Business Continuity and Crisis Management

Rozina

[Name of the Institution]

April 30, 2019

***Table of Contents***

[*Introduction* 2](#_Toc7604515)

[*Background of The Company* 3](#_Toc7604516)

[*Main Discussion* 4](#_Toc7604517)

[*SWOT Analysis* 5](#_Toc7604518)

[*Strengths* 5](#_Toc7604519)

[*Weaknesses* 5](#_Toc7604520)

[*Opportunities* 5](#_Toc7604521)

[*Threats* 6](#_Toc7604522)

[*Crises Management by Starbucks* 6](#_Toc7604523)

[*Recognizing the Threat* 6](#_Toc7604524)

[*Exclusion of Anti-defamation League* 7](#_Toc7604525)

[*Anti-bias Trainings* 8](#_Toc7604526)

[*Encourage Teamwork* 8](#_Toc7604527)

[*Customer Satisfaction* 9](#_Toc7604528)

[*Managing Power Politics* 10](#_Toc7604529)

[*Role of Managers* 10](#_Toc7604530)

[*Strategies for Business Continuity* 11](#_Toc7604531)

[*Conclusion* 11](#_Toc7604532)

[*References* 13](#_Toc7604533)

# *Introduction*

In the increasingly competitive world, organizations are constantly improving their system to better respond to customers needs. The customer's demand for different products is increasing which requires a high focus of companies to make loyalty towards their customers. However, the increasing trends also required the Multinational Companies to not only focus towards their productivity and profit but they have to respond to certain social responsibilities as well. These responsibilities include equality for recruiting employees, maintaining the quality of products, discourage discrimination against employees, and provide their support for resolving social issues. Also, there is a high sensitivity attached to the image and product delivery of companies. Their responsiveness and ignorance towards certain issues result in threats. They require a strong network chain to connect with their overseas franchises and make them responsible for the rules and regulations drafted by the company. Every company has there set rules and all the franchises worldwide are obliged to follow the same code of conduct. However, at times companies fail to follow the prescribed rules that result in strong criticism against the organization. A similar incident happened with Starbucks when the company was accused of racial discrimination against two African-American men in Philadelphia. They had requested to use Starbucks restroom, and thus they were arrested. This paper highlights how the issue arose and how it spread globally and ultimately impacted the companies image. It further states the strategies adopted by Starbucks for effective crisis management as well as its business continuity.

# *Background of The Company*

Starbucks Corporation is a coffee company established in Seattle, America in 1971. It has distinguished itself from other companies due to its great quality and taste that has gained them high popularity among the customers. Starbucks serves different items such as coffee like espresso, latte, VIA, cold drinks, fresh juices, snacks, and crackers. They also have "Starbucks Evenings" at certain cities that offer wine, beer, and appetizers. Since its formation, the company has gained much attention that resulted in establishing outlets in different cities around the world. The company owns a remarkable marketplace globally. Starbucks distinguishes itself from other competitors due to their high focus towards social responsibilities such as providing health care to employees, promoting diversity and inclusion of all groups. They promote and certify Fairtrade products, friendly farming policies in coffee growing regions. The company has also formed stores in underserved areas and is highly considering human capital as an important asset. The company famous slogan of ‘do-the-right-thing is highly reflected in its policies towards the customers and employees. The company has been highly successful and owns approximately 30,000 stores worldwide and holds an unmatched share in the marketplace (Duffy, 2005).

# *Main Discussion*

Starbucks is well-known for its reputation globally, thus when the incident of racial discrimination happened in Philadelphia in 2018. Two African-America came to Starbucks to meet their friend and requested to use their restroom. However, instead of allowing them to use the restroom, Starbucks arrested the two men without any clear reason. A cell phone video made by a customer vent viral that attracted the concerns of people worldwide. The public criticism was loud and furious and the accused the company of racism. The video highlighted that the two men had done nothing and was subjected to pressure and arrest without any reason. For the very first time, the public was mad at Starbucks, and their reputation was at stake. Due to their effective responsive nature towards the social issues and the policies suggesting inclusion and equality, it was hard to absorb any negative incidence done by the company. Although the company has been highly sensitive towards racial issue it was hard for them to secure their image. It was critical to manage the crises of racial discrimination and continue their business with the same public trust and loyalty.

