, and global populations.

This goal is clear in Starbucks' mission to "inspire and nurture the human spirit - one person, one cup and one neighborhood at a time." As part of that mission, Starbucks strives to incorporate certain principles in their daily actions and larger plans. They promise respect, dignity, human connections, a sense of belonging, and responsibility. Furthermore, they note that with respect to their shareholders: "We know that as we deliver in each of these areas, we enjoy the kind of success that rewards our shareholders. We are fully accountable to get each of these elements right so that Starbucks - and everyone it touches - can endure and thrive."

Starbucks' latest CSR projects draw on its mission and its promise of responsibility: "At Starbucks, we have always believed in the importance of building a great, enduring company that strikes a balance between profitability and a social conscience." Some of the initiatives might be considered a win for the company (its brand and its profits), others a win for customers, and others a win for the planet. Examples of 7 CSR projects are:

1. As part of Starbucks "Race Together" campaign, a meeting was held with managers and employees to discuss experiences with racism. These talks were in response to the police shootings in Ferguson, MO. Starbucks also plans to open 15 new stores near Ferguson in primarily low income and predominantly minority areas.
2. Starbucks has a goal of hiring 10,000 military veterans.
3. The Schultz Family Foundation trained 700 disadvantaged young people for jobs in retail or customer service.
4. Part- and full-time benefits eligible U.S. employees have the opportunity to receive 100% tuition coverage to earn a bachelor's degree. Employees may choose from nearly 50 undergraduate degree programs through Arizona State University online program.
5. Starbucks has invested more than \$70 million in collaborative farmer programs and activities. These activities include farmer support centers, farmer loans and forest carbon projects.
6. Starbucks offers coffee, tea, and cocoa that are ethically purchased and responsibly produced products. For example, purchasing cocoa is also based on a commitment to ensuring a long-term supply of high-quality, ethically sourced cocoa while contributing positively to the environment and to cocoa-farming communities.
7. The Cocoa Practices program seeks to verify the supply chain for the cocoa beans used in Starbucks beverages. Inspections are performed by independent verifiers. The Cocoa Practices program is designed to understand the supply chain for cocoa beans and provide valuable sustainability information to producers and purchasers alike.

Economic value of CSR:

Determining the economic and financial profit derived from a stakeholder view of CSR is not an easy task. Starbucks reported minimal financial data in their 2014 Social Responsibility Report. The Report described how they invested \$3 million in loans to farmers through their Root Capital program. They expected to increase that amount to \$20 million in 2015. The Report also showed

that Starbucks saved 28% of their retail water bill in their stores by working with the U.S. Green Building Council and adhering to their LEED (Leadership in Energy & Environmental Design) program. The green building certification program recognizes best-in-class building strategies and practices. Starbucks also tries to reduce their energy bill by purchasing renewable energy. Beyond these initiatives, Starbucks also encourages customers to use reusable tumblers instead of disposable cups to save money and reduce waste. Unfortunately, customers have not responded as well as Starbucks would hope, with the majority of customers choosing to use a new cup for their drink purchases. The 2014 Social Responsibility Report also notes The Starbucks Foundation is a separate charitable organization that gave \$13.1 million in 2014, making 144 grants to nonprofit organizations. For example, \$12 million dollars was provided by customers and the fund to help fight HIV/AIDS in Africa.

CSR as competitive advantage

Starbucks has certainly learned to use CSR as a competitive advantage. It is hard for competitors such as Dunkin Donuts to copy Starbucks' CSR program. At this point Starbucks CSR program is aligned with their branding as a company of high moral values. Thus, Starbucks can use their competitive advantage (a strong CSR program) to differentiate their company from their competitors - which should increase their profits.

According to the consulting firm, EPG, the largest firms in America and Britain together spend an estimated \$15 billion a year on CSR. Value could be added on three fronts: "First, consumers may take CSR spending as a 'signal' that a company's products are of high quality. Second, customers may be willing to buy a company's products as an indirect way to donate to the good causes it helps. And third, through a more diffuse 'halo effect,' whereby its good deeds earn it greater consideration from consumers and others". However, a recent study found that not all CSR projects have an equal effect on customers. The study found that employee and community relations had a much bigger impact than promoting diversity or being environmentally friendly. If the research is correct, Starbucks efforts to help reduce tension in Ferguson, Missouri, by holding community events could be expected to have a bigger impact than an environmentally friendly program.

Trouble with Race Together Program

Starbucks has a positive history of starting CSR programs that are successful. However, the Race Together campaign came under fire in 2015. The campaign involved customers and employees sharing a positive moment on race relationship (or relationship among different ethnic groups of people) and writing "Race Together" on a coffee cup. Unfortunately, mixing the purchase of a coffee with a social issue such as race did not go over as well as Schultz expected. The problem appeared to be that customers did not want to talk about their racial views in public. Although Starbucks and Schultz had good intentions of helping customers and communities, the Race Together program has not served to support the triple bottom line. It might be wiser to cancel the program and be proud of it as an effort to start a dialog on racial relations. It was an ambitious program that showcases Schultz's commitment to CSR and an indication of the lengths Starbucks is willing to go to incorporate enterprising CSR programs in its corporate strategy.

- 1) What are the main goals (or objectives) of CSR projects of Starbucks?
 - 2) Identify one CSR project (from the latest 7 CSR projects of Starbucks) which should be the most effective projects to generate net profit in the future for Starbucks. Also, clearly Explain how the project could increase profit of Starbucks.
 - 3) Do you agree with the CSR study that found employee and community relations had a much bigger impact than promoting diversity or being environmentally friendly? Briefly explain your answer.
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