

TOWARD A VISION FOR RACIAL EQUITY & INCLUSION AT STARBUCKS: REVIEW AND RECOMMENDATIONS



by

Heather C. McGhee, *Distinguished Senior Fellow, Demos*
Sherrilyn Ifill, *President and Director-Council, NAACP Legal
Defense and Educational Fund*

JULY 2018

ACKNOWLEDGEMENTS

Special thanks to the staff at Demos and at NAACP Legal Defense Fund, particularly Lucy Mayo, Tori O’Neal-McElrath, Alissa Vladimir, Melanie Newman and Debi Allen; to consultants Linda Guinee and Julie Williams – and to all the allies, experts and community members who gave input and advice. Thanks to Angela Park for earlier review of some sections of this report. We deeply appreciate the efforts of local grassroots leaders and Philadelphia citizens to ensure that the unjust arrest would not be ignored, especially the leaders of the Starbucks task force with POWER Philadelphia. We are also particularly grateful to Donte Robinson and Rashon Nelson for the grace and courage they showed in the face of injustice, and to their lawyers Harry Roth and Stewart Cohen at Cohen Placitella & Roth and Kristen Clarke, Dariely Rodriguez, and Courtney Alexander at the Lawyers’ Committee for Civil Rights Under Law.

I. INTRODUCTION

On April 12, 2018, a white store manager at a Philadelphia Starbucks in the Rittenhouse Square neighborhood called the police on two Black men who were there for a meeting and had not yet made a purchase. The men were soon arrested, escorted from the store in handcuffs, fingerprinted and photographed and held for approximately eight hours. The incident was video recorded and circulated online by a white customer. The video received millions of views, sparking protests at the Rittenhouse Square store and a global online conversation about discrimination in retail, often with the hashtag #BoycottStarbucks.¹ The Philadelphia Police Department initially stated that the officers had done nothing wrong in arresting the men for trespassing at a Starbucks.² Two days later, Kevin Johnson, Starbucks' CEO, released a statement apologizing and calling the incident reprehensible.³ On April 17, Starbucks' then-Chairman and Founder Howard Schultz called us to discuss how to prevent similar incidents in the future, and shared his idea of conducting a company-wide training on racial bias.⁴ Schultz asked us to act as advisors on this effort, which we agreed to do on a pro bono basis.

Our Approach to the Project. Although advising corporations on anti-bias training is not a role that either of us had undertaken in the past, we agreed to offer our guidance and feedback to Starbucks after a number of considerations. First, we were struck by the company's approach. Within 24 hours of the incident in the Philadelphia store, leaders at the highest levels of the company had forthrightly recognized the incident as one involving racial bias, had expressed the company's preparedness to confront the issue straight on and had made arrangements to visit the Philadelphia store and community where the incident happened.

Second, we recognized that Starbucks' presence in thousands of communities coupled with the company's sincere and unequivocal commitment to address bias and discrimination presented a unique opportunity to deploy and embed a model of corporate leadership within communities around the country by a well-recognized and respected corporation. We also believed that as advocates for racial justice, we had a stake in seeing an endeavor as ambitious as this succeed, so that more companies would lean into addressing the ways that racism impacts their businesses.

Finally, the incident created a moment of national, and even international, conversation about the persistence of racism in public accommodations. At a time when many powerful political and corporate actors have a stake in denying the existence of racism, we felt it was a positive contribution to the public narrative to hear a forthright recognition of the problem from one of the world's most ubiquitous public-facing corporations.

¹ Zara, C. (2018). Here's How Quickly "Boycott Starbucks" Spread Across the Internet. Fast Company. Retrieved from <https://www.fastcompany.com/40560741/heres-how-quickly-boycott-starbucks-spread-across-the-internet>

² Associated Press. (2018, April 14). Philadelphia police chief says officers did nothing wrong in Starbucks arrest of two black men. Los Angeles Times. Retrieved from <http://www.latimes.com/nation/la-na-starbucks-arrest-20180414-story.html>

³ Johnson, K. (2018). Reprehensible outcome in Philadelphia incident [Press release]. Retrieved from <https://news.starbucks.com/views/starbucks-ceo-reprehensible-outcome-in-philadelphia-incident>

⁴ Scheiber, N., & Abrams, R. (2018, April 17). Can Training Eliminate Biases? Starbucks Will Test the Thesis. New York Times. Retrieved from <https://www.nytimes.com/2018/04/18/business/starbucks-racial-bias-training.html>

We reached out to dozens of our allied organizations in the civil rights and racial justice fields⁵ and had conversations with local stakeholders, including the grassroots community leadership in Philadelphia and, eventually, Donte Robinson and Rashon Nelson themselves, to get input and ideas about what Starbucks should do.

From our earliest conversations with the team at Starbucks, we have emphasized that this crisis unfolded in the context of a decades-long struggle of African Americans for dignity, respect and treatment as full citizens in the public space. Some of the most transformative campaigns during the Civil Rights Movement – the lunch counter sit-ins, the Freedom Rides, the Montgomery Bus Boycott – were centered around the demand for equal treatment in places that accommodate the public. This battle culminated in the passage of the Civil Rights Act of 1964, which outlawed racial discrimination in public accommodations. That landmark legislation resulted in a transformation of segregated public spaces throughout the U.S. But the struggle for equal treatment in public accommodations has continued. High-profile cases involving restaurants like Denny’s,^{6,7} retail establishments such as Macy’s and Barney’s,⁸ swimming pools⁹ and more recently golf clubs and nightclubs, demonstrate the stubborn persistence of racism in public accommodations.

The formational identity of Starbucks is centered around the creation of the “third place” – not home, not work, but a public space where all are welcome and people can share “the Starbucks experience.” But the “third place” cannot exist outside of the history and reality of racism in public accommodations. Indeed, the ambitious vision of Starbucks’ founder to create a “third place” in which all are welcome engages, by its very terms, the history and contemporary struggle of African Americans for dignity in the public space. Thus, the awful, humiliating experience of Donte Robinson and Rashon Nelson in the Philadelphia Starbucks provoked a necessary discussion within the company about the need to confront the full dimensions of what it means to steward public spaces in our country.

It is our hope that the willingness of Starbucks to engage this difficult reality will inspire other public-facing corporate actors to do so as well.

A note on “Diversity,” “Equity” and “Inclusion.” Throughout this report, we use the term “racial equity” as the desired goal for the transformation process that Starbucks is undertaking. We define racial equity as both a process and an outcome in which decision-makers and participants in a system ensure that equal opportunity for success is real, taking into consideration how power dynamics between and among different racial and ethnic identity groups shape opportunity. Racial and ethnic *diversity* is essential, particularly in decision-making positions, to achieve the kinds of inputs and perspectives needed for racial equity, as is meaningful *inclusion* of people from

⁵ Including holding an interactive call on May 1st with the participation of organizations listed in Appendix B.

⁶ Labaton, S. (1994, May 25). Denny’s Restaurants to Pay \$54 Million in Race Bias Suits. New York Times.

⁷ Christian, T. A. (2017). Waitress At Denny’s Tries To Make Black Customers Pay Their Bill Before Being Served. Essence. Retrieved from <https://www.essence.com/news/dennys-black-customers-racism>

⁸ Mukherji, A. (2013). NYC Stores Facing ‘Shop and Frisk’ Lawsuits. Findlaw. Retrieved from <https://blogs.findlaw.com/injured/2013/10/nyc-stores-facing-shop-and-frisk-lawsuits.html>

⁹ Wiltse, J. (2010). Contested Waters: A Social History of Swimming Pools in America. Chapel Hill, NC: University of North Carolina Press.

subordinated identity groups – beyond just the presence of these groups that diversity offers. In that way, diversity and inclusion are essential components of an ultimate goal of a racially equitable institution. While diversity encourages employment of individuals with varying backgrounds and experiences in the corporation, it does not guarantee that those people will be fully and equally included in the fabric of the organization, nor that the company's systems, practices and policies are designed to create racially equitable outcomes.

Once an institution accepts the premise that all people, regardless of their background, have the potential to thrive and contribute to the success of an organization, they can begin to recognize systemic disparities and gaps (for example, a mostly white leadership team, or lower retention for employees of color) as flaws to be addressed within a system that, like most all systems in the United States, has been infected with the bankrupt ideology of racial hierarchy and bias. The exciting work begins when leaders move from passive acceptance of the disparities so common in our society to recognizing that a system that was created by human actors can be unmade by human actors, one institution at a time.

