Collaborating with Activists:
HOW STARBUCKS WORKS WITH NGOs

Paul A. Argenti

Starbucks CEO Orin Smith was in for an unpleasant surprise at his company’s annual shareholders meeting in February 2000. The meeting had always been a fun, all-day affair during which shareholders from around the country gathered to celebrate the company’s success. That year, however, Smith and other senior Starbucks executives heard complaints from Global Exchange, a non-governmental organization (NGO) focused on human rights. Dedicated to promoting environmental, political, and social justice around the world, Global Exchange criticized Starbucks for profiting at the coffee farmer’s expense by paying low prices and not buying “Fair Trade” coffee beans. Not only did the activists disrupt the company’s annual meeting, but they also threatened a national boycott of Starbucks if the company refused to sell and promote Fair Trade coffee. Although Smith strongly disagreed with the activists’ use of his company’s shareholders meeting as a public forum, he knew Starbucks would likely face serious reprisals if it did not address the issues raised by Global Exchange and a growing list of other NGOs around the world.

This article, written in cooperation with executives from Starbucks, analyzes the company’s ultimate decision to sell Fair Trade coffee and subsequently work with other NGOs to ensure that small farmers receive a living wage, in an effort to live up to the standards Starbucks set for itself in the area of social responsibility.1

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The Changing Environment for Corporations and NGOs

In the United States and Europe, distrust in corporations is at an all-time high. Fueled by accounting scandals, exorbitant CEO compensation packages, and concerns that globalization contributes to ever-widening income disparities and the homogenization of cultures, public attitudes toward business have been in a downward spiral since the late 1960s.

Over a thirty-year period, the marketing consulting firm Yankelovich asked American citizens to answer this question: “Does business strike a fair balance between profit and the public interest?” In 1968, 70 percent of the population answered “yes.” By 1976, that number had dropped to 15 percent due to the first wave of activism by anti-war protesters and emerging NGOs. At the end of the 20th century, one of the most prosperous periods in American history, the number of those answering positively remained at only 28 percent. Although Yankelovich no longer conducts this survey, other surveys suggest that public sentiment toward business has only gotten worse in the last few years.2

NGOs into the “Trust-Void”

While corporations have certainly acted in ways that have contributed to negative attitudes about business, these acts, in their own right, would not have been sufficient to cause corporations the kinds of problems in which many of them are embroiled. By using the media and the more egalitarian and pervasive distribution channel for information created by the Internet, NGOs have more powerful tools than ever to threaten corporate reputations. According to one global advocacy group focused on sustainability: “[NGOs] are the moral compass and ethical watchdogs against the forces of government and capitalism that seek to despoil the planet and crush the faceless majority.”3 At the same time, as a result of the general assumption that all NGOs have pure motives, the public takes their statements as fact and rarely asks for the kind of justification demanded of corporations. The results of the “Voice of the People” survey conducted in 47 nations in 2002 by Environics (now GlobeScan) and the Gallup Organization illustrate the gap between the amount of trust people place in NGOs and in corporations. When asked about their trust that various institutions “operate in society’s best interests,” 48 percent and 52 percent of respondents stated they had little to no trust in global corporations or large national companies, respectively. At the same time, only 32 percent of respondents expressed distrust in NGOs. Meanwhile, 59 percent of respondents stated that they had a lot or some trust in NGOs while only 39 and 42 percent trusted global corporations or large national companies. Seemingly, people are predisposed to trust NGOs, viewing both their pure motives and statements about corporations as fact. In fact, most people seem only to question the credibility of an NGO when the NGO has partnered with a corporation that the public views as having suspicious motives.
NGOs evolved to influence governments. However, many now realize that targeting corporations, and key corporate constituents such as investors and customers, can be an even more powerful way to effect change. Simon Heap, of the International NGO Training and Research Centre, argues in his book, *NGOs Engaging with Business: A World of Difference and a Difference to the World*, that as the balance of power shifted from governments to multinational corporations, NGOs had no choice but to change their approach to social problems. In some ways, these two agents—corporations and NGOs—now control much of the agenda formerly dictated by governments. Peter Sutherland, Chairman of both Goldman Sachs and BP, states, “The only organizations now capable of global thought and action—the ones who will conduct the most important dialogues of the 21st century—are the multinational corporations and the NGOs.”

Given the public’s broad-based disillusionment with business, it is not surprising that NGOs have gained power and credibility in recent years. As reported in a recent poll by Edelman Worldwide, an international public relations firm:

- NGOs have moved quickly into the “trust-void” and have taken advantage of the downward spiral in public perceptions of government, media, [and] corporations . . . “thought-leaders” are two to three times as likely to trust an NGO to do what is right compared to large companies because they are seen as being motivated by morals rather than just profit.

The same study revealed that trust in NGOs in the United States is approaching parity with business and government. Jonathan Wootliff, Managing Director of Edelman’s Stakeholder Strategies unit in Brussels and New York, states: “It is clear that NGOs can demand a seat at the table, without resorting to the street.”

In addition, the anti-war movement that formed against the war in Iraq in the spring of 2003 created an opportunity for NGOs to reposition themselves on college campuses along with other traditional activists. According to Peter Verrengia, Regional President and Senior Partner at Fleishman-Hillard International Communications, “The coalition between anti-globalization interests and other NGOs appears to have reintroduced itself through the more politically legitimate anti-war movement, under the opposition to “war for oil” theme.”

Another hypothesis that may explain the rise of NGOs, the numbers of which have nearly quadrupled in the past decade, is institutional organization theory, which posits that public expectations of corporations evolve with changes in the social environment. Arnold and Handelman’s research on institutional organization theory argues that organizations’ actions fall into two categories: *performative actions* (such as assortment of merchandise, competitive prices, and convenient locations in the retail industry) and *institutional actions* that demonstrate the company’s adherence to unwritten social rules (such as donating to charity). Both performative actions and institutional actions interact to contribute to the legitimacy of an organization. Arnold and Handelman found, though, that institutional orientation may take precedence over performative actions because negative institutional actions harmed the performance
of even high-performative firms and low-performative firms with high-institutional orientations could outperform high-performative firms. Finally, the authors note that activists can raise the minimum standard to which customers hold organizations through activities such as boycotts. Thus, if society regards businesses with increasing suspicion and expects them to help solve social ills, NGOs may have found their natural role in helping place pressure on organizations to increase their institutional orientation to meet societal expectations.

The Category Killers

NGOs are in the unique position to be focused on single, specific issues—“category killers” in a debate with individual corporations. Deri and Wootliff shed light on NGOs’ emerging role as category killers.12 “Category killer” refers to the ability of an NGO to focus on one issue at a time just as some retailers are able to beat competitors with multiple products by only selling one kind of product and, thus, gaining a competitive advantage. One reason NGOs have gained so much power is their ability to focus singularly on their agenda and to cultivate sophisticated communication mechanisms to instigate change. Meanwhile, the agendas of the corporations that NGOs target span multiple issues across multiple constituencies.

