



Competence perspective on sustainability

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A competence perspective on sustainability

*How to link sustainability with
competence-based management*

Competence-based management | Organizational competence

Open systems | Value creation | Sustainability | Starbucks

Abstract

This paper emphasizes a call for action on leaders and managers for shifting towards multiple value creation, but does not seek this value creation at the expense of the environment or society's needs. The past shows us that organizations are mainly focused on creating value for the short term, with often only the financial results of real importance. Organizations are designed and managed for this short-term purpose, which leads to massive wasting, exhaustion, scarcity and even destruction of resources. If this logic continues, the future of our society on this planet is at stake. The competence perspective provides organizations and its management a systemic approach to build and leverage competences for continuous multiple value creation.

1. Introduction

Leaders and managers with a strong focus on sustainability are starting to adopt the idea that they can only manage a sustainable business when they support and serve a society that strives to restore ecological health, reinvent outmoded institutions and rejuvenate our environmental, social and economic systems. For this, a fundamental change in thinking and alternative approaches to organizing and managing the multiple value creation processes are necessary.

The competence perspective offers a differentiated and integrated approach to management that emerged in the 1990's and has become a leading perspective in strategic management and general management theory, research and practice. Within this competence perspective an organization is seen as an adaptive, open and target seeking system for continuous multiple value creation.

The competence perspective also leads to the identification and management of five modes of competences, each of which arises from a specific level of activity within an organization as an adaptive open system (Sanchez, 2004). In this publication, Sanchez addresses *sustainability* as the ability to respond to the dynamic nature of an organization's external environment and of its own internal processes: *"To be sustainable, a competence must respond to the dynamics of the external environment by enabling an organization to maintain its ability to create value in the marketplace even as changes take place in market preferences and available technologies. Sustainability also requires overcoming internal organizational dynamics that result in various forms of organizational entropy."*

In this paper, the more common or conventional definition of sustainability is used and linked to the competence-perspective. In this paper *sustainability* refers to the organizations need of continuous multiple value creation, but does not seek this value creation at the expense of the environment or society's needs. This approach of sustainability also includes the management paradigm that management's concern and management's responsibility are everything that affects the performance of the organization and its results – whether inside or outside, whether under the organizations control or totally beyond it (Drucker, 1999).

For this, the term *sustainability performance* is used and is defined as the social, environmental and economic performance of an organization and relates to the goals that are important to the internal and external stakeholders of the organization (Epstein, 2009).

2. Linking competence-based management with sustainability

As mentioned in chapter one, the competence perspective seems to be suitable for building and leveraging sustainability. For further understanding of the link between the competence-based organization and sustainability, a comprehensive vocabulary or clear taxonomy is needed. In the last two decades, this taxonomy is developed and described in several publications (i.e. Sanchez et al., 1996, Sanchez and Heene, 1997, Sanchez, 2004, Sanchez and Heene, 2004). This taxonomy is used in this chapter to define organizational competence and to describe the competence-based organization, functioning as an adaptive open system. At various levels of systemic activity within a competence-based organization, five competence modes are distinguished by the distinctive sets of capabilities they bring to an organization functioning as an adaptive open system (Sanchez 2004). In this paper, mapping the competences, processes and actions needed to unite sustainability with the modes of competence is the core link between competence-based management and sustainability.

2.1 Defining organizational competence and the competence-based organization

The competence perspective can be seen as an integrative management perspective that incorporates economic, organizational and behavioral concerns. These concerns recognizes and captures the *dynamic, systemic, cognitive* and *holistic* dimensions of organizational competences. Sanchez (2004) described these “*four cornerstones*” extensively and are here summarized as followed:

First, organizational competence must include the ability to respond to the *dynamic* nature of an organization’s (1) external environment and of its own (2) internal processes: **(1)** responding to the dynamics of the external environment by enabling an organization to maintain its ability to create value in the marketplace even as changes take place in market preferences and available technologies, **(2)** overcoming internal organizational dynamics that result in various forms of organizational entropy, such as a gradual loss of organizational focus, a narrowing and increasing rigidity in the patterns of activity the organization can or does perform, a progressive lowering of organizational expectations for performance and success, and the like.

Second, organizational competence must include the ability to manage the *systemic* nature of organizations and of their interactions with other organizations. The requirement of *coordination of assets* addresses this dimension of competence. In the first instance, competence requires an ability to coordinate an organization's own *firm-specific assets* (i.e., the assets within the boundaries of the organization and thus under its direct control) in processes of creating value through product creation and realization. In addition, competence involves accessing and coordinating important *firm-addressable assets* that lie beyond the boundaries of the organization.

Third, organizational competence must include an ability to manage the *cognitive* processes of an organization. The requirement of deployment of resources (directing organizational resources to specific value-creating activities) addresses this dimension of competence. This includes two specific abilities: **(1)** the ability to ascertain and assure that an organization's operations meet at least the minimum efficiency requirements needed to carry out the strategies of the organization, **(2)** the ability to define and select strategies that have the potential to create value in targeted markets when they are carried out efficiently. In other words, managers are responsible for both efficient and effective use of an organization's resources.