II. INPUT AND RECOMMENDATIONS ON THE MAY 29 TRAINING

On April 17, Starbucks announced that they would close all 8,000 stores in the U.S. on May 29 for racial bias training for their nearly 175,000 employees across the country, indicating that partners would “go through a training program designed to address implicit bias, promote conscious inclusion, prevent discrimination and ensure everyone inside a Starbucks store feels safe and welcome.”¹⁰ While we applauded the willingness of Starbucks to so dramatically and powerfully make this commitment and agreed to advise on the May 29 training, we were clear and insistent from the outset that this training could only be a first step in a longer, deeper and more engaged commitment to an equity transformation.

Although we are not anti-bias trainers ourselves, we are familiar with the challenges of this training in employment settings. We shared with Starbucks that any successful training regime must contemplate regular training that is fully integrated into the existing training schedule and framework for employees. We also emphasized that policies must be created that conform to the training and that supervision and accountability measures are also critical components of successful training – especially in the anti-bias space. Because the staff of Starbucks undergoes such frequent turnover, we discussed with the company the importance of thinking about how to embed anti-bias training in the onboarding for new employees. We also stressed the importance

¹⁰ Starbucks (2018). Starbucks to Close All Stores Nationwide for Racial-Bias Education on May 29 [Press Release]. Retrieved from <https://news.starbucks.com/press-releases/starbucks-to-close-stores-nationwide-for-racial-bias-education-may-29>

of training for company leadership and suggested that this training should take place before the company-wide May 29 training. Starbucks readily agreed to each of these recommendations.

Most importantly, we undertook to share with Starbucks the names and contact information of the best and most well-respected anti-bias experts in the field. We specifically wanted to advance the names of those who are well-known by those in the civil rights community. We reached out to our networks and encouraged people to provide their information. We transmitted dozens of names to Starbucks (see Appendix B). We were gratified to see that within weeks, Starbucks scheduled conversations with nearly every person we recommended, and received from them input, suggestions, cautions and ideas about how best to conduct the May 29 training and the longer-term work. There is more discussion about the feedback received from experts below.

An initial concern we raised was that anti-bias and anti-racism trainings are complex and require trained facilitation. Because of this and out of a concern about potential on-site risks to Starbucks employees, we strongly recommended that the trainings happen regionally with store workforces clustered and using skilled facilitators. Many of the experts interviewed also stressed the need for facilitation and the risk, especially to partners of color, of not having facilitators present to help address situations that arose. However, Starbucks ultimately decided to have generally self-guided trainings in each store for two main reasons: the partners preferred to be in the place they could easily reach and where they felt comfortable, and the short time frame made finding and coordinating thousands of trained facilitators difficult.

We continue to recommend that future trainings use expert facilitators, who can help defuse conflicts and, importantly, act as real-time coaches. A media report from one training attended by journalist Kalefa Sanneh of “This American Life” noted that training participants often diverted the conversation away from race.¹¹ This is a typical avoidance measure that a trained facilitator would have been able to turn into a teachable moment by redirecting the conversation to the intended subject.

We also strongly recommended that the company articulate a rationale for the effort that expanded beyond a crisis response. We know that when initiatives are seen as peripheral social responsibilities and not as central to the overriding business purpose, it is easy for the initiative to fail or be discarded. Many studies and commentators have made the case for why diversity, inclusion and equity are business imperatives¹² given the racial and ethnic diversity of growing consumer markets,¹³ the advantage of including multiple, even divergent perspectives to inform decision-making¹⁴ and the benefit of increased productivity if all actors are equally able to contribute.¹⁵

¹¹ Sanneh, K. (2018, June 8). All the Caffeine Doesn't Make You Woke. Retrieved from <https://www.thisamericanlife.org/648/unteachable-moment>

¹² Bush, M., & Peters, K. (2016). How the Best Companies Do Diversity Right. *Fortune*. Retrieved from <http://fortune.com/2016/12/05/diversity-inclusion-workplaces/>

¹³ Gil, M., & Rosenberg, S. (2015). The Multicultural Edge: Rising Super Consumers. Retrieved from <http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2015-reports/the-multicultural-edge-rising-super-consumers-march-2015.pdf>

¹⁴ Hunt, V., Layton, D., & Prince, S. (2014). Diversity Matters. Retrieved from Washington, DC: <https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/why%20diversity%20matters/diversity%20matters.ashx>

¹⁵ Rock, D., & Grant, H. (2016). Why Diverse Teams Are Smarter. *Harvard Business Review*, (November 4). Retrieved from <https://hbr.org/2016/11/why-diverse-teams-are-smarter>

However, these are generally applicable principles. Starbucks had to make the link between the rationale for their effort and their company's goals and mission in a way that was authentic to the existing language and culture of the company. Fortunately, the company's decades-old mantra of becoming a "third place" between home and work where people feel welcome to linger, not just buy coffee, gave the company leadership an opening to make addressing bias a central imperative. In an increasingly diverse society, if large portions of the population do not feel welcome in Starbucks stores, it has an impact on the financial bottom line. Non-discrimination and even further, inclusion, is therefore mission critical to the company's success. The final training design included repetition of this message from the CEO, Chairman and other top executives throughout the program.

We also wanted to ensure that the incident in Philadelphia was seen in the context of the history of the way Black people have been treated in public accommodations in the United States, and how much understandable discomfort people of color and other marginalized groups have today when entering white-dominant commercial spaces. We recommended that Starbucks commission a short documentary by Stanley Nelson, an award winning Black documentarian. The result – the film "You're Welcome"¹⁶ – became an important and widely distributed public element of the May 29 training.

Starbucks contacted SY Partners, a firm who had previously helped them with organizational change initiatives, to help design the training. We strongly recommended that they speak with the leading experts on racial justice and anti-bias training to inform the design both for the May 29 training and the long-term initiative. Two of these experts (Alexis McGill Johnson and Rachel Godsil of the Perception Institute) co-created the May 29 training curriculum with SY Partners. Most experts commended the company for taking on the issue, but expressed the concern that a four-hour training would not make significant change. They offered specific recommendations about key components that should be built into both the May 29 training and the longer-term effort.

RECOMMENDATIONS

Some of the key recommendations made during the expert interviews included:

1. Being mindful of the interplay between individual behavior change and systems change. Quite a few experts recommended starting with policy change in order to "de-bias" situations rather than counting on de-biasing individuals. On the other hand, others supported doing the work with individuals first. We noted this as a place where there isn't consensus among the field. Starbucks did amend the central policy in question in Philadelphia – concerning when someone is considered a customer – before the training. The training also invited employees to give ideas for company policy updates. We included in our advice for the long-term work recommendations on the absolute necessity of doing deeper systems and policy-change work.

¹⁶ Nelson, S. (2018). You're Welcome. New York, NY: Firelight Media. Retrieved from https://youtu.be/lghpTEp_Vpl

2. Ensuring that the corporate leadership has ownership of and alignment around the importance of the work, with accountability to Starbucks employees, customers and the community for making progress.
3. Incorporating issues of public accommodations beyond African Americans to include other marginalized groups – other races and ethnicities, religious minorities, immigrants, sexual orientations, English-language learners and gender identities.¹⁷
4. Teaching the basics of what bias is and how it works, developing processes to address the situations in which it plays out (1) between employees and customers, (2) among employees and (3) among customers. For each of these three groups, provide comprehensive intervention and bystander training addressing issues related to all groups listed above.
5. Offering partners time to reflect on their own personal identities and experience with race.
6. Using scenario exercises to help turn the learning into action.
7. Understanding the role an inequitable policing and criminal justice system played in this incident and plays in similar incidents around the country.

The company made the training materials available to the public on its website the day after the training.¹⁸

Starbucks' Plans for Ongoing Training

We encouraged Starbucks to evaluate the May 29 training. The company conducted pre-training and post-training surveys to assess receptivity to behavioral change, understanding of core concepts related to racism and support for the effort. The company reported to us that the survey found a significant increase in partner and manager understanding of unconscious bias and other concepts from the training, as well as the belief that the company was living up to its values.