## *SWOT Analysis*

### *Strengths*

Starbucks is one of the top-rated coffee businesses in the world. They have more than 30,000 outlets around the world. The total number of employees working at Starbucks constitutes for 238,000 around the world. The total number of assets is of US$14.366 billion whereas the net income is US$2.885 billion. The company has a high success rate and is ranked 132nd on the Fortune 500 list that evaluates the US corporations based on their revenue. Thus for such a Multinational corporation, it was easy to consider any policy for safeguarding their image and reputation. In the case of Starbucks, the company was not concerned about their profits first due to their strong strength of assets accumulation but then the priority was the satisfaction of their customers and maintaining their loyalty in the company (Taecharungroj, 2017).

### *Weaknesses*

Starbucks has expanded its business without considering the ethical values in different regions of the world. The company's employees have not trained in correspondence to the treatment of customers. Although the company was highly active in taking part in social issues it never trained their customers to do so. The first step towards any social actions needs the organization to start from their own selves besides looking for outside sources. Being in a business that regularly interacts with customers the employees needed to be provided with communication and customer friendly approaches which Starbucks lacked at some point.

### *Opportunities*

Since the formation of Starbucks, the company has widely extended to different cities globally. The market expansion was a great opportunity for the coffee business because they were the initiators of such business. They have got high popularity in their country and the same success could have been achieved at other countries as well. Thus, maintain a positive reputation was necessary for Starbucks and thus the company decided to provide training to employees for better customer satisfaction. That will result in the good image of the company and ultimately will increase the affiliation of customers with them. Starbucks was widespread across the world with a high number of employees and could manage global support if their employees adopt friendly strategies (Moon & Quelch, 2003).

### *Threats*

Starbucks inquired a greater threat to their reputation which questioned their responsibility and actions towards a social issues. The company was called as fake in term of their equality slogans, thus it was a hard time for Starbucks to quickly react to such criticism. The high competition from other countries in the coffee business required the company to take quick actions towards the incident and make strategies to convince their customers. The fear of losing the customer loyalty and reputation of the company called for employees training to avoid any future concerns regarding such sensitive issue (Butler, 2018). It will better results in the friendly environment between the employees and the customers and will ultimately overcome the threats.

## *Crises Management by Starbucks*

### *Recognizing the Threat*

The first consideration in crisis management is to recognize the intensity of the prevailing threat and avoid the situation from getting worsened further. The charges which Starbucks made against the two men stated that they have allegedly trespassed the boundaries. However, the video that went viral stated a different story and showed the behavior of the company with their customers and thus, their reputation was at stake. Starbucks made the first consideration in immediately recognizing the threat of public mistrust in the company. The issue an unequivocal apology stating that *“We’re sorry if we offended anyone”* and the authorities flew across the country and met the arrested persons to deliver apologies (Krishna, 2018). Starbucks CEO, Kevin Johnson discussed in an interview given to the ABC, that his company had no intentions towards such racism. He stated how Starbucks has come across a long way in their concerns about social issues. He stated that the company has been highly active in inclusive strategies in the past and will continue to do so. He again apologies to the arrested men and took the responsibility for the discrimination. The CEO further asked them to join hands with Starbucks to remove such racism in the future. They agreed to acknowledge their decision and made sure that such an issue do not happen again. This requires high leadership skills to take the responsibility on your shoulders and come up with solutions. Starbucks was quick in recognizing the fact that they need to contact the arrested person personally and take them in confidence to avoid further escalation (Tidwell, 2018).

### *Exclusion of Anti-defamation League*

In 2018, following the incidence of the arrest of two young African-Americans in Philadelphia, Starbucks announced its collaboration with Anti-defamation League (ADL). The league was a Jewish civil rights organization that worked for the right of all citizens without any discrimination. Starbucks wanted to restore their lost reputation among the customers, however, such an immediate decision to join the league was not suitable at that time. However, Starbucks again comes under criticism that the ADL is responsible for attacking Black people. A prominent activist [Tamika Mallory](https://en.wikipedia.org/wiki/Tamika_Mallory), stated that the ADL is responsible for the increasing attacks on the Palestinians. She said that the league is affiliated with Israel and the US sends its police for military practices there. Thus, the initiative taken by Starbucks was highly troubling due to its responsiveness towards the Palestinians. Thus Starbucks ended the agreement with ADL and dropped them from their anti-bias training. There was high political pressure on Starbucks to initiate training for employees rather than working with any agencies (Bhattacharya, Smith, & Vogel, 2004).