Not only are NGO communications usually far more sophisticated than what corporations produce, they are also more interesting and more likely to receive positive media attention. NGOs can act with a swiftness that their more bureaucratic corporate counterparts often cannot. Wootliff, who served as public relations director for Greenpeace before joining Edelman, puts it this way: “The advantage, when I was working at Greenpeace, running a communications department, is that we could put out press releases pretty damn quick [sic]. We found that corporations would take days. I knew this from having worked in the corporate world before . . . they had to go through lawyers and the legal and the legislative departments.”13

Along with their ability to focus, gain attention, and act quickly is the high level of credibility NGOs have cultivated with many constituencies. In recent surveys released by SustainAbility, a UK-based international consulting firm that has been studying the relationship between business and society for over a decade, NGOs scored much higher than corporations, governments, and the media across a wide variety of issues including the environment, human rights, and health.14 This credibility stems in part from their emotional, rather than fact-based, appeals and the impassioned nature of their arguments. As stated in the same global advocates report cited earlier: “They [NGOs] know that ‘perception is reality,’ that emotion is a more powerful motivator than fact and reason, and that feelings are more compelling than thought. Finally, they abide by the rule that the end justifies the means.”15 NGOs are also typically better at building coalitions than are corporations, enabling them to gain allies for their “selfless crusades” against what they portray as corporate greed.16
Assessing the NGO Threat

Although many NGOs may be advocates for the same cause, they are by no means created equal, nor do they operate in the same way. Depending on the organization involved and the target of their concern, NGOs play different roles at different times and use a variety of tactics, from violent protests to collaboration, to enforce their messages. NGOs’ approaches to social issues—and therefore the threats they pose to big business—differ greatly based on their philosophies and historical practices. Therefore, their threats carry varying levels of credibility.

In their recently published report: The 21st Century NGO In the Market for Change, SustainAbility, Global Compact, and the United Nations Environment Programme offer a framework to categorize NGOs by the following five approaches used to threaten corporations.17

Developing Campaigns Against Business—These campaigns, such as Greenpeace’s attack on Shell following the company’s decision to dump the Brent Spar oil rig in the ocean in the 1990s, typically focus on a single issue, target companies with successful and well-known brands such as McDonald’s and Nike, and are augmented by market trends such as the homogenization created by chains like Wal-Mart and Starbucks. NGOs now realize that anti-corporate campaigns can be far more powerful than anti-government campaigns. As one activist put it: “[Focusing on brands] was like discovering gunpowder for environmentalists.”18 Global Exchange’s attack on Nike for sweatshop labor conditions in the 1990s was one of the most highly publicized and also one of the most successful anti-business campaigns in recent years.

Attempting to Build Market Intelligence—NGOs who focus on building market intelligence appear to have developed a more sophisticated understanding of the value chain, key business drivers, and market behavior. They tend to target key constituencies as they try to change how business acts. For example, People and Planet, a student activist group focused on the employee constituency, recently infiltrated a series of job fairs run by ExxonMobil in an attempt to convince potential employees that joining the company was a bad idea.19 Likewise, NGOs trying to stop Monsanto from marketing genetically modified products in Europe have focused on supermarkets supplying the end product to consumers.

Engaging Businesses—Many NGOs have discovered that the best way of leveraging corporate and market change is to get directly involved. As Randall Hayes, founder of the Rainforest Action Network has said: “If you [as an NGO] are not talking to business, you are just preaching to the choir. The real change to protect the environment is going to come from the business sector; we can’t depend on government regulation to solve our problems.”20 Working with McDonalds in the early 1990s, the Environmental Defense Fund (EDF) was able to convince the fast-food giant to change from plastic, foam packaging to paper through a collaborative effort with the company.21
Strive to Make Market Mechanisms More Intelligent—Most interactions between NGOs and corporations listed so far have been at the level of individual companies. The fourth strategy focuses instead on trying to change the entire market. As the late Professor Donella Meadows of Dartmouth College said about confronting the WTO: “This is a huge system! We’re cranking the system in the wrong direction and the control measures are puny!” The point she was making is that NGOs need to operate higher up in the organizations they target to be most effective. An example of an effective use of this strategy has been in the development of certification standards for industries such as the forest products industry in the Pacific Northwest influenced by a group of NGOs addressing environmental and social concerns.

Disrupting Markets—Major market changes are atypical in most developed markets in the short term, but some markets are disrupted over time as a result of changing attitudes. As an example, the market for tobacco has changed dramatically over the last forty years. A coalition of NGOs led by Friends of the Earth International is currently attempting to apply lessons learned in tobacco litigation to a variety of other industries to deal with issues such as obesity and climate change.

NGOs’ standard responses, usually reflective of their underlying philosophies, dictate the kind of relationships they develop with businesses. These relationships can be categorized by the degree of intended disruption (e.g., confrontation versus collaboration) and the level of discrimination between targets (e.g., focused on one versus a number of companies). For the purposes of this study, we focus primarily on two types of NGOs—both of which are more discriminating in identifying targets. The first type uses a more antagonistic approach and rarely compromises, and the second attempts to integrate its activities into a corporation’s work. The more collaborative organizations tend to have a greater capacity to learn, adapt strategies easily, are creative, and tend to fend off more aggressive NGOs focused on disruption.

Starbucks and Global Exchange: The Battle over Fair Trade Coffee

Starbucks began working with NGOs in 1996, and the company’s relationships with various NGOs illustrate both the spectrum of business responses to NGOs and the changing NGO landscape. Though Starbucks has been the recipient of numerous accolades for social responsibility, the company’s visibility in the marketplace makes it a target for NGOs, the media, and consumers. As noted, Global Exchange first focused its spotlight on Starbucks in 2000, criticizing it for not buying Fair Trade coffee. Since its initial dealings with Global Exchange, Starbucks has taken innovative steps to work collaboratively with NGOs to create social change.

Overview of the Coffee Industry

An examination of the coffee industry and some of the market factors that contributed to the increasing emphasis on Fair Trade Certified coffee helps
to put Global Exchange’s attack on Starbucks in context. By 2000, coffee was
the second most traded commodity on worldwide markets after oil and an
$80 billion industry. The coffee market is fragmented, with many layers between
coffee bean producers and the end-consumer. For example, in 2001, between 50
and 70 percent of global coffee came from small-scale farms, which usually do
not own the mills necessary to process the product. Some small farms operate
as part of cooperatives that collectively own mills, but not all small-scale farmers
have this as an option. Often, mills are owned and operated by large farms, and
small farmers have little leverage when negotiating prices. As a result, small
farmers commonly accept a considerably lower price just to get their coffee to
market.

Small producers often have difficulties financing their operations
throughout the year and sell their crop prior to harvest for a cash advance to
middlemen, known as “coyotes.” These middlemen provide small farmers with
credit at high interest rates in exchange for bringing their beans to market. As a
result, small-scale farmers are often caught in a perpetual cycle of poverty: low
production levels limit their access to cash which, in turn, hinders the potential
for increasing output.