Fourth, organizational competence must include the ability to manage the *holistic* nature of an organization as an open system. The requirement of *goal achievement* addresses the multiplicity of individual and institutional interests that intermingle in and are served through any organization. To lead an organization in achieving goals requires that managers be able to define organizational goals that promise a satisfactory level of goal achievement for all individual and institutional providers of the essential resources the organization needs. Thus, the definition of organizational competence recognizes the existence of multiple stakeholders and the importance of meeting the expectations of all providers of essential resources in sustaining the value-creating processes of an organization (Sanchez, 2004).

In essence, the competence perspective describes the competence-based organization functioning as an adaptive open system that incorporates **(1)** the strategic logic of an organization for creating value in markets, which is held to be the essential activity through which an organization may achieve its goals, and **(2)** organization's management processes for deploying and coordinating intangible and tangible assets in the organization's operations for creating and producing product offers to markets. This system perspective of an organization provides a hierarchical ordering of the fundamental and interactive elements of organizational competence and explains the functioning of the competence-based organization as an adaptive open system (Sanchez, 2004).

2.2 The competence-based organization functioning as an adaptive open system

A competence-based organization functions through systemic processes and figure 1 shows the proposed system model of the competence-based organization as an adaptive open system for building and leveraging competences.

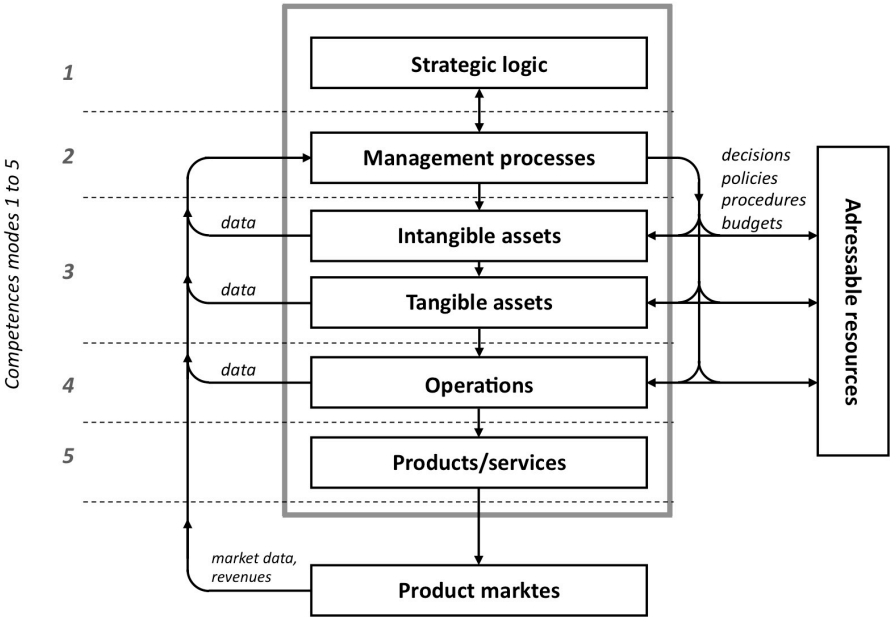


Figure 1: Organization functioning as an adaptive open system & the five competence modes (based on Sanchez, 2004).

Managers in a competence-based organization must discover (perceive) opportunities for creating value in markets and lead their organization in defining the product and service offers that create value for existing and new customers. The *strategic logic* of the organization for creating value is enacted through *management processes* for deploying and coordinating *intangible* and *tangible assets* in the organization's *operations* for bringing *product offers* to *markets*. This systemic model of an organization also identifies critical flows of *decisions, policies, procedures* and *budgets* emanating from an organization's management processes, flows of resources between its own "*firm-specific*" resources and "*firm-addressable*" resources outside the organization, and *feedback flows* of *data* and *revenues* from product markets and from the organization's monitoring of its assets and operations (Sanchez, 2004). Drawing on this hierarchical ordering of the systemic and interactive elements of an organization, five modes of competence are distinguished (Sanchez, 2004) by the distinctive sets of capabilities (or more precisely, the distinctive flexibilities) they bring to an organization to respond to changing and diverse environmental conditions, such as evolving market demands, increasing engagement with stakeholders (including changes in societal and moral obligations), technological changes, new laws and regulations, availability and quality of assets and scarcity of Earth's resources.

2.3 Linking sustainability with the modes of competences

As shown in figure 1, each mode of competence arises from a specific level of activity with an organization as an adaptive open system. Managing the modes of competences is managing resources and capabilities for building new competences and leveraging current competences. In effect, competence building creates an organization's strategic options for action, while competence leveraging involves committing to certain options for action, while deferring or abandoning others (Sanchez, 2004). Sanchez (2004) described the modes of competence in competence-based management extensively and are here summarized.

