

Starbucks global organizational diagram marketing essay



**ASSIGN
BUSTER**

Americas market: Cliff Burrows is a president of Starbucks U. S., Canada, Mexico and Latin America. The Americas Region, generally the USA, Brazil and Canada, will stay a keystone of Starbucks' success.

EMEA market includes Russian Federation, Middle East countries, Africa counties, U. K. and most of Europe countries. Michelle Gass is a president of Starbucks EMEA. At the same time, she serves as president of a Starbucks subsidiary - Seattle's Best Coffee.

China and Asia Pacific market: All Asia Pacific markets and China John Culver is the president of these markets. China, Japan and India are vital areas for company's future growth.

All three regional presidents reports to Howard Schultz.

CEO, President and Chairman

Howard Schultz

China and Asia Pacific Region: President John Culver

Americas Region: President Cliff Burrows

EMEA Region: President

Michelle Gass

India, China, Japan and other Asia Pacific Countries

USA, Canada, Brazil and other Countries

Russia, Turkey, UK and other Countries

Starbucks Global Organizational Diagram

b) Starbucks' Global Organizational Structure according to the Five Key Structural Variables:

The relative importance of international operations at the present time and what the projected situation might be within three to five years.

More than 60% of the stores are in USA. Canada has the second number of Starbucks stores with more than 6%. Considering the fact that the company doing more than 30 % of its business overseas the Matrix Organizational Structure is adequate for now. Starbucks CEO Howard Schultz said that his company plans to open 1000 stores in the U. S. in the next five years.

The firm's past history and experience in the international arena.

Starbucks Corporation has a great history. In 1995, the company ventured into the international market with its first coffee house in Tokyo. On July 2012, the company has their stores and coffeehouses in more than 17, 000 locations worldwide. So it is obvious that Starbucks should choose more sophisticated structure, in our case it is Matrix Structure.

The company's business and product strategy.

Starbucks' business strategy for growing its retail business is to increase its market share in existing markets and to open stores in new markets where

the opportunity exists to become the leading specialty coffee retailer.

Increasing market share in existing markets and open new coffeehouses in new markets is a Starbucks business strategy. Nowadays the company employed approximately 160, 000 employees worldwide.

The management's philosophy of operating.

Starbucks utilize aggressive expansions and prepared to take risks. For example open stores in China were burden with risk that Chinese people prefer tea instead of coffee.

The firm's ability to adjust to organizational changes.

Before September 2011, Starbucks retail business was divided into two main divisions: US Starbucks and Starbucks Coffee International (SCI). SCI comprised 54 markets worldwide. At that time, Howard Schultz, CEO, president and chairman of Starbucks said that the company's performance has grown significantly over the past two years which accelerated the growth of the company. He added that it is a good moment for implementation of multi-brand and multi-channel strategy and these changes will only help. So now Starbucks has matrix structure which encompasses three-region

c) Some key points showing relation between Starbucks' organizational structure and its strategies:

Matrix business structure is helping Starbucks to successfully implement the idea of ' think global and act local'. Though Starbucks has not made any major changes in its product lines in anywhere in the world but for some little changes. Like in China, people prefer tea more than coffee but <https://assignbuster.com/starbucks-global-organizational-diagram-marketing-essay/>

Starbucks forced their premium coffee and kept some tea items in their menu.

Having a matrix structure implemented in its organization, Starbucks efficiently organize their huge international business.

This business structure allowing Starbucks supervisors to concentrate on their areas of expertise. Functional supervisors focus on to hire, train and manage employees in their work. On the other hand, supervisors responsible for projects can focus on reaching their targets. This is to help Starbucks' strategy to reach maximum efficiency.

Flexibility in business operation can be easily achieved if a matrix model is implemented. This structure is allowing HR of the company to be shared among different projects and products, which is making Starbucks' operations more cost effective.

Starbucks is having three different presidents managing three different regions. Placing executives in key functional regions allows Starbucks to specialize in a specific field. Instead of being good at multitasking, specialized executives can perform better at tasks in their areas of concentration.

As a group we think Starbucks organization structure perfectly fits its local and international strategies.

Question 2

Đ°) In the mid-1990s, Starbucks entered into Chinese market in the ways of licensed agreements and joint ventures. Starbucks believed that thought cooperating with good local partners can facilitate its business to penetrate and adapt local markets, better understand the local cultures and laws. In the positions of regional executive and other important departments, Starbucks Greater China also hired some local employees who have rich experience and strong knowledge of Chinese cultures.