### *Anti-bias Training*

The increasing protest against Starbucks for their arrest of two African-American resulted in a national boycott of the company. Due to the highly sensitive world in terms of racial discrimination, people are not acceptable towards and biases. The long history of racial biases has compelled people to actively respond to such situations and eliminate inequality and racism. Thus, due to the increasing threat of public appreciation, Johnson announced to close 8,000 US stores on May 29, 2018. The reason was to provide training to the employees for their anti-bias behaviors towards different racial groups. Employees working in different cities were called to join the platform and acknowledge bias sensitivity training. Johnson continues to apologize to the public and stated that the training is the first step to ensure equality. He also encourages to provide similar training in other parts of the world as well to make the employees responsible towards their societies. Working in Starbucks is not only about getting paid but to deliver a positive image of the company (Chung, Liao, & Chang, 2018).

### *Encourage Teamwork*

Starbucks was all focused to initiate policies that work collectively for removing biasness against any group. From working towards the environmental impact of their actions to the social issues they have been actively involved in tackling the issues. The introduced farmer's equity practices which would encourage high compensation for the coffee producers. They have adopted fair trade policies and food bank donations. The company has a long chain of social work which has benefitted the majority of people. Thus, to consider the anti-bias training and policies, it required teamwork from their employees to work collectively (Sawhney, 2018). In the era of high sensitivity towards certain issues, organizations are required to enhance the personalities of their employees so that they can act positively to different cultural groups. Starbucks has achieved its long success in different parts of the world due to their high team management skills. They encourage teamwork and emphasizes such inclusive policies. In the case of crises, Starbucks could just have trained the employees of Philadelphia but due to its inclusive policies, the companies asked to train employees of 8,000 outlets (Kang & Namkung, 2018). This shows the company responsiveness towards the issue and significant measures to tackle the crises.

### *Customer Satisfaction*

The policies and procedures of Starbucks initially fall short of handling the problem. The company was unable to prevent the outcome that should not have occurred considering the reputation of the company. The company's value emphasizes on ‘Creating a culture of warmth and belonging, where everyone is welcome'. However, these values were highly under criticism and were subjected to remove false claims. The company responded to the accusation of considering their customers as a significant asset of the company and will do anything to maintain their loyalty with the customers (Kumar & Chong, 2019). Thus, Starbucks developed strategies in consideration towards the biasness, they were not considered about the loses due to closing down the major outlets rather they focused on their customer satisfaction and loyalty. The closing of the outlets means less productivity and profit, however, the company prioritizes their quality and reputation against the profits (Talpau & Boscor, 2011). Many companies initially considered the profit and losses in the crises, however, Starbucks differentiated themselves and focused towards their social responsibilities and keeping their customer's satisfaction to the company.

### *Managing Power Politics*

Starbucks was quick to respond the public grievances. The CEO quickly apologized to the public and accepted the responsibility for biases. Although the video was widely spread worldwide, resulting in hatred from the people especially the Black who called it a deliberate action towards racism. But due to their strong influence and continuous apologies on the national television, people accepted that at least the company had not ignored the issue (Gallaugher & Ransbotham, 2010). Starbucks also apologized to the arrested men which m, eans that do not want any interference from the outside world and have the capacity to tackle their issue. Starbucks accepted the loss of closing down 8,000 outlets to make the people believe they are truly concerned about the matter and will solve the crises with their internal available capacities (Aiello & Dickinson, 2014).

### *Role of Managers*

The managers and other high officials play an important role in crisis management. The solution to different crises are based on their decisions and the policies adopted to handle the situation. They are required to incorporate their leadership skills and form solutions that are in the best favor of the company. The quick decision taken by Johnson and apologies to the affected person reflects the nature of the leader that how far they can go for the company reputation. The leaders of Starbucks has maintained their policies for social concerns and were ready to work with outside people such as the arrested men for better responsiveness towards racism. He called for the best policies and ideas to eliminate any kind of discrimination against different groups. The leaders have to manage the positive code of conduct of Starbucks by associating with any-bias training and providing awareness to people. They have worked hard to maintain the reputation of the company and achieve the organization goals of equality (Flammer & Ioannou, 2018).