Competence mode 1: cognitive flexibility to imagine alternative strategic logics

Competence mode 1 derives from the cognitive flexibility of an organization to conceive of alternative ways of creating value in markets. The source of this mode of competence is, in essence, the collective corporate imagination of managers in perceiving feasible market opportunities for the organization to create value. Competence mode 1 depends on managers ability to perceive market needs and identify specific market preferences the organization might serve, to determine the characteristics of products and services that can satisfy those needs and preferences, to design supply chains and select appropriate distribution channels for realizing new products, and ultimately to define product offers that will be perceived by markets as having attractive net delivered customer value. This mode of competence is fundamentally based on *know-what* forms of knowledge: an understanding by managers of the feasible strategic uses to which know-why and know-how forms of knowledge available to the organization can be applied.

The core link between this mode of competence and sustainability is in essence the improvement of the cognitive flexibilities of managers in such a way, that they fully adopt the fundamental idea that they can only manage a sustainable business (continuous multiple value creation) when they support and serve a society that strives to restore ecological health, reinvent outmoded institutions and rejuvenate the environmental, social and economic systems. This starts with increasing the know-what forms of knowledge that can be applied to identify new strategic options that incorporates a balance between environmental, social and economic needs. When managers commit to new *sustainable* strategic options for action (while deferring or abandoning strategic options which are not sustainable), they need to take into account the responsibility of everything that affects the environmental, social and economic needs, whether under the organizations control or totally beyond it. Thus, recognizing and alignment with the values of the stakeholders is critical for the sustainability performance. Furthermore, the new strategic logics are most effective when they are clearly understood and fully supported by all participants in the organization's value-creation process, especially the full and transparent commitment (leadership) to sustainability of the *Board of Directors*, who jointly oversee the activities and performance of their organization.

Competence mode 2: cognitive flexibility to imagine alternative management processes

Competence mode 2 results from a second form of cognitive flexibility of managers to conceive of alternative management processes for implementing strategic logics identified by competence mode 1. The managerial abilities underlying competence mode 2 include the ability to identify the kinds of resources (assets, knowledge and capabilities) required to carry out a given strategic logic, to create effective organization designs (allocations of tasks, decision making and information flows) for the processes that will use the required resources and to define appropriate controls and incentives for monitoring and motivating the continuous value-creating processes envisioned by a given strategic logic. Competence mode 2 depends largely on managers' know-why understanding of both the resources that must be deployed to effectively implement a strategic logic and the behaviors of people who will be responsible for carrying out the functions of the organization. Managers' know-why knowledge must also enable them to recognize the contextual limits of a given management process (i.e., the environmental and organizational conditions in which a given management process will or will not effectively support a given strategic logic for continuous value creation). Competence mode 2 therefore determines the organization's portfolio of strategic options to define and adopt alternative approaches to managing its value creation processes.

The core link between this mode of competence and sustainability is in essence building and leveraging the ability of creating and realizing new ways of managing processes (economic, environmental and social impacts) for creating and realizing (sustainable) product offers. These new management processes are most effective when they are aligned with the strategic logics identified by competence mode 1 and when top management is clearly committed to the sustainable strategic options and alternative management processes (Epstein, 2009). Internally focused processes can include labor practices, life-cycle analysis or assessment and design for environment, certifications, audits for social and environment standards, employee volunteer programs and training of employees. Externally focused processes can include philanthropy, community outreach programs, supplier certification requirements and public reporting of sustainability performance (Epstein, 2009). In organizations as adaptive open systems, managers must provide continuous inputs of energy and attention to maintain or improve the economic, environmental and social impacts in an organization's value creation processes. Thus, implementing and managing specific and appropriate metrics that reflect sustainability are essential to monitor the key sustainability performance drivers.

The limits of the cognitive flexibilities of organization's managers in competence modes 1 and 2 determine the boundaries within which competence modes 3, 4 and 5 can develop and operate in an organization. Therefore, competence modes 3, 4 and 5 relate to three abilities of an organization to enact strategic logics identified through its competence mode 1 and management processes defined by its competence mode 2.

Competence mode 3: coordination flexibility to identify, configure and deploy resources

Competence mode 3 drives from the coordination flexibility of an organization to assemble chains of tangible and intangible resources needed to carry out the organization's strategic logics for continuous creating value through its product offers. Coordination flexibility depends on the ability of a managers to acquire or access, configure and deploy chains of resources for leveraging product offers capable of creating continuous value in the markets targeted by the organization. The strategic options generated by an organization's coordination flexibility can be characterized by the *range of product offers* that can be created and realized by the resource chains an organization can assemble, by the *time* that it takes an organization to assemble an effective new resource chain and by the *costs* the organization incurs to assemble a new resource chain.

The core link between this mode of competence and sustainability is in essence the willingness and ability to proactively assemble and carry out new resource chains, aligned with competence mode 1 and especially with competence mode 2. This can be minor changes of existing routines but also radical new ways of doings business. This may include incorporating new technologies, product or process redesign, ethical sourcing programs, workforce diversity and even a more stringent code of conduct in terms of labor practices (Epstein, 2009). New ways of assembling new resource chains need to contribute to the organizations sustainability performance. To induce providers of new resources to participate, management must devise a clear plan for value distribution that provides an attractive level of goal attainment for all essential resource providers (Sanchez and Heene, 2004).