Like any other commodity product, coffee prices depend greatly on supply and demand. The cyclical nature of the coffee market also does not favor small farmers, who are forced out during times of overproduction. When subsequent coffee shortages encourage small farmers to reenter the industry, by the
time the trees are ready for harvest, supply and demand levels have inevitably
returned to equilibrium resulting in overproduction of beans once again.

By 2000, coffee prices had reached the lowest levels they had experienced
in more than 50 years as a result of oversupply. In 1998, the composite coffee
price was over $1 per pound, but by the following year, it had dropped to less
than 86 cents. In 2000, it had fallen to just over 64 cents per pound, and over-
supply was expected to continue for the next five years. Also, the percentage
of the coffee price that ended up in the hands of the farmers was usually very
low due to the many layers between farmer and consumer, particularly the coffee “coyotes.” In the long term, the hope of coffee prices rising was dim.

Because Starbucks focused heavily on the quality of its coffee beans, the
company paid an average of $1.20 per pound—well above the market price—in
2000. Starbucks, however, is much more than just a premium coffee retailer;
Starbucks has also been committed to social responsibility since its founding.

**Starbucks and Social Responsibility**

Starbucks is known as a company that puts “people first and profits
last.” In fact, the number one principle in Starbucks’ mission statement, which
guides all of the company’s business decisions, is to “provide a great work envi-
ronment and treat each other with respect and dignity.”

Howard Schultz, who purchased Starbucks from its founders in 1987 and
was Chairman and Chief Global Strategist in 2000, managed the business by his
philosophy that if you “treat people like family . . . they will be loyal and give
their all." In return for the company’s good treatment of its partners
(Starbucks’ term for employees), Starbucks had a turnover rate of just 60 per-
cent in 2000, compared to the restaurant industry average of 220 percent. Furthermore, 82 percent of partners claimed to be “very satisfied” and 15 percent as “satisfied” with their jobs when asked by outside audit agencies.

Just as treating partners well is one of the pillars of Starbucks’ culture, so is contributing positively to the communities it serves and to the environment. Starbucks made this commitment not only because it was the right thing to do, but also because its workforce was aware and concerned with social and envi-
ronmental issues. For example, on the community-level, Starbucks store man-
gers have discretion to donate to local causes and provide coffee for local fund-raisers. Another example at the corporate level is Starbucks’ annual donation to the Starbucks Foundation, which Howard Schultz created to advance childhood literacy, using the advance and on-going royalties from his book, Pour Your Heart Into It.

To support coffee-producing countries, Starbucks contributes to CARE, a worldwide relief and development foundation, specifying that its support go to coffee producing nations. By 2001, Starbucks had contributed more than $1.8 million to CARE. In 1998, Starbucks began a partnership with Conservation International, a nonprofit organization that promotes biodiversity in coffee-growing regions, to support producers of shade-grown coffee, which protects the environment. The partnership, focused on the coffee cooperatives in Chia-
pas, Mexico, benefited both the environment and the Mexican farmers. Shade acreage increased by 220 percent while farmers received a price premium of 65 percent above the market price and increased exports by 50 percent.
Throughout the 1990s, Starbucks continued to institutionalize its commitment to social and environmental responsibility. In 1992, the company developed an environmental mission statement to articulate more clearly how it interacts with the environment. Starbucks hired Sue Mecklenburg in 1994 as the first Director of Environmental Affairs, where she was given the task of developing environmentally responsible corporate policies and minimizing the company’s environmental “footprint.” At the end of 1999, Starbucks created a Corporate Social Responsibility department and named Dave Olsen, a well-respected, long-time Starbucks employee, as the department’s first Senior Vice President for Corporate Social Responsibility.

**Global Exchange and Fair Trade Coffee**

Starbucks’ commitment to social responsibility did not go unnoticed. In 2000, the company was listed 46th on the list of “100 Best Corporate Citizens” by Business Ethics. The same year, Starbucks was also 88th on Fortune’s list of the “100 Best Companies to Work For.” However, despite these endorsements, Global Exchange launched a grassroots campaign directed toward Starbucks in early 2000.

Global Exchange, as the popular leader of the “corporate accountability” movement, primarily targets companies that move their assets toward the cheapest labor sources to maximize profits. Supporters of this movement claim that corporations have helped widen the divide between the world’s rich and poor. One of the primary issues on which Global Exchange focuses its efforts is fair trade.

The concept of fair trade began after World War II as church–affiliated, non-profit organizations purchased handmade products for resale from European producers. Fair trade is an economic model based on fair labor compensation and mutual respect between producers and consumers. By the late 1990s, the fair trade movement had gained a foothold in the United States, and in early 1999, TransFair USA, a third-party licensing organization, launched its Fair Trade Certified coffee label. According to TransFair USA, the impact for United States consumers is minimal since the premium they pay equals only 92 cents per roasted pound of coffee, which translates into just pennies per cup of brewed coffee. That summer, Global Exchange began a campaign to educate consumers and the media about labor conditions in the coffee industry, focusing on getting the message out to specialty coffee consumers.

Global Exchange’s fair trade campaign originally did not have a corporate angle. While activists were successful in educating pockets of consumers, the organization’s leaders soon realized that they could increase consumer awareness by directing blame for the farmers’ woes and linking poor labor conditions to a company’s core product. Global Exchange decided to take an anti-corporation approach to this issue and focused its attention on the most visible brand in specialty coffee: Starbucks.

Starbucks met several of Global Exchange’s criteria for a target company. It was a large company that could make a big difference in the Fair Trade coffee
industry. Also, Starbucks was based in the United States, making it an easier target for Global Exchange, which uses tactics such as demonstrations in front of retail locations and attendance at shareholder meetings.47

The strong Starbucks’ brand provided yet another reason to target the company. Interbrand and Business Week magazine ranked Starbucks 88th in its list of “Best Global Brands” in 2000 and also named it the fastest-growing brand. Despite Starbucks’ high visibility and respected brand, the company attracted its share of critics. Starbucks’ critics pointed to “questionable” real estate practices, which they claimed put local establishments out of business and focused on Starbucks as one of the brands responsible for a homogeneous culture.48 As Deborah James, Fair Trade Director at Global Exchange said about its decision to target Starbucks, “It’s the company people love to hate, and it made sense to pick them.”49 Global Exchange not only believed that Starbucks claimed to be socially responsible without backing it up, but the organization was also attracted to Starbucks’ visible national presence through its ubiquitous retail locations. Those very stores provided Global Exchange with places to gather for rallies and demonstrations.50

Sue Mecklenburg, now Vice President for Business Practices at Starbucks, characterized Global Exchange’s targeting of Starbucks as an attempt to pick “low hanging fruit.” Because roasters and retailers of the specialty coffee industry were already accustomed to paying a premium for their coffee, they were perceived as more likely to agree to purchase Fair Trade coffee. In addition, Starbucks’ retail locations provided Global Exchange an ideal venue for demonstrations, unlike Starbucks’ mass-marketed counterparts who sold their products in

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**Definition of Fair Trade Coffee**

TransFair USA defines Fair Trade coffee according to five basic guidelines:

* A *Fair Price*: Producer cooperatives are guaranteed a fair price (a floor price of $1.26 per pound for regular coffee and $1.41 for certified organic coffee or 5 cents above the prevailing market price).