We strongly recommend that an independent racial equity consultant design a rigorous evaluation matrix that can create a new baseline assessment post-May 29 for all future trainings. Starbucks has recently announced an approach for 12 months of training for leadership and for front-line employees, leading to a voluntary certification. The training curriculum will also be made available to the public. While we applaud the commitment to more in-depth training, there is a drawback to the speed with which the company has developed the plan of action. As the section below details, we strongly recommend a phase of assessment and goal setting to give the company clarity about the specific competencies and practices employees should develop through training.

¹⁷ For example, the company was forced to apologize again on May 17, 2018 for a racial slur written on a Latino customer's cup. Siegel, R. (2018, May 17). Starbucks apologizes to customer who had a racial slur written on his cup. The Washington Post. Retrieved from https://www.washingtonpost.com/news/business/wp/2018/05/17/starbucks-apologizes-to-customer-who-had-a-racial-slur-written-on-his-cup/?noredirect=on&utm_term=.37b663c9341b

¹⁸ Starbucks. (2018, May 29). The Third Place: Our Commitment, Renewed. Retrieved from <https://starbuckschannel.com/thethirdplace/>

III. GENERAL PRINCIPLES FOR FULL-SCALE RACIAL EQUITY OVERHAUL OF AN ORGANIZATION BEYOND THE INITIAL TRAINING

As founder Howard Schultz has said, the training was “just the beginning of what we will do to transform the way we do business and educate our people.”¹⁹ To truly incorporate racial equity and inclusion into all aspects of the business, a company like Starbucks will have to commit to a multi-phase, longer-term holistic process. We recommend that this process at minimum include the following components: assessment, focus on leadership and management, and implementation, with ongoing, iterative evaluation.

RECOMMENDATIONS

Assessment. Starbucks’ leadership’s quick response to the event in Philadelphia was laudable; however, ideally (outside of a crisis response situation) the first step in any transformation process would be a deliberate, thorough assessment of the organization to determine the extent and shape of the problems and disparities. An assessment should include:

1. **Customer Service Bias / Consumer Profiling Audit.** The company already does spot audits of its stores for quality control, and should engage experts to conduct in-store tests for any variance in customer service or policy adherence based on the customers’ backgrounds. This kind of study by Alexandra C. Feldberg and Tami Kim found pervasive disparities in the hospitality industry.²⁰
2. **Civil Rights Audit.** In addition to auditing for specific examples of bias against customers, we recommend that Starbucks conduct a broad “Civil Rights Audit” of the kind recently conducted by Airbnb and Facebook in the wake of widespread discrimination on their platforms. A Civil Rights Audit would be a comprehensive and independent review of the company’s processes, policies and outcomes across a range of metrics, including racial diversity of staff at all levels and contractors throughout the supply chain.²¹
3. **Employee Equity Assessment.** As the company has recently acknowledged, the impact of biases and disparities are usually felt first among the employees themselves, before they affect customer service. Occupational segregation by race, age, gender and immigration status is a regular feature of the food and beverage service industry. Starbucks must use this opportunity to clearly identify any patterns of discrimination and inequity in employee recruitment, hiring,

¹⁹ Meyersohn, N. (2018). Starbucks’ Howard Schultz: ‘Ashamed’ by arrests at Philadelphia store. CNN Money. Retrieved from <http://money.cnn.com/2018/04/18/news/companies/howard-schultz-starbucks-philadelphia/index.html>

²⁰ Feldberg, A. C., & Kim, T. (2018, April 20). Beyond Starbucks: How Racism Shapes Customer Service. New York Times. Retrieved from <https://www.nytimes.com/2018/04/20/opinion/starbucks-racism-customer-service.html>

²¹ Many law firms and consultants have versions of this approach. Laura Murphy & Associates have recent experience with both AirBnB and Facebook as reported in Kuchler, H. (2018). Facebook hires advisers for civil rights audit. Financial Times. Retrieved from <https://www.ft.com/content/b2fea236-4e1f-11e8-9471-a083af05aea7> and Penn, C. (2016). Meet The Black Woman and Civil Rights Activist Behind Airbnb’s Battle Against Discrimination On the Platform. Essence. Retrieved from https://www.essence.com/lifestyle/travel/black-woman-laura-murphy-civil-rights-airbnb-discrimination?af=14383374&c=GD_us_gen_pub.

retention, pay, promotion and grievance procedures.²² We also recommend having an outside auditor conduct paired tests of job applicants at multiple levels of job function (along with customer service audits).

4. **Community Sentiment Surveys.** Starbucks should create a regular practice of listening to the communities surrounding their stores, particularly those that are predominantly people of color, to understand to what extent people of different races perceive the stores as welcoming.
5. **Staff and Management Surveys and Reporting.** One of the lessons of the Rittenhouse Square incident was the need for better communication mechanisms between front-line employees and the corporation. In post-incident interviews, it became clear that front-line store employees were aware of rising tensions from a shift to more stringent enforcement of customer-only policies, well before the incident occurred. The company should soon commission a survey of partners on questions related to their experience of bias and company culture among the workforce, and as it relates to interactions with consumers, as part of their baseline assessment. In addition, the company should engage partners to understand how to create better and more practical ways to get real-time feedback on company practices and issues that arise in the stores. One of the hallmarks of an equitable workforce is frictionless feedback loops between junior employees, who are more likely to be from disadvantaged backgrounds, and decision-making leadership.

Leadership and Management. Ultimately, the responsibility for improving company culture and enforcing the lessons of any trainings rests with the management and executive leadership at Starbucks. The following are recommendations aimed at ensuring that those in charge at the company reflect the stated values of inclusion and have the tools they need to make lasting change.

1. **Executive and Board Leadership.** Racial, ethnic and gender diversity at the highest decision-making levels of a corporation is essential for company success in this and all areas. Within corporations in the US, progress on diversity at the corporate board level has been frustratingly slow but we commend Starbucks for being an industry leader in this area with significant board representation among people of color and women. This representation matters. For example, we have personally experienced the positive contributions to Starbucks' quick and laudable response to the Philadelphia incident from two African American women at the highest levels of leadership – chief operating officer and group president Rosalind Brewer and now vice chair of the board Mellody Hobson. In a recent internal memo from CEO Kevin Johnson, Starbucks announced a desire to increase the diversity of their corporate headquarter team. We applaud this intention.

²² Restaurant Opportunities Centers United, a national advocacy organization for restaurant workers, has developed a Racial Equity Toolkit and works with restaurant chain stores including Chipotle and Panda Express to review companies' performance in these areas and offer recommendations to create more equitable workplaces.

2. **Leadership Training and Coaching.** The company should use the assessment results to identify core competencies that managers and corporate leaders need in order to guide the company's transformation. For example, if the surveys reveal a high level of identity-based conflicts in the workplace, successful managers will have to be able to equitably defuse conflicts across difference, requiring a high level of emotional intelligence and the ability to identify the common societal power dynamics that surface across identity groups. These new core competencies should serve as the basis for the development of a skills-based training series aimed at managers and leaders. In addition, individual and team coaches can be important resources for accelerating development in these areas. It is our understanding that Starbucks has already identified the need for more in-depth leadership training with managers; we recommend that this training be keyed to evidence-based competencies rooted in the company's current culture and areas for improvement.
3. **Leadership Evaluation and Performance.** The company will need to set new individual performance goals for cultural competency and management of diverse²³ teams, integrated into the way staff are evaluated and promoted. Employee evaluations that solicit input from diverse teams in a 360-degree fashion (diverse in terms of identity and positional authority) are considered best practice in cross-cultural management. Employees in management and leadership positions may not have needed to exhibit these high-level race-forward competencies before, so there is often a period of transition as the company adopts new, higher expectations in these areas. Bluntly, some managers and even corporate leadership may not have a future with the company under the new standards. However, identifying the right level of competencies for each level of responsibility at the firm and keying professional development and accountability systems to those levels is crucial for long-term success.

Areas for Implementation. A plan with specific actions, intended outcomes and success measures should be based on priorities that emerge from the comprehensive assessment exercise. The plan should address company culture, policies, and practices that need to be overhauled over time. Given our experience with addressing institutional bias and transforming organizations for equity, we anticipate that the company will need to pay special attention to the areas below.