Competence mode 4: resource flexibility to be used in alternative operations

Competence mode 4 derives from the ability of the resources in an organization's resource chains to be used in alternative ways and is determined by the intrinsic flexibilities of the firm-specific and firm-addressable resources in an organization's resource chains to be used in different ways in the various operations the organization may undertake. The intrinsic flexibility of a resource can be described by the *range of uses* that the resources can be applied to, by the *time* that it takes an organization to change the use of a resource and by the *costs* the organization incurs to change the use of a resource.

The core link between this mode of competence and sustainability is in essence the willingness and ability to proactively build alternative operations that specifically improve the sustainability performance of the various operations. Internally focused actions can result in product recycling or waste reduction, reduction of resources used (i.e. energy, water, oil, air), reduction of resource costs (i.e. cleaner technologies, less packaging costs, less transport costs) and organizing specific training for employees to develop knowledge and accelerate commitment for integrating sustainability in various operations.

Externally focused actions may include expansion of fair-trading partners, more resource attracted from local suppliers, increased collaborations with social entrepreneurs, promoting dialog for co-creation and organizing specific programs to integrate collaboration with specific stakeholders (i.e. NGO's, regulatory agencies, local communities and suppliers) to improve specific metrics of the sustainability performance.

Competence mode 5: operating flexibility in applying skills and capabilities to available resources

Competence mode 5 derives from the ability of an organization's human resources to use the flexibilities of its firm-specific and firm-addressable resources effectively and efficiently over a range of operating conditions. This operating flexibility depends fundamentally on the skills and capabilities an organization can apply at the working level in using its available resources. Competence mode 5 is therefore expressed by the operating flexibilities that result from the collective capabilities of organizations human resources to sustain efficient use of available resources when facing a range of variations in inputs, in required outputs and in the environmental conditions affecting the operations of the organization. In other words, this mode of competence is focused on the intellectual challenge to continuously achieving acceptable levels of reliability and efficiency in realizing the product offers for the targeted markets that are perceived as better (i.e. cheaper, faster and more satisfying) than competing product offers.

The core link between this mode of competence and sustainability is in essence the ability to finding better ways of using skills and capabilities of human resources within the organization to improve the (perceived) quality of product offers. To do so, this may include the development of specific performance measures to continuously monitor and improve the sustainability performance. Examples of sustainability performance measures for improving the product offers are: volume and cost of energy use, number of certified suppliers, ethics and environmental audits/inspections, number of products that can be reused or recycled, duration of product use, eco-efficiency of product use, working/workplace conditions, employee satisfaction scores and turnover, percentage of "green" products and number and frequency of sustainability reports.

Integrating sustainability performance in each mode of competence should prevent any mode from becoming a bottleneck in the organizations multiple value creating processes, in order maintain its ability to continuously serve a society that strives for a balance between environmental, social and economic needs.

In general, organizations are mainly focused on creating value for the short term, with often only the financial results of real importance. This short-term purpose, leads to massive wasting, exhaustion, scarcity and even destruction of resources. Today's leaders and managers need to contribute to the transformation of our environmental, social and economic systems. For this, a call for action on leaders and managers for creating and managing multiple value creating processes and sustainability performance is necessary in order maintain its ability to

continuously serve a society that strives for a balance between environmental, social and economic. This call for action is supported by a research case of the sustainability practices at Starbucks.

3. Making sustainability work at Starbucks

In this chapter the alternative approach to organizing and managing sustainability of Starbucks is described. The focus of this research case is on the management concerns and the various activities of Starbucks to unite sustainability with leveraging existing competences and building new competences for continuous multiple value creation. First, a general profile of Starbucks is outlined.



Starbucks Corporation (NASDAQ: SBUX) is a global coffee company and Italian-style coffeehouse chain based in Seattle, Washington (USA), with around 20,000 retail stores

in more than sixty countries. Starbucks purchases and roasts high-quality whole bean coffees and sells them, along with fresh, rich-brewed coffees, Italian-style espresso beverages, cold blended beverages, a variety of complementary food items, a selection of premium teas, and beverage-related accessories and equipment, primarily through company-operated retail stores. Starbucks also produces and sells a variety of ready-to-drink beverages and licenses its trademark through other channels such as licensed retail stores and, through certain of its licensees and equity investees.