* Democratic Organization*: Producers must belong to cooperatives or associations that are transparent and democratically controlled by their members.

* Direct Trade and Long-Term Relationships*: Importers must purchase coffee directly from Fair Trade certified producers and agree to establish long-term and stable relationships.

* Access to Credit*: When requested by producers, importers must provide pre-harvest financing or credit (up to 60% of each order).

* Environmental Protection*: Producers must implement integrated crop management and environmental protection plans. Through price incentives, producers are encouraged to work toward organic production.

Source: <www.transfairusa.org/content/works/wrk_index.jsp>
supermarkets where there was no visible platform to target the brands. Demonstrations at Starbucks’ stores could disrupt the flow of operations and create an embarrassing situation for the company.51

Nonetheless, Global Exchange’s campaign took Starbucks by surprise. In November 1999, Paul Rice, a representative of TransFair USA, pitched Fair Trade coffee to Starbucks representatives. Rice seemed cautiously optimistic after these meetings. “I didn’t have any expectation that they would sign up immediately,” Rice said. “They had concerns and I knew it would take a couple of months to address them.”52 However, in February 2000, Global Exchange decided to turn up the heat on Starbucks, hosting its first protest in front of a Starbucks in downtown San Francisco the day after a local television station aired the first of a two-part segment on child labor in Guatemalan coffee farms. “Our hope was to generate media attention, and we did. That night the local station introduced the second segment with a clip on our demonstration,” explained Deborah James.53

A few days later, James attended the Starbucks’ annual shareholders meeting with other Global Exchange employees, including Medea Benjamin, who had led Global Exchange’s campaign against Nike. During the open forum portion of the meeting, Benjamin took the microphone and asked why Starbucks wouldn’t offer Fair Trade coffee. As James describes it, “Things got heated and we were physically removed from the meeting. However, we met with Sue Mecklenburg afterwards and explained our demands. If Starbucks didn’t offer Fair Trade coffee in all of its United States stores, we would conduct a nationwide campaign.”54 Global Exchange threatened to launch its anti-Starbucks campaign in mid-April of 2000, during its planned anti-globalization rallies scheduled for Washington, D.C., during the IMF and World Bank meetings. “We felt that they weren’t moving fast enough. . . . We believed this was the way to get the CEO to buy into Fair Trade coffee,” said James.55

**Addressing the Global Exchange Threat: Evaluating Starbucks’ Alternatives**

In the face of Global Exchange’s threat, Starbucks had to assess the NGO’s credibility, then evaluate the potential ramifications of this threat to the company, and, finally, consider how to respond.

As evidenced in Global Exchange’s campaign against Nike, this NGO had established a reputation for successfully executing unrelenting, aggressive, and damaging campaigns that ended in the targeted company’s capitulation to its demands. Starbucks understood that Global Exchange posed a credible threat and would pursue its campaign until Starbucks relented.

Starbucks struggled with how to integrate Fair Trade Certified coffee, while remaining focused on its strategy to offer high-quality coffee at a premium price as well as its mission to be socially responsible. According to Starbucks executives, their chief concern with Fair Trade coffee was finding top quality beans from cooperatives that had not demonstrated an ability to produce beans
to Starbucks’ quality standards. In this case, Starbucks’ need for access to high-quality coffee conflicted with its pride in being a socially responsible company. Treating partners (employees), customers, suppliers, and communities with dignity and respect was essential to the company. Starbucks’ reputation for both quality coffee and social responsibility was on the line.

In their recent *California Management Review* article “The Power of Activism: Assessing the Impact of NGOs on Global Business,” Debora Spar and Lane La Mure suggest that businesses base their responses to NGO threats on how those threats would affect the company’s transaction costs, brand, and competitive positioning. Applying these criteria to Starbucks, since the company already paid $1.20 per pound on average (vs. the $1.26 stipulated under Fair Trade), the additional six cents per pound was not prohibitive. However, Starbucks would have to incur the cost of identifying new suppliers and the possible disruption of its business operations if deliveries did not meet expectations, which could result in significantly higher transaction costs.

The threat to Starbucks’ brand and competitive position also appeared daunting. Starbucks was concerned that the quality of Fair Trade coffee that Starbucks was able to source could turn out to be very different from the rest of its 30 whole-bean coffee line. “Honestly, we didn’t want to put our brand at risk,” said Tom Ehlers, Vice President of the Whole Bean department. “This was an uncharted category and, as marketers, we were concerned about endorsing a product that didn’t meet our quality standards.” If Starbucks were forced out of the high quality niche, its competitive position would erode, opening it up to competitive threats from smaller players, such as Peet’s Coffee, which were small enough to escape Global Exchange’s notice. In addition, claims of human rights violations would smear the company’s reputation and therefore damage its brand.

An analysis using Spar and La Mure’s criteria of transaction costs, brand, and competitive positioning thus appears to point to a strategy of capitulation. However, this analysis does not consider the full ramifications of Global Exchange’s threat. The threat goes deeper, with the potential to affect some of Starbucks’ most important constituents, jeopardizing the company’s reputation, mission, and business model. Recognizing this, Starbucks took a broader perspective and evaluated the threat not just as a financial issue, but as a communication issue that would affect multiple constituents in different ways.

Starbucks was battling a “category killer” that used communication as a powerful weapon. To fight this threat successfully, Starbucks had to evaluate its response within a communication framework focused on its constituents. To maintain its success, Starbucks had to develop a response to Global Exchange’s threat that was consistent with the company’s mission, strategy, and reputation, and effectively communicate it to all of its constituencies.

*Partners (Employees)—* Starbucks’ partners chose to work for a company with strong values because many were concerned about corporate social responsibility. Maintaining both high partner morale and customer service was essential to Starbucks’ continued success. If Global Exchange
executed a successful campaign against Starbucks, partners could lose faith in the integrity and values of their company. Alternatively, Starbucks recognized that its partners would likely embrace the move to sell Fair Trade coffee as yet another sign of caring for its communities.

Customers—Customers flocked to Starbucks for high-quality coffee, the experience, and convenience. Nationwide protests could, at a minimum, damage Starbucks’ image as a socially responsible company or, at an extreme, disrupt business operations and make it physically difficult for customers to access Starbucks’ stores. On the other hand, Starbucks did attract a socially responsible following and would serve Fair Trade coffee if there was a market for it. The extent of customer demand for Fair Trade coffee was unknown, however, and time was of the essence as Global Exchange’s deadline was approaching.