1. **Goal-Setting.** The company should identify a set of initial SMARTIE²⁴ goals related to the transformation, and communicate them across all levels of the organization. Racial equity goals could include benchmarks for employee diversity and supply chain and contractor diversity; score improvements on the various metrics evaluated in the baseline assessments; and policy and practice improvements as indicated and evaluated by outside auditors.

²³ Racially and in terms of other identities (e.g., gender and gender identity, ability, religion, socioeconomic class, sexual orientation, etc.)

²⁴ The Management Center. SMARTIE Goals Worksheet. Retrieved from Washington, DC: <http://www.managementcenter.org/resources/smartie-goals-worksheet/>
SMARTIE goals are goals that are strategic, measurable, ambitious, realistic, time-bound, inclusive and equitable.

2. **Racial Equity Policy Review.** A sophisticated racial equity lens will help Starbucks see all of its business lines in a new light, from personnel policies to supply chain practices. We strongly recommend that this policy review be conducted with outside consultation.
3. **Reporting and Conflict Resolution.** Starbucks should anticipate that discrimination and identity-based workplace conflicts will occur and pursue innovative protocols and methods for employees to report incidents and resolve conflicts. Front-line employees, particularly, need to know that they are safe to report incidents and issues, and that there will be transparency, accountability and a lack of retaliation. This is an area where direct partner input would serve the company well.
4. **Hiring and Promotions.** As the company sets new goals for diversity at its corporate headquarters, the leadership must represent a rich mix of people across race if they are to implement the new standards effectively. This will require an overhaul of their recruitment practices, hiring protocols and retention-related professional development systems. Many institutions have had success increasing racial and ethnic diversity of hires by requiring recruitment metrics in candidate pools, hiring full-time recruiters with networks in communities of color and standardizing interview protocols to minimize implicit bias.
5. **Equity in Pay and Employee Benefits.** We must acknowledge that Starbucks is an outlier in the food and beverage chain industry, providing part-time employees who work more than 20 hours a week with health care benefits, tuition-free college online at Arizona State University, employee stock options, a 401(k) and recently, paid leave.²⁵ On March 21, 2018, the company announced that it has achieved pay equity across race and gender for U.S. partners and set a commitment to do the same worldwide.²⁶ We commend these steps – which are sadly rare in the service industry. We also recommend that the company review its employee benefits uptake and personnel policies with a racial equity lens, using Human Resources records and employee focus groups to determine whether the packages are well-designed for workers of all backgrounds, or whether there are disparities in benefits use that could be eliminated with more inclusive design.
6. **Living Wages and Worker Voice.** Economic security is a racial equity issue, and Starbucks will need to consider whether its wage floor – not just the hourly rate, but the take-home pay that reflects how many hours partners are able to accumulate – is sufficient to provide a livable wage for its front-line, predominantly of-color workforce. Across the country, hourly service workers – including Starbucks workers – have proposed a \$15 per hour starting wage to ensure that workers avoid poverty while working full-time.^{27,28} Research has demonstrated that higher investments in

²⁵ Starbucks. (2018). Working at Starbucks. Retrieved from <https://www.starbucks.com/careers/working-at-starbucks>

²⁶ Starbucks. (2018). Starbucks announces 100 percent gender, racial pay equity for U.S. partners, sets global commitment [Press release]. Retrieved from <https://news.starbucks.com/news/starbucks-pay-equity-for-partners>

²⁷ <https://fightfor15.org>

²⁸ Prater, J. (2014). Starbucks, Pay Your Partners A Living Wage. Retrieved from <https://www.coworker.org/petitions/starbucks-pay-your-partners-a-living-wage>

workers through compensation and opportunities for advancement can save companies millions through dramatic reductions in turnover; according to one Cornell University study, higher-road restaurant employers had turnover rates nearly 50 percent lower than low-road employers.²⁹

Starbucks made headlines in 2014 for onerous scheduling practices;³⁰ since then, the company has changed its scheduling policies, but complaints about insufficient hours continue.³¹ In addition, research shows that union representation dramatically improves racial and gender wage disparities, “by establishing pay ‘transparency’ (workers know what other workers are making), correcting salary discrepancies, establishing clearer terms for internal processes such as raises and promotions, and helping workers who have been discriminated against achieve equity.”³² Starbucks partners are not currently represented by a union, though there have been organizing efforts by partners, and we recommend that the company recognize, respect and encourage the fundamental civil right that is collective bargaining.

7. **Contractors, Vendors and Supply Chain.** We anticipate that as part of a racial equity effort, the company will want to review the racial equity practices and diversity not only of its direct employees, but also the various companies and subcontractors with which it does business. Starbucks already has a Supplier Diversity program,³³ but also has an opportunity to use its leverage to raise the bar in workforce practices among companies that sell their products in their stores, and to catalyze minority- and women-owned businesses throughout its supply chain.

IV. CHANGES TO THE STARBUCKS POLICY MANUALS

Many experts we spoke with agree that corporations can convey their commitment to inclusion, anti-bias and diversity most effectively through a company’s policies and procedures.³⁴ This is particularly important in industries in which employees have regular contact with the public and are responsible for making scores of discretionary decisions in their daily interactions.

Policies are both written and unwritten; formal and informal. Policies dictate the framework of organizational culture. They convey to new employees the values held by the company. And when policies are properly and clearly articulated and consistently enforced, they become the most powerful tool in shaping and transforming institutional culture.

²⁹ Batt, R., Eun Lee, J., & Lakhani, T. (2014). A National Study of Human Resource Practices, Turnover, and Customer Service in the Restaurant Industry. Retrieved from New York, NY: http://rocnited.org/wp-content/uploads/2014/01/HRPTCS_Cornell_Report_4.pdf

³⁰ Kantor, J. (2014, August 14). Starbucks to Revise Policies to End Irregular Schedules for Its 130,000 Baristas. The New York Times. Retrieved from <https://www.nytimes.com/2014/08/15/us/starbucks-to-revise-work-scheduling-policies.html>

³¹ Prater, J. (2018). Starbucks, Lack of Labor is Killing Morale. Retrieved from <https://www.coworker.org/petitions/starbucks-lack-of-labor-is-killing-morale>

³² Bivens, J., Engdahl, L., Gould, E., Kroeger, T., McNicholas, C., Mishel, L., . . . Zipperer, B. (2017). How Today’s Unions Help Working People: Giving Workers the Power to Improve Their Jobs and Unrig the Economy. Retrieved from Washington, DC: <https://www.epi.org/files/pdf/133275.pdf>

³³ Starbucks. (2018). Supplier Diversity Program. Retrieved from <https://www.starbucks.com/responsibility/sourcing/suppliers>

³⁴ See Experts, Appendix B

The incident in Philadelphia that resulted in the arrest of Donte Robinson and Rashon Nelson revealed gaps in Starbucks' policies. For example, according to Starbucks, there was no written policy on bathroom accessibility/admittance.³⁵ There was no uniform written policy on when to approach customers who don't purchase products. Although there are written policies – such as those set forth in the Store Operations Manual – there are also unwritten store policies, which may vary by region.

This network of written and unwritten policies disseminated to 175,000 workers is confusing – especially without clarity about how the corporation values these policies in relation to one another. It might be easy, reading the Store Operations Manual, to assume that “Sampling Products to Customers” is assigned greater value than “Restroom Security” (less detailed instructions), or that the company tacitly approves of unwritten policies that are practiced within particular regions.

The May 18 policy pronouncement that, “Any customer is welcome to use Starbucks spaces, including our restrooms, cafes and patios, regardless of whether they make a purchase,”³⁶ provided welcome clarity and consistency across the company, and was a step in a positive direction for inclusivity and equal treatment.

What is Said and Unsaid

The Store Operations Manual for Starbucks offers a number of clearly defined policies and practices. Those focused on Customer Service are clearly written with an eye towards fostering a store culture that is customer solicitous and friendly. The sections of the Manual that govern disciplinary procedures and consequences for the failure of employees to comply with company policies and standards indicates clearly that “disciplinary action... or termination of employment” may result from a failure to comply with company policies. It is important and commendable that the manual states this without equivocation.

But as Starbucks has already recognized, its standard Store Operations Manual contains several important omissions. It includes no guidance on the use of bathrooms, when or if partners should approach customers who don't purchase products, or when or if law enforcement should be summoned to the store. These omissions in the written policies result in the creation of ad hoc unwritten policies that may become part of regional or store culture. These kinds of informal cultural practices by region or store may be difficult for the company to track, and can become the locus of discriminatory conduct.