From the beginning as a single store in Seattle's Pike Place Market in 1971, Starbucks have sought to be a catalyst for positive change in the many communities they serve. In recent years, Starbucks and their stakeholders continued to face pervasive global economic uncertainty, but continues to lead where they can and invites other organizations to join them in efforts that can change business and even entire industries. To do so, Starbucks is very committed to integrate their values into the company strategy, business practices and operations. Starbucks promotes the believe that the ultimate way to scale the power of their brand is to share the good they do and how they do it, so that Starbucks and everyone they touch (from customers to coffee farmers) can thrive and endure. Howard Shultz (Chairman, President and CEO of Starbucks) describes this in the Starbucks Global Responsibility Report - Goals en Progress 2011 as: *"We continue to make progress toward our environmental stewardship and ethical sourcing goals, and believe more than ever that Starbucks has a shared responsibility to operate our business in ways that contribute to the economic and environmental well-being of the communities we touch. This interdependence is at the heart of Starbucks mission: to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time."*

Since 2001, a high-level summary of Starbucks activities and progress on their commitments and public goals are contained in their Global Responsibility Report. This report focuses on the work Starbucks is doing in ethical sourcing, community involvement and environmental stewardship. These are the areas where Starbucks can have the greatest impact and therefore are of the greatest importance to Starbucks, their customers and partners (employees), as well as non-governmental organizations and investors.

Recently, Howard Schultz presented the results for fiscal year 2012 (ended September 30th) and made the following statement: *"The resiliency and relevance of our U.S. retail business, expansion in Asia and by delivering relevant innovation to our customers while increasing focus on execution and operating efficiencies, we drove sales growth and expanded profit margins."* Some of the highlights of the fiscal year 2012 are: the opening of 1,063 net new stores globally, the total net revenues increased 14% reaching a record \$13.3 billion and approximately \$1.1 billion returned to shareholders through share repurchases and dividend payments (cash dividend increased 24% to \$0.21 per share).

3.1 Shared Planet philosophy

At Starbucks, they believe in the importance of building a great, enduring company that strikes a balance between profitability and a social conscience (Shared Planet philosophy). For Starbucks goal of being a responsible company, several areas are appointed to organize and achieve the required sustainability performance (Global Responsibility Report - Goals en Progress 2011). These areas are used below for describing the sustainability practices in more detail, with a focus on environmental and social responsibilities.

Environmental Stewardship

At Starbucks they believe in the importance of caring for our planet and encouraging others to do the same. When it comes to environmental sustainability, Starbucks experience has proven the power of collaboration. By working with non-governmental organizations, policymakers, competitors and others, Starbucks can tackle common challenges. Together Starbucks is advancing a number of meaningful initiatives and taking bold actions that they believe are having a significant impact on the entire foodservice industry. Starbucks focuses on significantly reducing the environmental footprint through energy and water conservation, recycling and green construction.

Green construction

Starbucks is committed to prioritizing social responsibility standards for the merchandise, furniture and other items found in stores, as well. At the store level, Starbucks is working with the U.S. Green Building Council to create scalable green building solutions for the retail sector. Starbucks goals is to certify 100 percent of all new company-owned stores under the LEED®

green building standard. The LEED certified stores generate 60 percent less construction waste and require less water and energy to operate. On average, Starbucks LEED certified stores achieve a 30 percent reduction in energy used for lighting and 60 percent reduction in water use against the LEED baseline. In total, more than 80 LEED accredited professionals on the global store development team, are looking for opportunities to leverage environmental design practices by providing guidance on sustainable design and construction practices to licensees and other business partners.

Energy and Water

The energy used to power the Starbucks stores, offices and roasting plants accounts for more than 80 percent of Starbucks direct carbon footprint. As such, Starbucks is focused on multiple fronts to reduce the energy use. Starbucks has two goals: reduce energy consumption by 25% in the company-owned stores by 2015 and purchase renewable energy equivalent to 100% of the electricity used in the company-owned stores by 2015. In 2011, Starbucks purchased 50 percent renewable energy (in the form of renewable energy certificates) to power its global company-owned stores, and is well on its way to achieving its goal of 100% renewable energy by 2015.

Besides energy, water is a key ingredient to make coffee and tea beverages and to run equipment such as dishwashers and ice machines. Starbucks goal is to reduce water consumption by 25 percent in company-owned stores by 2015. Starbucks work on water also extends into water consumption, protection and access to clean drinking water in coffee-growing communities. Through C.A.F.E. Practices, Starbucks work to encourage farmers to conserve water used for coffee processing, protect rivers and streams, and ensure workers have access to clean drinking water.

Recycling and reusable cups

Starbucks beverages account for approximately 4 billion cups each year. By collaborating with key industry leaders – even competitors – Starbucks aim is to reduce the global impact of food and beverage packaging significantly. Starbucks embraced this challenge and in 2008 Starbucks engaged Peter Senge (Massachusetts Institute of Technology) to help explore a systems-based approach to cup recycling. This led to three Cup Summits, where Starbucks brought together government officials, raw material suppliers, cup manufacturers, retail and beverage businesses, recyclers, competitors, conservation groups and academic experts to craft comprehensive recycling strategies for Starbucks and others in the foodservice industry. This resulted in several programs and the following goals were set: develop comprehensive recycling solutions for the paper and plastic cups by 2012, implement front-of-store recycling in all the company-owned stores by 2015 and serve 5 percent of beverages made in the stores in personal tumblers (reusable mugs) by 2015.