Suppliers—In weighing the Fair Trade coffee issue, Mary Williams, Senior Vice President of Coffee at the time, had concerns with how the farmers she worked with would react when they discovered that other farmers received the same price without being held to the Starbucks quality standards. As Williams explained,

“The relationships I have with farmers were built over the last 20 years. It’s taken some of them years before I would use their beans consistently and pay them $1.25 or more. Now I was being asked to use another farmer who I didn’t know and pay him the same price without the same quality standards?”

Community—In addition to sustaining and growing its business, Starbucks supported causes “in both the communities where Starbucks stores were located and the countries where Starbucks coffee was grown.” The Fair Trade coffee decision had implications for both. Starbucks firmly believed that when it opened a store, the company added value to that community because the store “becomes an instant gathering spot, a Third Place that draws people together.” As each Starbucks store drew most of its business from the surrounding neighborhood, maintaining local community support was essential to Starbucks’ success. With respect to producing countries, in addition to fiscal and social aid, Starbucks’ coffee bean purchases supported coffee communities. Switching suppliers could cause Starbucks to drop some existing suppliers, thereby causing economic and social disruption.

Shareholders—While Starbucks placed “people over profits,” shareholders were still an extremely important constituency group. The company’s ability to differentiate a commodity product through quality, image, and social responsibility allowed the company to profit. The Starbucks brand itself was a key driver of the company’s profitability. To maintain that profitability, Starbucks had to ensure uninterrupted business operations and also protect its brand. The Whole Bean Department would face several challenges in introducing Fair Trade coffee to 3,200 stores in the United States at that time. First, it would have to develop a marketing strategy for Fair Trade coffee. “A lot of our business is about the romance
of coffee—where it comes from and how to make it come alive for the customer. We weren’t really sure where Fair Trade beans would be coming from,” explained Tim Kern, Whole Bean product manager. Besides confirming the marketing message and being able to communicate it effectively to both employees and customers, Kern wasn’t sure Starbucks could change its product offerings as quickly as outsiders thought the company could.

*The Media*—Starbucks also had to consider the media, who typically endorsed the NGOs’ campaigns and gave them prominent coverage. The media almost inevitably cast the activists as the “good guys” working for human rights, while villainizing big business. Causes involving Starbucks in particular always garnered the media’s attention. Starbucks realized the media would quickly pick up on Global Exchange’s campaign and reinforce its message nationally, which could further tarnish the company’s reputation.

Starbucks’ decision came down to priorities. On one hand was the company’s mission to be socially responsible; on the other was its desire to sell high-quality coffee. The company did not want to sacrifice either objective, nor did it want to alienate any of its constituents. Sourcing requirements did not allow the company to immediately provide Fair Trade coffee. Global Exchange, however, was unwilling to compromise on its demands and claimed not to understand the business impediments Starbucks faced in meeting them. Time had run out.

**Starbucks’ Decision:**
**Good Faith Effort or “Too Little, Too Late”?**

Starbucks faced a spectrum of possible responses to Global Exchange’s demands, ranging from ignoring the NGO, to fighting back, to capitulation. Based on precedent, Starbucks knew Global Exchange was tenacious and would not disappear if the company pursued the first option. While Starbucks could fight Global Exchange on the Fair Trade coffee issue, it could not always know whether the farmers got their fair share of the high prices. However, capitulation had its drawbacks as well. Starbucks was concerned that if it succumbed to one NGO’s pressure, it could be perceived as an “easy target” for activist campaigns by other NGOs.

Ultimately, Starbucks CEO Orin Smith pursued a middle ground alternative between fighting back against Global Exchange and completely capitulating to the NGO’s demands. To appease Global Exchange, Starbucks agreed to sell Fair Trade coffee in its domestic company-owned stores, with the understanding that they would reevaluate the decision in a year and decide whether to continue serving Fair Trade coffee. This compromise put Starbucks in a good position. In the short term, the decision reduced the likelihood of Global Exchange conducting a national campaign and allowed Starbucks to maintain its reputation both for selling high-quality coffee and for social responsibility with all its
constituencies. While this “good faith effort” to work with TransFair USA to meet Global Exchange’s demands did not solve all of Starbucks’ problems, this decision bought the company more time to assess the consumer demand for Fair Trade coffee while providing an opportunity to explore how Fair Trade coffee would fit with its sourcing strategies.

**Developments Since the Fair Trade Decision**

Global Exchange’s campaign against Starbucks elevated the role of social responsibility—especially regarding living conditions for coffee farmers—even higher on Starbucks’ agenda, raising internal awareness and driving the company’s commitment to rapid progress on the issue. Not only did Starbucks actively pursue and evaluate the Fair Trade model, but the company also has continued to expand its social responsibility programs and explored several alternatives to Fair Trade in an effort to reach the same goal: improved livelihoods for the small farmer.

Now the largest roaster and retailer of certified Fair Trade coffee in the United States, Starbucks has increased Fair Trade purchases from its initial 653,000 pounds in 2001 to 1.1 million pounds in 2003. Yet Starbucks’ customer demand for Fair Trade coffee has been virtually flat. Broader trends also suggest that consumer demand for Fair Trade coffee is low, as evidenced by the huge supply-demand imbalance in the Fair Trade market and the relatively low consumer demand in Europe, despite higher consumer awareness abroad than in the United States. According to TransFair USA, Fair Trade coffee suppliers produced over 235 million pounds of coffee in 2002, but only 32 million pounds were actually sold as Fair Trade.63

Starbucks has continued to increase its purchases of Fair Trade coffee, but the company has found, in keeping with its original concerns, that many Fair Trade certified co-ops do not have the volume or consistency of quality that Starbucks requires. Additionally, a number of Starbucks’ large suppliers cannot become certified Fair Trade coffee producers due to their size. Finally, the current Fair Trade system neither provides Starbucks with sufficient economic transparency nor does it have well-defined environmental criteria or relevant social standards to help ensure the sustainability of Starbucks suppliers.

While Fair Trade may be the only option available to Global Exchange or smaller companies, Starbucks’ size and leverage enables it to pursue other options to address the sustainability of coffee producers. Believing that Fair Trade was not the most effective way for the company to help farmers, Starbucks has embarked on other initiatives to increase stability and predictability at the producer level. Initiatives include purchasing green coffee at outright prices (independent of the market prices), creating direct relationships where possible, and implementing long-term contracts with suppliers.

Before TransFair USA’s launch in the U.S., Starbucks had entered into an agreement with Conservation International to develop coffee sourcing guidelines that would provide increased transparency for Starbucks related to its
coffee purchases and incentives for producers to grow coffee more sustainably. Starbucks’ goal is to be able to trace the flow of money to ensure that producers are earning enough to stay in business and earn a living wage. While certified Fair Trade coffee may only represent one percent of its total purchases, Starbucks’ efforts will affect a much broader supplier base.

In addition, the company has continued to receive numerous accolades and awards for social responsibility, including the first annual Humanitarian Award by the Coffee Quality Institute (May 2002) and the 2002 World Summit Business Award for Sustainable Development Partnerships for its collaboration with Conservation International. Starbucks was included in the 2002-2003 Dow Jones Sustainability Index and has ascended rapidly in the social responsibility polls: in Fortune’s “100 Best Companies to Work For,” Starbucks climbed from 88th in 2000 to 47th in 2003. Likewise, the company rose from 46th in the 2000 “100 Best Corporate Citizens” poll by Business Ethics to 21st in 2002.

