

Questions and answers on the growth and success of starbucks



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Evaluate the role played by Howard Schultz in the growth and success of Starbucks. Is the company in danger of relying too heavily on Mr. Schultz?

Howard Schultz's vision was for Starbucks to become a national company with values and guiding principles that employees could be proud of. Schultz wanted to recreate the authentic Italian coffee bar culture in the United States (Thompson, Peteraf & et al, 2012). He believed that building a company that valued and respected its people, that inspired them, and that shared the fruits of success with those who contributed to the company's long term value was essential, not just as an intriguing option. His aspiration was for Starbucks to become the most respected brand name in coffee and for the company to be admired for its corporate responsibility (Thompson, Peteraf & et al, 2012). Schultz strategized a plan to lead the Starbucks Coffee Company by speculating to open 125 stores in the next five years of the company's operation. To symbolize the merging of Starbucks and Il Giornale, Schultz instituted new changes by creating a new logo and equipping espresso machines in all the coffee restaurants. In 1987, Schultz was able to regain the mood of the employees and also ventured in new markets such as Vancouver, Chicago, Portland, Los Angeles and San Francisco. Starbucks's store expansion targets proved easier to meet than Schultz had originally anticipated and he upped the numbers to keep challenging the organization and so there was 161 stores, which was above Schultz's original target of 125 stores in 1992 (Thompson, Peteraf & et al, 2012). Howard Schultz argued that patience was needed as the company invested in the infrastructure to support continued growth. He contended that hiring experienced executives ahead of the growth curve, building

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facilities far beyond current needs, and installing support systems laid a strong foundation for rapid, profitable growth down the road.

Even though Schultz was the founder of the Starbucks Corporation and managed it for long time, I don't think the company would be in danger if he leaves the position he holds today. Some basic reasons to these are, since Starbucks heavily depends on Schultz, I believe he most likely has a careful succession plan for the betterment of the company. I also firmly believe that Schultz has already developed a sound contingency plans for his position. That is he might already have set the plan of who should take over the reins on a short notice. If these strategies are in place, then Starbuck's future would not be uncertain.

Discuss the business engineering processes used by Starbucks to stay competitive. How does the company track performance and use its control systems?

Starbucks created its own house team of architects and designers to ensure that each store would convey the right image and character. Stores had been custom -designed because the company didn't buy real estate or build its own freestanding structures, rather, each space was leased in an existing structure, making each store differ in size and shape. The company had emphasized the four stages of coffee making: growing, roasting, brewing, and aroma. With increase in its stores, greater store diversity and layout quickly became necessary. The company had some special seating areas to help make it a desirable gathering place. The company also came with the drive through windows in locations where speed and convenience were important. Just as recent as June 2009, the company announced a new

global store design strategy (Thompson, Peteraf & et al, 2012). This meant that each new store was to be a reflection of the environment in which it operated and was to be environmentally friendly.

To better control average store opening costs, the company centralized buying, developed standard contracts and fixed fees for certain items, and consolidated work under those contractors who displayed good cost-control practices (Thompson, Peteraf & et al, 2012). The retail operations group outlined exactly the minimum amount of equipment each core store needed so that standard items could be ordered in volume from vendors at 20 to 30 percent discounts, then delivered just in time to the store site either from the company warehouses or the vendor. Modular designs for display cases were developed. The layouts for new and remodeled stores were developed on a computer, with software that allowed the costs to be estimated as the design evolved. All this cut store opening and remodeling costs significantly and shortened the process to about 18 weeks (Thompson, Peteraf & et al, 2012).

What is the compensation strategy that the company has used to motivate its employees to focus on the company's strategy and its execution?

Howard Schultz deeply believed that Starbucks's success was heavily dependent on customers having a very positive experience in its stores. This meant having store employees who were knowledgeable about the company's products, who paid attention to detail in preparing the company's espresso drinks, who eagerly communicated the company's passion for coffee, and who possessed the skills and personality to deliver consistent, pleasing customer service (Thompson, Peteraf & et al, 2012). Some of the

compensation strategy that Starbucks used to motivate its employees included instituting health care coverage for all employees whether full time or part time. From 1988, part timers working 20 or more hours were offered the same health coverage as full-time employees. Starbucks paid 75 percent of an employees' health insurance premium; while the employee paid only 25 percent. The health insurance coverage was also offered for unmarried partners in a committed relationship (Thompson, A. A. et al., 2012). The company also had presented a stock option plan for all employees . This was aimed at turning all employees into partners, giving them a chance to share in the success of the company, and make clear the connection between their contributions and the company's market value. The company also implemented an employee stock purchase plan that gave partners who had been employed for at least 90 days an opportunity to purchase company stock through regular payroll deductions. This had really motivated many employees and since the inception of this plan, some 23.5 million shares had been purchased by partners; and one third of these partners participated in stock purchase plan during the 2000-2009 period (Thompson, A. A. et al., 2012). Starbucks' workplace environment was good for its employees. The management believed that the company's competitive pay scales and comprehensive benefits for both full time and part time partners allowed it to attract motivated people with above average skills and good work habits.

**How would you describe Starbucks' corporate culture?
What is the relevance of corporate culture for Starbucks' future growth and success?**

The cornerstone value “to build a company with soul” was that Starbucks would never stop pursuing the perfect cup of coffee by buying the best beans and roasting them to perfection. Schultz and other senior executives were adamant about controlling the quality of Starbucks product and building a culture common to all stores. Schultz was rigidly opposed to selling artificially flavored coffee beans. The management was also emphatic about the importance of employees paying attention to what pleased customers (Thompson, A. A. et al., 2012). At the very base of the company's culture was its roots within the community. Howard Schultz's goal was to “build a company with soul, which included corporate responsibility. In 1997 the Starbucks Foundation was established. The foundation was one of the largest contributors to C. A. R. E. which provided health and education programs to third world countries most of which Starbucks purchased its coffee beans. Starbucks is also committed to the environment. It has organized a “Green Team” of store managers from all regions that assist the community in environmental efforts to reduce, reuse and recycle waste. The team has introduced innovative ways to reuse some of the paper, plastic and cardboard the store uses. They have reused packing materials and have donated these materials to local schools for art projects. These corporate cultures that Starbucks developed over the years had been very useful and would emphasize the company's growth into the future (Starbucks 2006).