Ethical Sourcing

To attract, retain and improve the best available resources for creating and realizing product offers Starbucks takes a holistic approach to ethically sourcing the highest quality coffee and other sources such as cocoa. This includes responsible purchasing practices, supporting farmer loans and forest conservation programs. This helps to foster a better future for farmers and a more stable climate for the planet. It also helps create a long-term supply of the high-quality beans for carefully blending, roasting and packing fresh for more than 40 years.

Purchasing

Starbucks goal for responsible purchasing is to ensure 100% of the coffee is ethically sourced by 2015 (meaning verified or certified, either through C.A.F.E. Practices, Fairtrade or other programs). In 2011 86% of the coffee was ethically sourced. The Coffee and Farmer Equity (C.A.F.E.) Practices is a comprehensive coffee-buying program that ensures coffee quality while promoting social, economic and environmental standards. Purchasing certified or verified coffees not only meets customers' needs, but also helps protect the environment and the livelihood of farmers in coffee-growing regions. Starbucks offered Fairtrade coffee since 2000. In 2011 34.3 million pounds (8.0 percent) of the coffee purchases were Fairtrade certified, making us one of the largest purchasers of Fairtrade certified coffee in the world. Starbucks also purchased 9.6 million pounds (2.2 percent) of certified organic coffee in 2011. Another important component of ethical sourcing is a green coffee pricing model that aims to pay the prices premium quality commands, while fostering price stability and mutually beneficial relationships with suppliers.

Farmer support

Another goal of Starbucks Ethical Sourcing is to invest in farmers and their communities by increasing farmer loans to \$20 million by 2015. In 2011 Starbucks supported farmers financially and this support helped more than 45,000 farmers growing coffee in seven countries. By investing in programs that provide access to credit, Starbucks is helping farmers to manage risk and strengthen their businesses. In 2011 loan commitments reached a total of \$14.7 million.

Forest carbon programs

Furthermore, it is Starbucks goal to improve farmers' access to carbon markets, helping them generate additional income while protecting the environment. To help mitigate the potential impacts of climate change, especially in the sensitive bioregions where coffee is grown, Starbucks work with Conservation International (CI) and farmers to improve coffee production processes, conserve and restore natural habitat and explore opportunities to facilitate farmer access to forest carbon markets in coffee-producing communities in Chiapas, Mexico, and Sumatra, Indonesia. Each project illustrates different approaches to addressing climate challenges and explores the potential of the carbon market to benefit both livelihoods and conservation efforts.

Community Involvement

From the neighborhoods where Starbucks stores are located to the ones where the coffee is grown – Starbucks believes in fostering thriving communities. More than ever, communities are now looking to the private sector to share resources and create meaningful change. To amplify community and diversity efforts, Starbucks collaborate with nonprofit organizations, businesses, civic leaders and individuals who share Starbucks' values and invites them to join community service projects.

Community service and investments

In 2011 these projects generated more than 442,000 hours of service with 1,400 projects. By 2015, Starbucks wants to contribute one million volunteer hours each year to relevant communities. Another goal is to engage a total of 50,000 young people to innovate and take action in their communities by 2015, since young people have a lot to contribute to their communities. For this, the Youth Action Grants program was developed. This program promotes youth-led initiatives that create innovative and positive solutions to local needs while empowering young people. The organizations Starbucks support with Youth Action Grants reported mobilizing more than 2 million hours of community service and created ripples of change in communities around the world. Examples of projects are: peace education in northwest Pakistan, livelihood skills training for war-affected youth in Uganda, and microcredit to low-income entrepreneurs in Brazil.

Supporting coffee, tea and cocoa communities

Starbucks commitment to communities extends beyond the retail footprint to include the regions that supply us with coffee, tea and cocoa. Starbucks invests in programs designed to strengthen local economic and social development through farmer loans and ethical sourcing programs (see ethical sourcing).

Other programs include improving access to education and agricultural training, microfinance and microcredit services, improving biodiversity conservation, and increasing levels of health, nutrition and water sanitation. Sanitation and hygiene education programs in water-stressed countries are supported through the Starbucks Foundation's Ethos Water Fund. For each bottle of Ethos water purchased, a contribution is made to the Ethos Water Fund. Since 2005 \$6 million has been granted, benefitting more than 420,000 people around the world.

Giving

In 1997 Starbucks started the Starbucks Foundation to fund literacy programs in the United States and Canada. Today the foundation supports communities around the globe in all kinds of ways. The foundation gave \$13.5 million in 2011, making 145 grants to nonprofit organizations,

including more than \$3 million for Starbucks Youth Action Grants. In 2011 Starbucks Corporation gave \$25 million to the Starbucks Foundation.

Wellness

Starbucks advocates for policies that support the health of communities and offers programs that support an active, balanced lifestyle. The food and beverage products at Starbucks are free from unnecessary ingredients like high fructose corn syrup, artificial flavors, dyes, and artificial trans fats. In addition, Starbucks started with posting calories on its products and on its website and is looking into new and innovative ways to share wellness information with consumers.