Accordingly, in the months since the Philadelphia incident, the company has issued a number of new policies relating to bathroom use,³⁷ addressing disruptive behaviors without police

³⁵ Note: Starbucks announced a new policy allowing the use of store bathrooms by all customers on May 19, 2018. Starbucks also redefined “customer” to mean anyone who enters a company store in that same policy.

³⁶ Starbucks. (2018). Use of the Third Place Policy. Retrieved from <https://news.starbucks.com/views/use-of-the-third-place-policy>

³⁷ *ibid*

involvement,³⁸ when to call the police³⁹ and how to contact community resources such as social services. These new policies were much-needed improvements, and it will be important for all employees to be regularly trained on them to ensure compliance in a high-turnover company.

Customers can also assist with the enforcement of company policies when they are empowered to understand their rights and the company's commitments to consumers. Starbucks can better empower its customers by creating a Customer Bill of Rights that is posted prominently in each store, with contact information where customers can report on experiences in the store. This recommendation is consistent with the set of recommendations presented to Starbucks by Donte Robinson and Rashon Nelson, who also recommend the creation of a Customer Bill of Rights. Their recommendations are included as Appendix A.

The Store Operations Manual also has a surprising lack of clarity and direct language dealing with the issue of discrimination. The section of the Manual that governs "Harassment and Discrimination" mentions the word "discrimination" only once after the section heading. Any fair reading of this section of the policy make it obvious the policy contemplates application almost entirely in the context of harassment. But discriminatory incidents – a manager regularly assigning an employee to disfavored work; discriminatory comments; failure to demonstrate respect for religious practices of employees; assignment of negative stereotyping to an employee, etc. – can occur with frequency in a company with a diverse workforce. Little guidance is provided to employees of what is meant by discrimination, how it will be detected or how it should be addressed. Indeed, the Complaint Procedure does not mention how to complain about discrimination at all, but seems to apply more directly to harassment. And the protocol laid out for reporting – "a partner who believes he or she has been subjected to behavior prohibited by this policy should immediately make his or her feeling known to the offending partner" – is rarely the most effective way to address claims of discrimination unless employees have received extensive training in not only how to report claims of discrimination, but also how to respond to claims of discrimination that are made against you or co-workers. This is a delicate and fraught area of communication, that handled improperly can exacerbate an already volatile interaction. It is not clear from the materials that were provided to us whether there is training that prepares partners for how to navigate these "hard conversations."

Given our assessment of this aspect of the Store Operations Manual, we were urged by the company to also review the Partner Guide, an internal guide that is given to every Starbucks employee, both digitally and in hard copy. It also includes a section entitled "Harassment and Discrimination Prohibited." This section is more detailed than the section in the Store Operations Manual, and sets forth a commendably thorough procedure for reporting violations of the policy. But like the Store Operations Manual, this section speaks almost entirely of harassment and not discrimination. In fact, the fulsome treatment of harassment and the absence of guidance on discrimination is even more stark in the Partner Guide. There is a lengthy section defining

³⁸ Starbucks. (2018). Use of the Third Place Policy. Retrieved from <https://news.starbucks.com/views/use-of-the-third-place-policy>

³⁹ *ibid*

harassment, including sexual harassment and bullying in detail. There is no “definition” section for discrimination. Racial discrimination is not explicitly mentioned except as one of the categories of discrimination prohibited in the general policy statement. The effect is the same as in the Store Operations Manual. The company prohibition on harassment and discrimination is described, detailed and engaged solely in the context of harassment, with no clear description, guideposts or direct narrative on discrimination. We recommend that the company revise both the Store Operations Manual and the Partner Guide to directly address the application of its policy in the context of racial discrimination in particular.

The Partner Guide does include detailed instructions guiding employees through the complaint procedure for violations of the policy against harassment and discrimination. This guidance emphasizes reporting to appropriate supervisors, and makes clear that complaints are taken seriously and subjected to impartial investigation. It also sets forth the disciplinary consequences of violating the policy. We would recommend that this stronger language, perhaps in summary, should be included more explicitly in the Store Operations Manual to deemphasize the expectation that partners will directly confront violators of the policy.

There are other omissions as well. In several sections of the Store Operations Manual in existence at the time of the incident in Philadelphia, partners are encouraged to engage in certain behaviors or to evaluate customers in ways that require particularized training. There is no discussion of how/whether partners are equipped to engage in the assessments required, or of any training provided by Starbucks to equip partners in this regard. For example, the manual instructs partners to “Anticipate Customer Needs” by, in part, “Pay[ing] attention to customers’ verbal and non-verbal cues.” Partners are instructed to “always look for customer cues and then respond in a way that meets their needs.” But the “cues” displayed by customers may be influenced by race, religion, nationality, gender, or sexual orientation/identity. How does a partner intelligently assess “cues” from customers whose public conduct and mannerisms may be culturally based and unfamiliar to the partner? Likewise, the admonition to “assume the best in others” begins with the encouragement to “try to see things through your customers’ eyes.” Again, this instruction suggests that Starbucks must provide training that assists partners in extending their cultural vision to stand in the place of a diverse set of customers every day. If this is to be a requirement, then every partner must receive training as part of their onboarding and regular follow-up training that builds partner capacity to perform this function.

RECOMMENDATIONS

Starbucks' Store Operations Manual and Partner Guide should be reviewed and scrubbed to promote:

1. A policy framework that prioritizes structural inclusion and equity in all aspects of company culture.
2. Clear and uniform policies on how to manage customer relations.
3. An explicit engagement with the reality of racial discrimination and bias and regime for enforcing the prohibition on discrimination as well as harassment.
4. A reference to training in how to handle incidents or complaints of discrimination.
5. Clarity in expectations and skills for partners.
6. Training for all areas that involve discretion and subjective assessment in customer interactions.
7. A Customer Bill of Rights that is consistent with the new policies regarding use of Starbucks facilities and anti-discrimination protections. Prominently display the Customer Bill of Rights in each store.

Obviously, Starbucks must intensify its employee training regime to better equip employees to recognize, report, address and ultimately eliminate racial and other forms of discrimination from the workplace.

V. COMMUNITY RELATIONS

To succeed in its goal of being a genuine “third place” for its customers, Starbucks must create avenues for authentic connections to its stores’ neighborhoods. Rather than designing the third place in a vacuum, Starbucks has the opportunity to integrate more of the culture, values and leadership of the community into creating store environments and activities that are rooted in – and therefore intrinsically welcoming to – the area’s denizens. Our experience of talking with stakeholders both from the local community in Philadelphia and national leaders in the communities of color impacted by the Philadelphia incident revealed several areas for improvement and even innovation.

Philadelphia. In many ways, the city at the heart of the incidence of bias is a microcosm for dynamics that Starbucks – and any national chain store – faces throughout America. These issues include gentrification, over-policing, community distrust, unaffordable housing and attendant homelessness, diminished public space and the rise of freelance work. However, Philadelphia also enjoys the type of community assets that are rich throughout the country, though often overlooked: committed local nonprofit leaders with deep roots in neighborhoods

and residents eager to design and work on solutions to the problems they know best. Take the ready example of the two young men profiled and wrongfully arrested at the Rittenhouse Square Starbucks store: Rashon Nelson and Donte Robinson. While the store manager saw them as trespassers and threats, Nelson and Robinson have since shown the country that they are just the opposite: locally-rooted entrepreneurs who are dedicated to improving their community. Their decision to use the legal settlement with the city of Philadelphia to create an entrepreneurship program for youth in public schools was just one example of the type of local wisdom that a more welcoming and authentically engaged company could benefit from in its efforts to connect with the community it serves. Nelson and Robinson also shared with us their idea that Starbucks consider sponsoring an SAT and college prep tutoring program, since they are aware that those resources are inequitably distributed across the city of Philadelphia.