Despite all of Starbucks’ achievements, however, including expanding sales of Fair Trade Certified coffee to seventeen countries, Global Exchange, along with other activists, still do not believe the company is responsible enough. While Starbucks’ “quasi-capitulation” on the Fair Trade coffee issue initially removed the company from Global Exchange’s radar, it proved to be a short-term reprieve. Global Exchange has continued to express its disappointment in Starbucks, claiming the company “negotiated in bad faith” because it has not achieved Fair Trade coffee sales of five percent. In addition, Global Exchange now demands that Fair Trade coffee be brewed in its domestic stores once a week instead of once a month, as is the current standard. Global Exchange still encourages consumers to request Fair Trade coffee at Starbucks, stating on its web site, “Until Starbucks lives up to true social and environmental standards, coffee drinkers should instead only give their business to locally-owned, socially responsible companies.”

Other activists have watched Global Exchange’s campaign unfold with great interest, many of them piggybacking on its momentum. Organic Consumers Association (OCA), TransFair USA, and Co-op America have continued the fair trade rally against Starbucks, while other NGOs have raised new complaints against Starbucks, such as reprimanding the company for purchasing milk that may or may not contain recombinant Bovine Growth Hormone. At the March 2003, annual shareholders meeting, activists from NGOs, including Global Exchange, arrived to distribute leaflets, lobby shareholders, and speak out against the company.

Starbucks is not the only corporation that has been such a perpetual NGO target. Other corporations, such as The Gap and Shell, have also been subject to continuous criticism from NGOs despite their attempts to position themselves as socially responsible companies. This continued criticism raises the question: Can a company ever be socially responsible enough? When a company openly sets a mission to be socially responsible, is it just setting itself up to be a NGO target?
Collaboration: The Hard-Earned “Win-Win”

While Global Exchange was uncompromising on its Fair Trade coffee position with Starbucks, not all NGOs take such a hard-line stance. Increasingly, NGOs and businesses are exploring an alternative approach: collaboration. Many organizations have found that, through carefully developed partnerships, each party can move beyond their respective organizational constraints to achieve results that exceed what each can accomplish individually.

A number of factors have caused both businesses and NGOs to consider collaboration. Companies recognize the importance that many of their constituents place on social responsibility and the importance of being better citizens in the communities in which the company operates. More and more, corporations are focusing on the “triple bottom line” (financial, social, and environmental) and recognizing that profits and principles need not be mutually exclusive. The landscape is also changing for NGOs, providing fresh incentives for better relationships with businesses. Many are growing in size and reach and thus need to become more sophisticated. As their visibility increases, NGOs need to concern themselves with matters of reputation and branding. They are being held more accountable for results. In short, NGOs are dealing with many of the operational and strategic issues that corporations historically have faced.

As SustainAbility’s report, The 21st Century NGO, states, “Markets are becoming legitimate channels for social change.” NGO’s are recognizing that harnessing the power of the market, rather than constantly fighting it, can actually lead to positive results. At the same time, businesses should consider that they may reap tangible economic and competitive benefits from sound social and environmental practices. In “Misery Loves Companies: Whither Social Initiatives by Business?” Joshua Margolis of Harvard University and James Walsh of the University of Michigan review the literature researching the link between corporate social performance (CSP) and corporate financial performance (CFP). Margolis and Walsh reviewed 95 empirical studies conducted between 1972 and 2000, finding that the majority indicated a positive relationship between CSP and CFP. The authors question the validity of the data due to concerns including the difficulty of measuring CSP in the face of the myriad definitions for the concept; a sample bias toward large companies; and the inability of researchers to control for the wide variety of other factors in CFP (e.g., industry, company size, and market risk). However, Margolis and Walsh also contend that a variety of indices point to a widespread social movement in business and that further research might better examine “how” to invest in CSP rather than “whether” or “why” to invest, since the trend seems to be in the direction of increasing social responsibility. As businesses and NGOs begin to cross over into each other’s traditional territories, the potential for meaningful partnership looks stronger—entailing risks along with opportunities.

Dealing with Differences and Managing Risks

The path of converging interests, however, is not without its bumps. Much mutual learning still needs to take place between businesses and NGOs.
As Paul Gilding, a former executive director of Greenpeace International and now a consultant to businesses, explained, “When it comes to market transformation, the problem is that NGOs are almost completely ignorant [of] how markets and business work, while business is largely ignorant of how to work with NGOs.”

Inherent tensions exist whenever NGOs and corporations collaborate, partly due to sharply different organizational mindsets and cultures. Corporations need to balance their efforts carefully so that profits do not become a casualty of responsible business practices: rather, they need to find ways to “do well by doing good.”

Collaborative relationships between businesses and NGOs also carry risks that both parties need to understand and manage carefully. NGOs risk reputational damage due to the perception that they are “selling out” by working with business, especially when entering into a financially based relationship. Businesses, for their part, can be accused of “using” NGOs for purposes of self-promotion and attempting to influence constituencies by focusing on emotional issues to accomplish self-serving objectives. Accusations of “greenwashing” can result if clear, measurable outcomes are not defined and the company’s progress on meeting them is not disclosed to its constituencies.

Historically, NGOs have employed more antagonistic tactics to move business further in the direction of social and environmental change. These approaches have yielded results: as companies either capitulated to their demands or preempted them by crafting their own agenda of social responsibility, they have arguably become more responsible global citizens. Perhaps the next wave of business-NGO relations can capture the best of both worlds by striking a balance between collaboration and confrontation. As David F. Murphy of the New Academy of Business explained, “The challenge facing partnering organizations is not to try to resolve paradoxes but rather how to best manage them and learn from the experience. The partners need to acknowledge each other’s differences and work with them and against them simultaneously.”

**Collaboration in Action:**

**Starbucks, Oxfam America, CEPCO, and the Ford Foundation**

Because Starbucks’ primary concerns about Fair Trade coffee related to the company’s ability to maintain quality and consistent sources of coffee, the company sought out ways to find coffee that met its needs while providing farmers with a fair price. To that end, in July of 2002, Starbucks developed a two-year pilot program with a diverse set of partners—Oxfam America, the Oaxacan State Coffee Producers Network (CEPCO), and the Ford Foundation. Oxfam America, a member of Oxfam International, is an NGO dedicated to fighting hunger, poverty, and social injustice around the world. CEPCO is the largest association of small-scale coffee producers in Oaxaca, one of Mexico’s poorest states; its membership includes 16,000 farmers and 44 cooperatives. The Ford Foundation is a private, nonprofit institution that provides grants and loans to organizations that support its goals around democratic values, poverty and
injustice, international cooperation, and human achievement. Starbucks and the Ford Foundation provide financial support for the partnership, each committing $125,000 per year for the two-year pilot project for a total of $500,000.