Starbucks commitment to wellness extends to employees of Starbucks (partners) with Thrive Wellness: an internal broad-based wellness program. The Thrive program provides partners with a variety of tools, resources and benefits aimed at helping all the partners incorporate wellness into their daily routine. From fitness tools, to weight loss and smoking cessation resources, it's covered under Thrive. Starbucks consistently spends more on training and development than it does on advertising. Furthermore, Starbucks became a member of the Global Social Compliance Program, a business-driven effort to promote the continuous improvement of working and environmental conditions of global supply chains. All this effort pays huge dividends for Starbucks in retaining partners, maintaining connections with customers and bringing new customers into its stores.

Corporate Governance and Business Ethics & Compliance

Starbucks believes that conducting business ethically and striving to do the right thing are vital to the success of the company. To maintain Starbucks uncompromising principles while realizing the business goals, the Board of Directors has adopted governance principles, committee charters and policies to lead Starbucks governance practices. Currently, the Board has 11 directors; a substantial majority of whom meets all of the independence requirements. The CEO and financial leaders has to sign a special Code of Ethics, ensuring that stakeholders' interests are appropriately balanced, protected and preserved. For this, Starbucks proactively promotes transparency to its stakeholders by providing timely disclosure of accurate information related to the past, present and likely future (financial) performance.

The *Business Ethics and Compliance* program supports Starbucks mission and helps protect Starbucks culture and reputation by providing resources that help partners make ethical decisions at work. The program develops and distributes awareness materials, including the Standards of Business Conduct. The Standards of Business Conduct booklet is a resource distributed to all partners to help them make appropriate decisions at work. Furthermore, the program facilitates includes legal compliance and ethics training, investigates sensitive issues such as potential conflicts of interest and provides additional channels for partners to voice concerns. Partners are encouraged to report all types of issues or concerns to the program through their choice of the offered communication channels.

3.2 Mapping competences that drive Starbucks corporate sustainability performance

Whether motivated by concern for society and the environment, stakeholder pressures for growth, government regulations or economic profit, Starbucks continuously need to improve the quality of value-creation processes to effectively manage their social, economic and environmental impacts to achieve organizational coherence and competitive success in the use of the organization's competences.

As addressed in chapter two, integrating sustainability in the various levels of systemic activity (modes of competence) is likely to be the key to Starbucks ability to continuously serve a society that strives for a balance between environmental, social and economic needs. The table below provides a hierarchical ordering (mapping) of the competences that drive Starbucks corporate sustainability performance (social, environmental and economic).

Modes of competence	Starbucks Sustainability Performance
<p>Competence mode 1:</p> <p>The core link between competence mode 1 and sustainability is in essence the improvement of the cognitive flexibilities of managers in such a way, that they fully adopt the fundamental idea that they can only manage a sustainable business (continuous multiple value creation) when they support and serve a society that strives to restore the balance between environmental, social and economic needs.</p>	<p>Examples of systemic competence building and leveraging at this level are:</p> <ul style="list-style-type: none"> ▪ The Shared Planet philosophy integrate the values into the strategy, business practices and operations and commits Starbucks skills and capabilities into actions for continuous multiple value creation. ▪ Starbucks takes social and environmental responsibility for the areas where they can have the greatest impact (environmental stewardship, ethical sourcing, community service & investments, wellness, corporate Governance and business ethics & compliance) and therefore are of the greatest importance to Starbucks stakeholders. ▪ Starbucks does not seek economic growth at the expense of the environment or society's needs. For new market opportunities, alignment with the values of the stakeholders is critical for the sustainability performance of Starbucks. ▪ Board of Directors is committed to lead Starbucks governance practices, sets clear and measureable goals and show accountability for an organizational culture that promotes sustainable decision-making, behavior and performance.