In order to coordinate with Starbucks' very specified strategic marketing plans in China, the company implemented a Tailor-Made Training and Development Program as well, it aims to make the overseas operation and management of its coffee business adapt to the huge and competitive Chinese market. The Starbucks' training and development program had make use of the collected information of local market, culture, policies, laws, demographics, etc, to train their employees and make them obtain necessary knowledge on the current coffee industry, company's and local Chinese cultures.

Starbucks China realized that they could not only rely on current coffee products in Asian marketplace, although under the effect of western culture dominating global culture, Asian people have gradually accepted and liked drinking coffee, especially the youth population. Starbucks had applied a culture-assimilation development program, which combine westerner cultures with Chinese culture in the development of departments and businesses. This intercultural concept also provided Starbucks more

opportunities to grab Chinese consumers. For instance, Starbucks China
<https://assignbuster.com/starbucks-global-organizational-diagram-marketing-essay/>

promoted several varieties of products (like, Chinese traditional tea) which related to Chinese culture.

b) “ Closely tied to language training is the need for managers to understand the culture of the country to which they are assigned” (Alan M. & Simon, 4th edition). In preparing managers for overseas positions, most of MNEs are now using three basic approaches to adapt to new environment and culture.

The first approach is to design a program that provides cultural orientation to executives or employees, letting them know about the country’s cultural institutions and value systems. This is often done through a formal training program, and it is the simplest and cheapest approach. Refer to Starbucks, if it would like to set up stores in China, the executives must familiar with Chinese culture and its market condition. China is traditionally a tea drinking country, and most of the older generations prefer to drink tea rather than drinking coffee. Under the circumstances, Starbucks began to serve some kinds of tea-based drinks like coffee-flavored milk tea, green tea-flavored frappuccino etc.

The second approach is to provide individuals with language training. If time and money permit, it is effective to allow them to visit the country. While expanding in the China, Starbucks recruited local people to assume responsible positions in its Chinese operations. For example, the Chinese executives, as part of their training program were sent to Tacoma, Washington, where they learnt about coffee and also about the organizational culture of Starbucks.

The third approach that is fairly expensive but has achieved high performance for its value is the use of cultural assimilators. "A cultural assimilator is a programmed learning technique designed to expose members of one culture to some the basic concepts, attitudes, role perceptions, customs, and values of another." (Alan M. & Simon, 4th edition)

For example, familiarize managers from the United States with the culture in China. Starbucks made slight changes in the tastes of certain drinks by introducing some local flavors and by adding some popular local dishes to the menu. It is because Chinese customers like to have some food along with their drinks; therefore, the Starbucks stores offer curry puffs, traditional cookies, and moon cakes for customers. In some stores, the managements conduct coffee competitions to let employees differentiate different flavors of coffee and judge what the exactly coffee's name and country.

c) The host country for the Starbucks is United States. US companies tend to rely heavily on formal management controls and a close reporting system is needed in order to support the system. MNEs in United States deal with the labour unions on a company level while in such countries as France or Denmark companies tend to operate with unions on industry level. One more point that characterises US is that domestic market represents the bulk of sales for most of the companies. As compared to China, where Starbucks plan to expand, labour relations differs a lot. Government has a great influence on the economy, although the economic reforms broke the monopoly of the State Owned Enterprises (SOE) they still have a large influence, and in many sectors they still dominate. Labour unions do not have much power but lately the percentage of unionized labour force grows.

Chinese labour force is becoming more expensive so foreign investors and even Chinese companies start to de-localise their production to Vietnam, Bangladesh, Malaysia and Indonesia. All the decisions in China are centralized and as well as in US Chinese companies rely on a close report system.

As we can see labor relations in both countries are similar, but some issues can occur connected with the fact that US companies pay most of their attention on their home market. Coffee is not a popular drink in China and in order to be successful Starbucks has to focus their management and capital resources on the China market. Another issue that may occur is bad relationships with government as in China, compare to US, government plays a big role in economy.

d) Starbucks is one of the best places to work. The first guiding principle in their mission statement addresses the Company's belief towards employees: "Provide a great work environment and treat each other with respect and dignity" (Starbucks Corporation, 2011). There is no matter what position you hold in the company, as long as you work in you are referred to as 'partner'. The company Global strategy is based on the growth of the coffee shops all over the world and employees play a great role in this case. The happiness and productiveness of the employees have a direct effect on customer satisfaction and it is very important to keep the quality on the level while maintaining the growth.

The Human Resource Management strategy, however, should be customized to the host country's culture. Such things as training issues and

compensation techniques vary in different countries and Starbucks should find the best option for the country in which they are operating.