This collaboration has four overarching goals:

- increase the supply of high-quality Certified Fair Trade coffee for the United States specialty coffee market from small-farmer cooperatives;
- improve the skills of small-scale coffee farmers by providing resources and training to implement and standardize post-harvest quality improvement;
- provide information and support to enable farmers to earn premium prices for their coffee by producing a high-quality product; and
- enable the farmers to disseminate their learnings to other coffee cooperatives.

The partners knew they faced several risks as they began working together. The Ford Foundation wished to avoid the perception that it was providing financial support to a corporation, which is expressly forbidden in its bylaws. Oxfam had never partnered with a corporation and was worried that the NGO community would think it was “selling out” by working with Starbucks. CEPCO was apprehensive about what its participation might imply about the quality of its coffee. Starbucks had initiated the partnership and had prior experience working in partnership with NGOs, but it still had concerns about making the project successful given the number of organizations involved.

While the organizations’ shared concern for the farmers of Oaxaca ultimately prevailed over their fears, even after agreeing to collaborate, they continued to face obstacles with regard to both logistics and mindset. Physical preparation for the program and communications among its partners were often difficult due to the number of partners, the physical distance between them, and the need to communicate both in Spanish and English. The members of the partnership also experienced some organizational challenges. For example, hiring a project manager from outside the cooperative to manage the project was time-consuming and introduced yet another party into the group. Additionally, initial fears regarding external perceptions of the partnership proved to be well-founded: some NGOs, like the Organic Consumers Association, used this partnership to attack the credibility of Oxfam and the Ford Foundation, accusing them of supporting Starbucks’ efforts at “greenwashing.”

Yet as the collaboration progressed, the organizations developed a greater understanding of each other and their respective motivations. In February 2003, Starbucks met with CEPCO in Oaxaca. At this meeting, the two organizations made significant progress in their relationship, getting to know each other and learning about each other’s organizations and aspirations. After the meeting in Oaxaca, Starbucks invited CEPCO leadership to Seattle for a tour of Starbucks roasting plants to learn about the roasting and packaging processes and how exacting Starbucks is with regard to the quality of its coffee. In the roasting facility, CEPCO representatives met two long-time Starbucks partners (employees)—a married couple originally from Mexico who spoke at length about their job
satisfaction, the stock options they had through Starbucks, and the two homes they owned in Seattle and Mexico. The CEPCO representatives were surprised factory workers could be so successful and happy with their jobs. This interaction, while completely unplanned, went a long way toward convincing CEPCO that Starbucks stood behind its claims of treating employees well.

CEPCO representatives have also been pleased with the educational process through which they have been learning more about how to meet Starbucks’ strict quality standards. “It is very interesting to be able to share and to see firsthand what an American (coffee) company is looking for,” said Jaime Hernandez, CEPCO’s trade and sales manager, of a tasting session conducted in June 2003. As part of Starbucks support of the project, the company also provides CEPCO with technical support, such as building and equipping cupping labs and helping purchase an electronic sorter, which enables farmers to become even more successful suppliers of high-quality Fair Trade coffee.

From Starbucks’ perspective, the process of relationship building has been one of the most difficult parts of the partnership, but also the most critical to its success. Through hard work on both sides, Starbucks and Oxfam America have developed greater mutual respect for one another, and Starbucks believes that Oxfam America has a deeper understanding of the corporate perspective and the barriers to change that a corporation like Starbucks can face. At the same time, Oxfam has shared with Starbucks its broader view of human rights.

Starbucks hopes that its new partnership, by demonstrating that NGOs can maintain their integrity and independence while working closely with a corporation, will serve as an example for NGOs that have resisted collaboration and will inspire those NGOs to move beyond “shouting matches” with corporations and toward sharing some of the hard work that goes into creating positive change. Starbucks also hopes that more confrontational NGOs will notice that NGOs and corporations can achieve more when they combine their expertise and the work.

Seven Lessons from the Starbucks Case

Based on our research on this case, we offer the following lessons to managers engaged in activities with NGOs, no matter what the issue or industry:

Lesson 1: Realize that socially responsible companies are likely targets but also attractive candidates for collaboration.

While it may seem counterintuitive, truly socially responsible companies are actually more likely to be attacked by activist NGOs than those that are not, for a variety of reasons. Some NGOs will use a socially responsible company as a platform for its own message. Activists may also hold a company to a higher standard because they may feel that the company is using a socially responsible positioning to enhance its reputation rather than honestly trying to do the right thing. Similarly, NGOs believe companies that are already socially responsible may be more willing to make changes. Our interviews with Global Exchange
suggested that Starbucks was a better target for the fair trade issue because of its emphasis on social responsibility, as opposed to a larger company without a socially responsible bent.

Companies focused on social responsibility should think about which NGOs are most likely to attack and what issues make them most vulnerable. Business should seek out those organizations more interested in collaboration and be proactive in building coalitions and strategic alliances. By closely studying which issues are most likely to be contentious and becoming familiar with the NGOs that address those issues, companies can identify potential partners. Familiarity with the NGO community will enable companies to learn which NGOs are inclined toward collaboration and which take a more confrontational approach. A more proactive approach should also help neutralize attacks from NGOs, allowing companies to focus on the issues rather than “the fight.”

Lesson 2: *Don’t wait for a crisis to collaborate.*

Companies often wait for a crisis to develop before seeking opportunities to collaborate. The opportunity for companies is much greater if they operate from a position of strength rather than in reaction to pressure from a vocal NGO. Companies can identify opportunities to collaborate before the issue becomes part of a public debate. Such an approach gives companies an opportunity to shape the agenda before they are put on the defensive and before an adversarial relationship develops with potential partners.

Starbucks responded to Global Exchange after a crisis of sorts—the very public display at a shareholders meeting. The company then thought carefully about the best course of action in light of a variety of issues. After learning from this experience with Global Exchange, Starbucks actively sought out Oxfam America, CEPCO, and the Ford Foundation as partners in its fair trade efforts. As a result, these organizations were able to chart a course of action that satisfied all parties.

Lesson 3: *Think strategically about relationships with NGOs.*

As a company thinks about collaborating with NGOs, its leadership should determine which ones offer the best opportunities for the company to enhance its social responsibility positioning with key constituents. Which NGO has the most credibility in different areas of focus and with whom?

Starbucks’ decision to listen to the concerns of Global Exchange and take actions to address them bolstered the company’s credibility with its partners (employees), who tend to be young and liberal in orientation. It also fended off some potential attacks from other NGOs by softening Starbucks’ image as a big, bad, faceless embodiment of capitalism. As Starbucks built more proactive relationships with other NGOs, such as Oxfam, the company continued to build credibility with key constituents.