Starbucks’ “Community Store” Concept. Well before the incident in Philadelphia, Starbucks has made efforts to connect stores to local leaders and nonprofits, and to open the doors of the “third place” to community service events and resources. Started in 1998 in collaboration with Magic Johnson as the “Urban Coffee Opportunity Stores,”⁴⁰ Community Stores promise to drive local economic development, create community third places and encourage retail investment. These stores are launched in collaboration with community leaders and across teams within Starbucks. Community Stores include community service, employee training opportunities with local youth-serving organizations and profit-sharing to provide support to local communities. However, out of the 8,000 stores across America, very few are Community Stores. Starbucks has promised to open 15 Community Stores across the country by 2018, and has opened 10.⁴¹ The company could take some of the principles and goals from the Community Stores and extend them to a wider array of locations, particularly ones rooted in or adjacent to communities of color, such as the Rittenhouse Square location.

RECOMMENDATIONS

Community Engagement and Learning. The following are recommendations based on our experience, in addition to ideas from local leaders and civil rights groups, about the benefits and uses of engaging with and learning from the community.

1. **For Hiring.** Starbucks has been a leader in focusing on hiring out-of-work and out-of-school youth through its 100K Opportunities Initiative⁴² (similar to their programs for veterans and refugees). We recommend that as a matter of policy, District Managers and Store Managers take the time to meet local nonprofit leaders who can offer context and insights into the store’s

⁴⁰ Carson, B. (2016). The vital lesson Magic Johnson taught Starbucks CEO Howard Schultz. Business Insider. Retrieved from <http://www.businessinsider.com/magic-johnson-nba-star-to-businessman-2016-2>

⁴¹ Starbucks. (2016). Starbucks Opens in Jamaica, Queens in National Effort to Engage Youth in Diverse Communities [Press release]. Retrieved from <https://news.starbucks.com/news/starbucks-opens-in-jamaica-queens>

⁴² Starbucks. (2015). Top U.S.-Based Companies Launch the “100,000 Opportunities Initiative” [Press release]. Retrieved from <https://news.starbucks.com/news/top-us-based-companies-launch-100k-opportunities-initiative>

potential recruitment base, as well as local dynamics that may not be apparent to the company. Local leaders could inform managers about particular neighborhoods or job training programs that would be helpful for recruiting a representative employee pool, down to details such as issues with public transit that could impact hiring and retention.

2. **For Sourcing.** In its “Community Stores,” Starbucks aims to place locally produced products in the stores. Engaging with local leadership as a standard practice could help identify these homegrown talents as the company explores setting new goals for women- and minority-owned businesses in its supply chain. One issue that the company has identified in existing community stores is the lack of avenues for local vendors to scale up and sell to Starbucks beyond the local store. Ideally, new goals for diversity across the business could provide an incentive to make these connections and potentially pave the way for the company to support smaller minority-owned businesses going to scale with processing facilities and investments.
3. **For Community Service.** The company’s “Community Stores” offer space for nonprofit activities and community service projects; Starbucks should consider expanding this model to all of its stores and, in the spirit of Nelson and Robinson’s idea about after-school tutoring, elicit community ideas about priority uses.
4. **For Assistance.** The stringent “Customers Only” practice that Starbucks recently dropped was an ad hoc solution to a problem that many Starbucks employees are experiencing: interactions with the public in their stores who are facing mental health, homelessness or addiction problems. As the company has made the bold move to institute a national “Use of the Third Place” policy that welcomes anyone on store grounds as a customer, it has also offered new resources for employees to contact social assistance resources in lieu of calling the police. This police alternative is essential. Police should only be called to respond to danger, given the orientation of most police officers toward the use of force and arrest, an inherently violent and life-altering act. Starbucks has created a nationwide “211 Community Resource Card” in partnership with the United Way. In addition to this national resource, district and store managers should learn about local resources and programs that are even better suited to the local landscape and population.
5. **For Furthering the Conversation on Race.** Multiple racial justice organizations with local affiliates expressed their interest in partnering with Starbucks to create thoughtful programming to engage the public on the issue of racism in America. From facilitating local community trainings to partnering on local racial justice projects in the areas of criminal justice reform and education, the appetite is there to continue the efforts that Starbucks began with their 2015 “Race Together” campaign, and to further the spirit of the company’s decision to share the documentary and training curriculum with the public. Starbucks’ leadership has made clear that it wants to improve not just its own business, but the country, on vital issues including racial

justice. We recommend that Starbucks take the time to engage with social justice groups in designing its next public-facing activities on race in America, and use a locally-rooted, “bottom-up” approach in lieu of crafting the effort at corporate headquarters.

6. **For Solutions to Problems Created by “The Starbucks Effect.”** One of the major issues that Starbucks must confront in its quest to become more welcoming to communities is the effect that store placement has on local economic development, affordability and policing practices, particularly in communities of color.

Gentrification & Displacement. Across the country, white residents and white-owned businesses are entering urban neighborhoods long populated by African Americans and other people of color who, having been systematically denied opportunities for wealth accumulation through racist property laws and employment discrimination, are then displaced, unable to afford to stay in their homes and communities. This process is known as gentrification, and it is one of the central racial equity issues of our time. The loss of property and ownership opportunities contributes to a racial wealth divide that is worsening, not improving, in recent years.⁴³

As part of Starbucks’ racial equity review of its business practices, it must confront the issue of gentrification with which it is closely associated. In a conversation with Philadelphia community leaders working in the interfaith organization POWER, a resident stated, “When you see Starbucks, you know: there goes the neighborhood.” Indeed, a Zillow study conducted in 2015 found that Starbucks fueled an increase in local home prices. A home adjacent to a Starbucks appreciated by 96 percent, as opposed to an average of just 65 percent, from 1997 to 2014. The authors concluded, “Whatever the reasons – because they genuinely like drinking coffee, or because they see Starbucks as a proxy for gentrification – it seems pretty clear that people are paying a premium for homes near Starbucks. And furthermore, it looks like Starbucks itself is driving the increase in home values.”⁴⁴

What can Starbucks do about the fact that for many communities of color, its presence both signals welcome economic development and threatening displacement? We recommend that Starbucks convene a panel of housing experts, civil rights thought-leaders and community advocates to deepen the company’s understandings of gentrification and its dynamics. To date, the company has taken pride in its willingness to open stores in working-class urban neighborhoods⁴⁵ – and indeed, there are well-recognized job creation and catalytic economic

⁴³ Sullivan, L., Meschede, T., Dietrich, L., Shapiro, T., Traub, A., Ruetschlin, C., & Draut, T. (2016). The Racial Wealth Gap: Why Policy Matters. Retrieved from Demos: New York, NY: http://www.demos.org/sites/default/files/publications/RacialWealthGap_2.pdf

⁴⁴ Raskoff, S., & Humphries, S. (2015). Confirmed: Starbucks knows the next hot neighborhood before everybody else does. Quartz. Retrieved from Quartz website: <https://qz.com/334269/what-starbucks-has-done-to-american-home-values/>

⁴⁵ See, for example, <https://www.forbes.com/sites/jordanlebeau/2016/10/13/starbucks-hopes-15-new-stores-will-make-it-part-of-the-dna-of-low-income-communities-of-color/#3f0a84ec4adc>.

development aspects of Starbucks' presence in areas with few retail chains. The next step for Starbucks is to engage with the full ramifications of its relationship to communities, with a spirit of humility and inquiry. Ideas to combat gentrification that could shape Starbucks' new strategy for inclusion include Community Benefits Agreements that guarantee measurable improvements for area residents;^{46,47} Inclusionary Zoning practices that create affordable housing in new developments;⁴⁸ Linkage Fees that commercial businesses pay to affordable housing funds;⁴⁹ and Community Land Trusts that keep areas secure from speculation.⁵⁰ Starbucks should consider using Philadelphia, home to two of the 10 most gentrified zip codes in the nation,⁵¹ as a pilot site. Local leaders are eager to engage on this question, and have recommended an independent board that would both advise and issue annual reports on Starbucks' impact in lower-income neighborhoods.⁵²

Over-Policing: Setting Standards for Police Engagement. Related to the dynamic of gentrification and displacement is the response of police to changing neighborhood demographics. One powerful study demonstrates that law enforcement responds to this change in gentrifying communities by increasing so-called “quality of life” and “order maintenance” policing.⁵³ This policing is designed to give new residents and businesses a feeling of safety and comfort in their new community. But the “comfort” of new residents often comes at the expense of longstanding members of the community who may be subjected to ticketing for minor offenses such as jaywalking or “loitering.” Practices like “stop-and-frisk” policing can mean that young African American and Latino men and women are harassed by law enforcement for simply walking on the streets of their own community. New residents to the community may seek to establish their own cultural practices in the space and may participate in criminalizing the cultural practices of longstanding community members. This may be reflected in calls to the police department to report noise complaints, the use of dirt bikes by children, lawn maintenance violations, panhandling, or “suspicious activity.” This means that gentrification often exposes longstanding community members to increased policing with the concomitant incidents of bias, abuse and brutality that too often accompany deliberately aggressive policing.