<p>Competence mode 2:</p> <p>The core link between competence mode 2 and sustainability is in essence building and leveraging the ability of creating and realizing new ways of managing processes (economic, environmental and social impacts) for creating and realizing (sustainable) product offers.</p>	<p>Examples of systemic competence building and leveraging at this level are:</p> <ul style="list-style-type: none"> ▪ Starbucks is constantly altering management processes in order to maintain tight control of the worldwide and fast growing operations (i.e. opening new stores in new countries with new partnerships and new channels: http://youtu.be/lagNph-q9LU). The alterations are aligned with the logics identified by competence mode 1. ▪ Specific and appropriate metrics that reflect sustainability are implemented to support both efficient and effective use of the organization's resources to realize the process alterations. ▪ Challenging goals and programs, for example ethical sourcing, improved labor practices, green building and waste reduction, drives Starbucks to develop new ways to achieve organizational coherence and success. ▪ Continuous inputs of energy and attention to external drivers for sustainability performance pressures Starbucks to develop and manage community outreach programs, Starbucks Foundation, supplier certification and public reporting of sustainability performance. ▪ Starbucks continues to target approximately 10% revenue growth, driven by mid-single-digit comparable store sales growth and approximately 1,300 net new store openings around the Globe.
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<p>Competence mode 3:</p> <p>The core link between competence mode 3 and sustainability is in essence the willingness and ability to proactively assemble and carry out new resource chains, aligned with competence mode 1 and especially with competence mode 2.</p>	<p>Examples of systemic competence building and leveraging at this level are:</p> <ul style="list-style-type: none"> ▪ The Business Ethics and Compliance program supports Starbucks standards of business conduct and facilitates includes legal compliance and ethics training, investigates sensitive issues such as potential conflicts of interest and provides additional channels for partners to voice concerns. ▪ The Coffee and Farmer Equity (C.A.F.E.) Practices, a comprehensive coffee-buying program must ensure coffee quality and quantity while promoting social, economic and environmental standards. ▪ 80 LEED accredited professionals on the global store development team, are looking for opportunities to leverage environmental design practices, including providing guidance on sustainable design and construction practices to licensees and other business partners. ▪ Starbucks brings together government officials, raw material suppliers, cup manufacturers, retail and beverage businesses, recyclers, competitors, conservation groups and academic experts to craft comprehensive recycling strategies and programs to realize significant waste reduction and to improve the footprint of Starbucks
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<p>Competence mode 4:</p> <p>The core link between competence mode 4 and sustainability is in essence the willingness and ability to proactively build alternative operations that specifically improve the sustainability performance of the various operations.</p>	<p>Examples of systemic competence building and leveraging at this level are:</p> <ul style="list-style-type: none"> ▪ Starbucks proactively promotes dialog for co-creation and organizing specific programs to integrate collaboration with specific stakeholders (i.e. NGO's, regulatory agencies, local communities and suppliers) to improve specific sustainability performance metrics. ▪ The green building initiatives helps Starbucks to realize environmental targets and deliver long-term environmental impact and operating cost reductions. The same counts for altering store operations by implementing recycling programs (i.e. cups, water, energy) ▪ By investing in programs that provide access to credit, Starbucks is helping farmers to strengthen their businesses. In 2011 alone, this support helped more than 45,000 farmers growing coffee. ▪ Starbucks offers also technical support to coffee producers through farmer support centers. These centers allow Starbucks agronomists and quality experts to collaborate directly with coffee farmers to encourage responsible growing practices and improve the quality and size of their harvests. Ultimately, these efforts can help farmers earn better prices and become more resilient and long-term producers.
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<p>Competence mode 5:</p> <p>The core link between competence mode 5 and sustainability is in essence the ability to finding better ways of using skills and capabilities of human resources within the organization to improve the (perceived) quality of product offers.</p>	<p>Examples of systemic competence building and leveraging at this level are:</p> <ul style="list-style-type: none"> ▪ To improve the quality, Store Managers continuously develop, coach and train in-store partners as they work side by side in their stores. ▪ To honor the unique combination of talents, experiences and perspectives of each partner, Starbucks actively promotes diversity with a company-wide diversity program. ▪ Starbucks engages millions of people in dialogue about local and global issues in the social media community <i>My Starbucks Idea</i>. This online platform is an effective way to realize and improve value-creation. ▪ Starbucks introduced the Starbucks iPhone and Android™ mobile app. With this app, customers can manage their Starbucks Card balance, track Stars in the My Starbucks Rewards program, receive special offers and can send a friend an eGift. ▪ Wellness is becoming an important aspect of Starbucks value-creation processes. The Thrive program provides partners with a variety of tools, resources and benefits aimed at helping all the partners incorporate wellness into their daily routine. This benefits employee satisfaction scores and turnover.
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Table 1. Mapping competences that drive Starbucks corporate sustainability performance

4. Future research

The main aim of this article was to link sustainability with competence-based management, so that leaders and manager have a systemic approach at their disposal to build and leverage competences for continuous multiple value creation, but does not seek this value creation at the expense of the environment or society's needs.

Today's leaders and managers have to prevent harmful and irreversible effects on the environment by efficient use of Earth's resources, encouraging renewable resources, protecting the soil, water, air from contaminations and others. To do so, this paper recommends leaders and managers to integrate sustainability with the organizations value-creating processes. More specifically, this paper suggest that integrating sustainability in the various levels of systemic activity (modes of competence) within organizations, is likely to be the key to organize and manage the organizations ability to achieves its goals (including the required sustainability performance) and competitive success.

A case of Starbucks sustainability performance was presented to describe how Starbucks effectively manage their social, economic and environmental impacts to achieve organizational coherence and competitive success in the use of the organization's competences. By doing so, this paper contributes to a better understanding of the management challenges when linking sustainability with competence-based management. Obviously, further research is needed into how organizations actually make sustainability work (underlying managerial capabilities). One possibility would be to identify organizations that are well known for successfully integrate sustainability with building new competences and leveraging current competences and study these. Such research would take the competence perspective a step further and provides organizations valuable information about how to identify and build specific kinds of capabilities and how to start value creating processes to improve sustainability performance and achieve competitive success.

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