McDonald’s offers another example of a company that gained credibility through collaboration. The company’s collaboration (mentioned earlier) with EDF in the early 1990s over its decision to move from Styrofoam to paper
packaging similarly allowed the company to increase its credibility on environmental issues with consumers.72

**Lesson 4: Recognize that collaboration involves some compromise.**

Companies working together with NGOs must understand that compromise will be a necessary part of the relationship. Starbucks made the decision to address Global Exchange’s concerns realizing that it would have to change some of its business practices in the process. However, the tradeoff was worth it, as the company was able to avoid becoming the “poster child” for irresponsible practices in the coffee industry in the same way that Arthur Andersen became the pariah for irresponsible practices in the accounting industry. Finding a middle ground that managers feel comfortable with, without compromising organizational principles, is an important part of the collaborative process. However, compromise should not lead to situations in which organizations betray their core values. An NGO may believe that its corporate partner is not sincere in its effort to affect social change; or a company may believe its participation in the partnership might harm the business in some way. In either of these cases, both organizations should reconsider the partnership.

At the same time, companies must be willing to admit their mistakes. Despite their radical posturing and often-adversarial tactics, NGOs usually exist to foster positive change in society. Companies, despite their best efforts to do the right thing, may find themselves in compromising situations due to a variety of factors. For example, many of the most publicized cases of inhumane working conditions in sweatshops were more the result of mistakes by on-site managers rather than an all-pervasive policy at the corporate level. As Sydney Finkelstein, author of *Why Smart Executives Fail* asserts: “In fact, it is often ambitious managers trying to impress senior executives that are the cause of major corporate blunders.”73

Tobacco companies took decades to admit their responsibility for health problems associated with smoking, which led to countless lawsuits, attacks from a variety of organizations, and the disruption of the entire tobacco industry. Starbucks, on the other hand, was ultimately willing to try to find high-quality Fair Trade coffee, which led to better relations with consumers, its NGO partners, and other activists who might have attacked the company more aggressively.

**Lesson 5: Appreciate the value of the NGOs’ independence.**

More radical organizations will see the NGO partner’s collaboration with a corporation as a sign of “selling out” rather than an earnest attempt to effect change. This can lead to a loss of credibility for the NGO, which may, in turn, affect the credibility of the relationship between the two organizations. As with many strategic alliances, it is easy to lose objectivity if the NGO does not maintain some distance from the organization. “NGOs and the Private Sector,” a policy briefing from INTRAC (the International NGO Training and Research
Centre), suggests that NGOs in partnership with corporations manage the independence issue by drawing the line at endorsing a company.74

Starbucks did not have to worry about this particular problem since Global Exchange maintained its distance and its challenging posture even after establishing a relationship with Starbucks. In contrast, because of its collaborative relationship with Starbucks, Oxfam’s credibility has been questioned by other NGOs.75

**Lesson 6: Understand that building relationships with NGOs takes time and effort.**

NGOs—particularly those with a more radical orientation—expect quick results, but many companies also believe that they will see results from alliances soon after the relationship has started. The mutual understanding and trust required for productive collaboration takes time to develop. Most NGOs are initially skeptical of their newfound partners because they tend to have a negative view of business and distrust those who work for the companies they have historically seen as the enemy.

Starbucks initially chose to think about the relationship with Global Exchange as being a one-year time frame—to see if there was actually a market for Fair Trade coffee, to determine if this was the correct approach to dealing with farmers, and to see what would come of a relationship with the organization. While this may seem like a long time to devote to such activities, think about how long Global Exchange’s attack on Nike lasted as the company ignored the NGO’s pleas to address its labor issue in Asia. Rather than spend five years under constant attack from an adversary, companies can dedicate one to two years working with the same organization on a plan that may actually achieve mutually beneficial results and potentially lead to a stronger reputation in the long run.

**Lesson 7: Think more like an NGO by using communication strategically.**

NGOs are able to act as category killers in their single-minded focus on an issue and their simple, direct, and powerful communication campaigns. First, companies should try to set up a team dedicated to focusing on issues of mutual concern from the NGO’s perspective and should use communication in an equally strategic manner. While companies need to think strategically about communications in general, they need to do so especially when involved in the potentially risky relationships that often characterize business-NGO relations. Companies need to discuss their interest in and activities around social responsibility with constituents regularly to be most effective in this area. Second, companies must be consistent in all of their communications about issues of social responsibility both within the organization and with external constituents. As an example, Starbucks’ Social Responsibility team worked closely with the company’s corporate communications department to insure that Starbucks was speaking with one voice about its positioning around Fair Trade coffee.
Conclusion

NGOs are having an increasing influence on society and corporations must work in collaboration with these powerful organizations to effect change, meet social responsibility goals, and enhance their organizations’ reputations while also meeting their business objectives. Furthermore, NGOs are also seeking out new ways to work with, rather than against, corporations in the ongoing desire of both to do what is best for society.

Notes

1. The author has had no current or prior relationship with Starbucks other than as a researcher first on the development of a case followed by further research on this article. Starbucks did not try to influence the outcome of this article but did provide invaluable assistance in terms of the development of the research and editing of this article.
8. Ibid.
15. International Foundation for the Conservation of Natural Resources Fisheries Committee, op. cit.
17. SustainAbility et al., op. cit., pp. 27-35.
18. Ibid., p. 8.
19. Ibid., p. 29.
20. Ibid., p. 30.
22. SustainAbility et al., op. cit., p. 31.
23. Ibid., p. 33.
26. This percentage varies depending on how large small-scale farms are described. In one source, small-scale farms are less than 5 acres (50 percent), in another, less than 10 acres (70 percent).
30. Composite prices are calculated using the four groups of coffee—namely, Colombian Mild Arabicas, Other Mild Arabicas, Brazilian, and Other Natural Arabicas and Robustas—traded in the three main markets (New York, Germany, and France). International Coffee Organization, Green Coffee Trade Statistic 1996 to 2001 No. 7, July 1, 2002, p. 47
32. Ibid.
34. Ibid., p. 139.
35. Ibid., p 125-137.
38. Schultz, op. cit., p. 139, 293.
40. Pendergrast, op. cit., p. 375.
41. “CSR FY01 Annual Report,” p. 5.
47. Interview with Valerie Orth, Fair Trade Organizer, Global Exchange, August 1, 2003.
49. Interview with Deborah James, Fair Trade Director, Global Exchange July 23, 2002.
50. Ibid.
52. Interview with Paul Rice, Executive Director, TransFair USA, August 9, 2002.
53. Interview with James, op. cit.
54. Ibid.
55. Ibid.
57. Interview with Tom Ellhers, Vice President Whole Bean, Starbucks Coffee Company July 25, 2002.
58. Interview with Mary Williams, Senior Vice President Coffee Department, Starbucks Coffee Company, July 24, 2002.
59. Schultz, op. cit., pp. 139 & 293.
60. Ibid., p. 281.
61. Ibid., p. 131.
64. Interview with Orth, op. cit.
66. SustainAbility et al., op. cit., p. 3.
68. SustainAbility et al., op. cit., p. 8.
72. Livesey, op. cit.
73. Interview with Sydney Finkelstein, Steven Roth Professor of Management, Tuck School of Business, August 22, 2003.