The tension in the community that may surround a Starbucks store, and the law enforcement consequences for residents, should not be ignored by the company. Whether the company acknowledges it or not, Starbucks is a powerful actor in this tense environment. Rather than

⁴⁶ Partnership for Working Families. (2009). Community Benefits: Practical Tools for Proactive Development. Retrieved from Washington, DC: http://www.forworkingfamilies.org/sites/pwf/files/publications/2008.12_CB_Tools_for_Proactive_Development.pdf

⁴⁷ Partnership for Working Families. (2009). Community Benefits: Leveraging Partnerships for Successful Development. Retrieved from Oakland, CA: http://www.forworkingfamilies.org/sites/pwf/files/publications/2009.03_CBs_for_Developers.pdf

⁴⁸ Herrine, L., Yager, J., & Mian, N. (2014). Gentrification Response: A Survey of Strategies to Maintain Neighborhood Economic Diversity. Retrieved from New York: http://furmancenter.org/files/NYUFurmanCenter_GentrificationResponse_26OCT2016.pdf

⁴⁹ Inclusionary Housing. Designing a Program: Linkage Fee Programs. Retrieved from <https://inclusionaryhousing.org/designing-a-policy/program-structure/linkage-fee-programs/>

⁵⁰ Semuels, A. (2015, July 6). Affordable Housing, Always. *The Atlantic*.

⁵¹ Bowen-Gaddy, E. (2018). 3 maps that explain gentrification in Philadelphia. Retrieved from <https://why.org/articles/3-maps-explain-gentrification-philadelphia/>

⁵² Recommendations provided by POWER (Philadelphians Organized to Witness, Empower and Rebuild) to Starbucks and shared with the authors, dated April 30, 2018.

⁵³ Lanijoni, A. (2017). Coffee Shops and Street Stops: Policing Practices in Gentrifying Neighborhoods. *Urban Affairs Review*, 1-33. doi:10.1177/1078087416689728

avoiding the reality that the presence of a Starbucks itself may increase tensions within rapidly changing communities, and may itself introduce aggressive law enforcement practices, Starbucks can and should play a leadership role in addressing this tension.

Indeed, given the company's ubiquitous presence throughout communities around the country, the benefits the company receives from locating in gentrifying (or fully gentrified) communities, and the company's commitment to equity and structural inclusion, Starbucks is uniquely positioned to act affirmatively to influence law enforcement practices taken (even tacitly) on its behalf, that are discriminatory, harassing or unjust to African American, Latino or other marginalized communities.

RECOMMENDATIONS

It is our recommendation that Starbucks:

1. Consult with leading experts in the field of policing equity to learn about discriminatory policing, and best practices to create safe communities through constitutional, community policing.
2. Affirmatively engage with local community groups and leaders to discuss the relationship between those communities and law enforcement by region.
3. Encourage police departments in every jurisdiction where a Starbucks is located to undergo anti-bias training. Reach out to other major retail and hospitality companies in the region to join the company in this request to local law enforcement. Provide local law enforcement with contact information for policing equity experts who can facilitate this training. Offer financial and in-kind support to assist with the trainings and in-kind rewards to departments that complete initial trainings.
4. Create a clear policy for the circumstances under which Starbucks partners should and should not call law enforcement to the stores, as they have recently done in their new "Addressing Disruptive Behaviors" policy.
5. Make clear in company policy that law enforcement should only be called to address criminal activity or threats to public safety. Police officers are not a private security force, nor dispute resolution experts.
6. Develop and maintain a system to track calls to law enforcement from their stores. Five or more calls to law enforcement in a given time period or by any one particular team or individual in a store should trigger a review at the regional level.
7. Identify resources in the community (social services, churches, temples, school leaders, coaches) who can assist with matters such as homeless patrons, panhandling, drug abuse or overcrowding. Starbucks recently created a new "Community Resource Card" for stores to

post with contact information for local social services. The company should require that district managers meet with leaders of local resource organizations and ensure that every store has phone numbers and can communicate by name with leaders in resource organizations.

8. Train all store employees on the explicit policies that require contact with community resources rather than police to resolve problems that do not involve criminal activity, violence or the threat of violence.
9. Create a program in which regional and district managers meet with local law enforcement to establish relationships and to communicate the company's expectation of law officers' conduct in and around company stores. Indicate clearly the company's policy against discrimination and expectations that law enforcement officers adhere to public safety practices that do not involve discriminatory conduct. Every store should have one officer who they know, who understands the company culture, who knows the district manager, the store manager and the store itself.
10. Become a bridge between law enforcement and local leaders to promote dialogue and engagement about local policing practices.

VII. OTHER CONCERNS WE HEARD FROM COMMUNITY PARTNERS, ALLIES AND EXPERTS

Prison Labor. Starbucks has been criticized for using a subcontractor, Signature Packaging and Paper, who employed incarcerated persons to package their coffee.^{54,55} Using prison labor is a low-road labor policy; companies benefit from a generous per-prisoner tax credit and avoid paying competitive wages or any benefits. It is also a way that corporations profit from the inhumane and racially unjust proliferation of incarceration in America, and should therefore be considered incompatible with a racially equitable corporation. In our consultations with civil rights groups about the company, this issue was raised more than once. The company has indicated that they are no longer using inmate labor.⁵⁶

Arbitration Agreements in Employment. Since the passage of the Civil Rights Act of 1964, many of the most significant employment discrimination cases have been brought in federal courts, often as concerted actions. Mandatory arbitration agreements prevent employees from bringing individual claims in federal courts, essentially privatizing civil rights employment claims. When employees are limited to arbitration and are prevented from aggregating their claims in arbitration, it becomes financially infeasible for individuals who face unfair or discriminatory workplace

⁵⁴ Siegel, L. (2017, June 11). The Eco Guide to Prison Labor. The Guardian. Retrieved from <https://www.theguardian.com/environment/2017/jun/11/the-eco-guide-to-prison-labour>

⁵⁵ Winer, C. (2015). These 5 Everyday Companies Are Profiting from the Prison-Industrial Complex. Groundswell Stories. Retrieved from <https://groundswell.org/prison-industrial-complex/>

⁵⁶ Starbucks. (2006). Starbucks Supplier Social Responsibility Standards: Manufactured Goods and Services (Vol. SUP.R06 Rev 1, 15-NOV-06). Seattle, WA: Starbucks. Retrieved from <https://globalassets.starbucks.com/assets/1deb372ee3d840179e59c5b9c21cd5fe.pdf>

conditions to mount legal challenges to discrimination in the workplace and to improve working conditions for themselves and their co-workers. This is an important civil rights issue; LDF and many other civil rights organizations stand in opposition to mandatory forced arbitration clauses in employment contracts for claims involving discrimination. In December of this year, Microsoft eliminated forced-arbitration agreements for sexual harassment and gender discrimination claims. Other leading corporations that are interested in addressing discrimination in the workplace should also eliminate these agreements – at the very least in the context of discrimination claims.

VIII. CONCLUSION

We commend Starbucks for taking the steps they have taken – publicly apologizing and recognizing that the incident in Philadelphia was reprehensible, taking action immediately to work with SY Partners and Perception Institute to design a training that, given the time pressures and logistical challenges, seemed to produce positive outcomes and, perhaps most importantly, recognizing that the May 29 training is only the first step in a long process to truly transform the company. Transformation will require the long and oftentimes challenging road of listening to communities, assessment, policy change, management and leadership change and organizational change, as well as real work to fully engage the communities in which stores exist and to address local needs (including improving relationships with local police departments).

Starbucks has an opportunity to provide a model for other corporations across the country – to assess, learn and address the ways racism is impacting their businesses and the communities in which they work. This is not work Starbucks must do on its own – there are individual and organizational experts who have been developing best practices over the years, many of whom were consulted during this process. There are community organizations with deep ties to those people marginalized by racism in communities in which Starbucks has stores. We strongly recommend that Starbucks continue and expand the work to engage with local communities and with these and other experts in order to become a company providing a third place that is truly welcoming for all.