## *Strategies for Business Continuity*

Starbucks has considered multiple policies for the elimination of racial bias against different groups. Their settlement with the City of Philadelphia as well as the two arrested person was a strategy to improve the employee's relations with all customers without any discrimination. They have developed constructive intentions to end racism as well as developed policies for the continuity of their business. They have paid high attention to that issue which become the subject of public sensitivity. There should be skilled personnel in every organization who presents themselves globally so that they can train the employees. Starbucks has quickly responded to the crises which result in the satisfaction of its customers. Also, it protected the company from high legal actions due to their apologies to the concerned persons (Laufer & Wang, 2018). They have quickly acted upon their crises without making just excuses, it showed their actual concern towards the issue. Starbucks has also trained its employees to adopt a welcoming gesture that could great the customers coming to spend quality time at the outlet. They also formalized policies for customers to necessarily buy something to become eligible to use the restrooms, the company is welcoming to non-customers as well. However, due to the quick response and strong leadership the company was able to preserve its reputation from the greater crisis which could have banned the company in different regions globally (Tidwell, 2018).

# *Conclusion*

Starbucks has achieved high success due to its customer-friendly policies. The company pays high attention to customer choices and their concerns. The incident of African-Americans has impacted the reputation of the company badly which resulted in vast criticism against their ignorance towards anti-bias concerns. Although the company was highly active in different social concerns still they were criticized for the incident. There is no doubt that the company was guilty of the incident but they quickly accepted their faults and responded to the situation. Besides hiding the truth and preserving their reputation, the talk openly about the crises and ask different stakeholders to collaborate on the present crises so that they will be in a better position to minimize the threat. This crisis was an example for the company to set a code of conduct for employees and train them on issues related to biases. In the era oh high sensitivity towards social concerns, it is essential to develop such ethics in the employees that they become friendly towards all groups without any discrimination.

# *References*

Aiello, G., & Dickinson, G. (2014). Beyond authenticity: A visual-material analysis of locality in the global redesign of Starbucks stores. *Visual Communication*, *13*(3), 303–321.

Bhattacharya, C. B., Smith, N. C., & Vogel, D. (2004). Integrating social responsibility and marketing strategy: an introduction. *California Management Review*, *47*(1), 6–8.

Butler, L. (2018). Coffee’s Dark Secrets: Linguistic Variation in Starbucks and Dunkin Donuts. *Lingua Frankly*, *4*.

Chung, Y.-C., Liao, S.-H., & Chang, W.-J. (2018). Long live friendship? Relationships among friendship, trust and brand loyalty: a study of Starbucks. *International Journal of Web Based Communities*, *14*(4), 335–352.

Duffy, D. L. (2005). The evolution of customer loyalty strategy. *Journal of Consumer Marketing*, *22*(5), 284–286.

Flammer, C., & Ioannou, I. (2018). To save or to invest? Strategic management during the financial crisis. *Strategic Management during the Financial Crisis (October 28, 2018)*.

Gallaugher, J., & Ransbotham, S. (2010). Social media and customer dialog management at Starbucks. *MIS Quarterly Executive*, *9*(4).

Kang, J.-W., & Namkung, Y. (2018). The effect of corporate social responsibility on brand equity and the moderating role of ethical consumerism: The case of Starbucks. *Journal of Hospitality & Tourism Research*, *42*(7), 1130–1151.

Krishna, C. G. (2018). Starbucks Communication Strategies–More Than Just a Cup of Coffee. *IUP Journal of Soft Skills*, *12*(3), 23–53.

Kumar, B. C., & Chong, N. A. L. H. (2019). Management Style in Retaining Loyal Customers and Quality of Products: A Case Study of Starbucks. *Economics, Finance, Business and Management*, *1*(1).

Laufer, D., & Wang, Y. (2018). Guilty by association: The risk of crisis contagion. *Business Horizons*, *61*(2), 173–179.

Moon, Y., & Quelch, J. A. (2003). *Starbucks: delivering customer service*. Harvard Business School.

Sawhney, M. (2018). *Starbucks: Driving growth through new dining occasions*. Kellogg School of Management.

Taecharungroj, V. (2017). Starbucks’ marketing communications strategy on Twitter. *Journal of Marketing Communications*, *23*(6), 552–571.

Talpau, A., & Boscor, D. (2011). A customer-oriented marketing-A strategy that guarantees success: Starbucks and McDonald's. *Bulletin of the Transilvania University of Brasov. Economic Sciences. Series V*, *4*(1), 51.

Tidwell, M. (2018). *Strong prior reputation: A help or a hindrance in reputational crises?*