Bitter news: How well is Starbucks communicating its layoffs?

By Jenny Schade

ap wide world photos

Starbucks announced on July 1 that the next phase of its recovery will require closing 600 U.S. stores and eliminating as many as 12,000 jobs, about 7 percent of the company's work force worldwide.

Change this dramatic must be accompanied by thorough communication, and, as of July 16 when *Tactics* went to press, Starbucks appeared to be doing the following things well:

Telling their employees first. Out of respect for employees, Starbucks is not announcing which stores will close until after it has informed employees at those locations. Employees at one company I worked with learned of layoffs while watching CNN in the company health club. An employee at that firm said, "I guess this company just doesn't care about 'the man.'"

Taking responsibility. A letter posted on Starbucks' Web site attributed the current difficulties to "poor real estate decisions that were made, coupled with a very troubled economy." Bravo to Starbucks for acknowledging that its quest for expansion clouded its judgment in site selection.

Communicating promptly and clearly. CEO Howard Schultz's letter on the Starbucks Web site balances concern for departing employees with a positive outlook and commitment to improving the customer experience. His letter clearly outlines how employees will receive information about layoffs and store closings.

In addition to these steps, I suggest Starbucks executives consider the following, if they haven't already:

Leadership accountability. All too often when a business has problems, leaders continue to receive large bonuses even though employees are losing their jobs. Starbucks' leadership team could show accountability by announcing that they are also sacrificing to help the company.

Look for the positive. It's counter-intuitive, but a reorganization can ultimately be positive for employees. Employees have been reading about Starbucks' poor performance for months. This kind of uncertainty is tremendously distracting; employees in this kind of environment often feel anxious, angry, resentful and detached.

After the initial shock of this type of announcement ends, acknowledge that this is a step toward recovery for the organization. The leaner work force may open opportunities for remaining employees. The stock price might rise due to enthusiasm on Wall Street. As an employee at a company going through a merger once told me, "We're sending a message to Wall Street that we're walking the walk, not just talking the talk. We have talked about mergers and now we're doing it."

Re-engage employees who remain with Starbucks. Everyone knows losing a job is an emotionally traumatic experience; however, the remaining employees may feel the same — depressed and numb. They probably even feel a touch of survivor's guilt. Reorganizations are hard on all.

Allowing employees to voice uncertainty and give input into the realigned organization is critical to re-engagement. Hold town hall meetings at which company leaders respond to employee questions, or encourage managers to talk with employees and listen to their concerns.

Further reading from PRSA's archives:

"Wake up and smell the publicity: A look at Starbucks' brand revitalization," June 2008, *PR Tactics*

"Starbucks Brews Up Success on the Web," summer 2003, *The Strategist*

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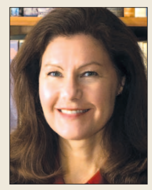

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Corporate philanthropy falling short, authors argue

Behind paid advertisements purporting to show companies addressing global warming, curbing health care costs or improving public education, there lurks a troubling trend, say Leo Hindery Jr. and Curt Weeden: a significant drop in corporate charitable contributions. Writing in *BusinessWeek* July 8, they argue that when companies forsake their social responsibilities or spin misleading images of their corporate citizenship, the result is a private sector and a civil society thrown off-balance.

Twenty-five years ago, they report, businesses allocated about 2 percent of their pretax profits for gifts and grants. Companies today are only one-third as generous, averaging about 0.7 percent of pretax earnings. Hindery and Weeden argue that a reasonable requirement for any company wishing to call itself a "good corporate citizen" should be to spend at least 1 percent of its previous year's pretax profit for philanthropic purposes.

In fact, they say, an effectively managed contribution program can deliver strong returns to a corporation when directed to nonprofit groups closely aligned with the interests of the organization's employees, communities, and business objectives. To reverse the downward trend in corporate giving, Hindery and Weeden suggest, self-motivated and sensitive CEOs should carry out corporate contributions and community-relations initiatives supported by adequate resources and time — rather than by chest-beating ad campaigns and press releases. —*Greg Beaubien*