APPENDIX A: RECOMMENDATIONS TO STARBUCKS FROM DONTE ROBINSON AND RASHON NELSON

The following recommendations were provided to Starbucks and were shared with us to use in this report by the attorneys for Donte Robinson and Rashon Nelson from the Lawyers' Committee for Civil Rights Under Law and Cohen Placitella & Roth. We find these recommendations to be sound and commendable and consistent with those we offer in this report. We encourage Starbucks to incorporate these recommendations as well, as the company creates a framework for improvements to its policies and practices.

Mr. Nelson and Mr. Robinson seek that Starbucks follow best practices and make the necessary corporate changes to ensure that what happened to them never happens again at any Starbucks location, or at any business. Accordingly, enclosed please find a list of recommendations that Mr. Nelson and Mr. Robinson hope you will closely consider for inclusion in your recommendations report.

1. Committing financial resources towards supporting (1) college readiness and SAT preparation programs in Philadelphia high schools as identified by Mr. Nelson and Mr. Robinson; and (2) an initiative to increase trust between communities and law enforcement by working with law enforcement departments in major cities including Philadelphia to develop best practices with respect to responding to calls from and working with retailers
2. Development and implementation of policy prohibiting discrimination and profiling against customers by Starbucks employees. Policy must:
 - clearly state that under relevant federal, state and local public accommodations laws, Starbucks must afford all customers, regardless of their race or any other protected category, equal treatment and the full and equal enjoyment of its goods, services and facilities
 - define consumer profiling, provide examples and clearly state that the Company will not tolerate profiling and discrimination of customers
 - state that employees who engage in profiling or discrimination of customers will be disciplined, up to and including termination
 - include procedure by which employees can make internal complaints if they suspect other employees are engaging in discriminatory behavior towards customers
 - identify corporate executive responsible for implementation and investigation/resolution of complaints
 - be promptly disseminated to all employees and posted prominently at each location in a common space for employees (e.g., break room)

3. Development of a customer bill of rights to be posted at the entrance of each location.
The customer bill of rights must:
 - define consumer profiling and clearly state that the Company will not tolerate profiling and discrimination of customers
 - detail how customers who believe they have been discriminated against can report a complaint
4. Development of an internal complaint process to receive and promptly investigate consumer complaints of discrimination
 - The Company must appoint an executive to be responsible for the independent, fair and prompt resolution of these complaints.
 - The Company must also maintain accurate records of customer complaints alleging discrimination, including the ultimate resolution.
 - The Company must closely monitor customer complaints of discrimination to determine whether there may be broader trends of discrimination or profiling by specific employees.
5. Employee and supervisory training of new policies related to:
 - Restroom use
 - Consumer profiling
 - Appropriate instances warranting contacting law enforcement, including how and when to engage law enforcement in non-emergency situations
 - Policies must state that employees who violate them will be disciplined up to and including termination
6. Appointment of an independent consultant with expertise in consumer racial profiling to assist the company with the development and implementation of new policies, complaint procedures and related training programs, to monitor the effectiveness of these measures, and to regularly report back to civil rights organizations
7. Commitment to conduct consumer discrimination/profiling training on a biannual basis for employees and store managers
8. Commitment to train all new hires (both non-supervisory and supervisory employees) on new policies
9. Commitment to increasing diversity of its store managers and supervisors by undertaking targeted recruitment efforts of African Americans by partnering with local schools and community organizations
10. Submission of biannual reports detailing compliance with relevant civil rights laws and above recommendations to plaintiffs' attorneys

APPENDIX B: ALLIED ORGANIZATIONS AND EXPERTS CONSULTED*

Organizations Consulted and Informed

Representatives from the following organizations participated on an interactive conference call on May 1, 2018, where they heard about our role as advisors and were invited to provide input:

- AAUW
- American Civil Liberties Union
- Angela Park Consulting
- Anti-Defamation League
- Asian Pacific Islander American Health Forum
- Center for Popular Democracy
- Council on American-Islamic Relations
- Every Voice
- The Health Law Program
- Lawyers' Committee for Civil Rights Under Law
- Leadership Conference
- Legal Defense Fund
- Muslim Advocates
- NAACP
- Naleo Educational Fund
- National Congress of American Indians
- National Partnership for Women and Families
- National Women's Law Center
- Philanthropic Initiative for Racial Equity
- POWER, Philadelphia, PA
- Race Forward
- SEIU
- Sikh Coalition
- Southern Poverty Law Center
- Transformative Justice Coalition
- T'ruah: The Rabbinic Call for Human Rights
- Unidos US
- United We Dream
- USC Program for Environmental and Regional Equity (PERE)
- Center for the Study of Immigrant Integration
- Western States Center

*Names included for informational purposes only. These organizations and individuals were consulted for this report, however the inclusion of their names does not imply endorsement of this report.

Experts Who Provided Input*

We spoke with the following experts to gather opinions on how Starbucks should approach the May 29 training design and the longer-term work needed to address racism and bias at the company:

- Carolyn Abdullah, senior director, Everyday Democracy
- Gail C. Christopher, independent consultant; founding director, Ntianu Garden Center for Healing and Nature
- Robin DiAngelo, author, racial equity trainer and consultant
- Patricia Divine, lab director, Prejudice and Intergroup Relations Lab; professor, University of Wisconsin-Madison
- Rachel Godsil, director of research, Perception Institute
- Phillip Atiba Goff, co-founder and president, Center for Policing Equity
- Tony Greenwald, founder, Project Implicit; professor, University of Washington
- Glenn Harris, president, Race Forward; publisher, Colorlines
- Debby Irving, racial justice educator and writer
- Amrith Kaur, legal director, Sikh Coalition
- Dr. Tracie L. Keesee, deputy commissioner, New York Police Department
- Michelle Kim, CEO, Awaken
- Martha McCoy, executive director, Everyday Democracy
- Alexis McGill Johnson, executive director and co-founder, The Perception Institute
- Laura Murphy, president, Laura Murphy & Associates
- Peggy A. Nagae, COO and senior consultant, White Men as Full Diversity Partners
- Michele Norris, founding director, The Race Card Project; executive director, The Bridge
- Kimberly Norwood, professor of law and professor of African & African American studies, Washington University School of Law
- Brian Nosek, professor, University of Virginia; co-founder and director, Center for Open Science
- Brittany Packnett, vice president of national community partnerships, Teach for America; co-founder, Campaign Zero
- Angela Park, consultant, Angela Park Consulting
- John A. Powell, director, Haas Institute for a Fair and Inclusive Society
- Howard Ross, founding partner, Cook Ross Consulting
- Miya Saika Chen, staff attorney, Partnership for Working Families
- Rinku Sen, senior strategist, Race Forward
- Sim Singh, national advocacy manager, Sikh Coalition
- David Williams, Florence Sprague Norman & Laura Smart Norman professor of public health, Harvard University; professor of African and African American studies and of sociology, Harvard University; co-leader, Cancer Risk Reduction and Disparities Program, Dana Farber/Harvard Cancer Center

*Names included for informational purposes only. These organizations and individuals were consulted for this report, however the inclusion of their names does not imply endorsement of this report.

Others*

We interviewed representatives from the following organizations who will be providing ongoing advice to Starbucks to gather their insights for the report:

- Anti-Defamation League
- Muslim Advocates
- SY Partners
- Unidos US

*Names included for informational purposes only. These organizations and individuals were consulted for this report, however the inclusion of their names does not imply endorsement of this report.



Founded in 1940, the NAACP Legal Defense and Educational Fund, Inc. (LDF) is the nation's first civil and human rights law organization and has been completely separate from the National Association for the Advancement of Colored People (NAACP) since 1957 – although LDF was originally founded by the NAACP and shares its commitment to equal rights. LDF's Thurgood Marshall Institute is a multi-disciplinary and collaborative hub within LDF that launches targeted campaigns and undertakes innovative research to shape the civil rights narrative. In media attributions, please refer to us as the NAACP Legal Defense Fund or LDF.

Demos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy. We do this by deploying original research, advocacy, litigation, and strategic communications to help create a country the people deserve. For more information, visit Demos.org.