

Starbucks



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Starbucks: A Critical Review Starbucks: A Critical Review Starbucks, the world's largest multinational chain of coffee shops, was first opened in 1971, and has been growing abundantly in popularity since then. Its corporate headquarters are located in Seattle, Washington, the three partners who began the Starbucks legacy - Jerry Baldwin, Zev Siegel, and Gordon Bowker - had absolutely no idea or concept of how their idea would grow to be.

The issue of the globalization, and the ethics and diversity in regards to the Starbucks franchise are all of great significance and importance, and in order to grasp the full concept of Starbucks and its notoriety, we must first understand clearly these three matters. The aim of this paper is to do this, as well as thoroughly investigate and consider the key elements related to these three issues. In doing this, we can come to a more understanding, knowledgeable, and critical point of view on the matter of Starbucks, its history, its strengths, and weaknesses. This is what will be dissertated in the following.

It is rather well known that Starbucks has come to be, by some, regarded as a symbolic of the problems posed by globalization. In fact, several Starbucks locations were actually vandalized during a World Trade Organization in Seattle. This is why the issue of the global matters in regards to Starbucks is so essential.

When Starbucks first opened its doors in Seattle in 1971, no one realized by 2006 they would be an international icon. Why has Starbucks become such a success No, they have not reached the global status of companies such as McDonalds or Nike but they are well on their way. The company is always looking ahead and re-inventing how people think about coffee. Value and quality brings customers back for more. They have offered an experience for

each person who enters.

Starbucks international mission is " to be a global company, making a difference in people's lives by leveraging our brand and the coffee experience to foster human connections (Starbucks Coffee International, 2006)." As of now they have close to 3000 coffee shops in 37 countries. With their success in the United States, the Starbuck Corporation forged ahead into international territory. In 1996, only 25 years after their first coffee shop opened near the Pike Place Market in Seattle, their first global store opened in Tokyo, Japan. According to Howard Schultz, chairman and chief strategist, they were amazed by the recognition of their company internationally. Part of this achievement is could be due to the fact that Starbucks is aware of the cultures of these countries and shows respect toward them. The company website [www. starbucks. com](http://www.starbucks.com) also has a section for worldwide Starbucks stores with links to 21 different countries. They not only are expanding worldwide they are also making their website accessible to other countries without language barriers.

There are many opposed to the Starbucks Corporation. The company has taken heat from critics who state they monopolize the global coffee-bean marketplace. During the World Trade Organization meeting in Seattle many of the stores were vandalized. No group ever took responsibility for the destruction. Despite such criticisms, Starbucks purchases only 3% of the coffee beans grown worldwide (Starbucks Globalization, 2006). They have gone further and are the largest buyer of Certified Fair Trade coffee in North America and the only company who can put up for sale Certified Free Trade coffee in 23 countries (Starbucks Globalization, 2006). Starbucks has not only helped family farmers with increased production, but has raised global

consciousness. They are making continual changes to maintain customer loyalty and increase productivity.

Starbucks goals have led to great international success. They are the global leader in the coffee business. With their ever expanding corporation, they have become the most renowned brand in the industry. In Japan, where their first international coffee house opened, there are now more than 500 stores. In contrast with " McDonald's, the closest comparable America-based enterprise, Starbucks is well ahead in terms of market penetration at a similar stage. Roughly nine years into international market development, McDonald's had opened around only five hundred outlets or only one-fifth as many as Starbucks over the same time frame (Biederman, 2005)." They continue to change and learn from successes and failures they have. Starbucks is well on its way to having coffee houses in every corner of the world.

The ethical matters in regards to Starbucks are just as important, and can be discussed in coordination with the global issues. The Starbucks Corporation has made an effort in its years as a global player to be more ethically aware of the business practices that they take part in, as well as who they are in business with. The companies business practices have demonstrated a trend more toward " corporate social entrepreneurialism-loosely termed as leveraging business smarts to achieve social change" (Kramer, 2006), as opposed to the stiff handed bottom line. While the company does still remain a world leader in its own financial standing(Anderson, 2006), it also places a great importance on the role the company takes in trying to better underdeveloped countries and make them more self sufficient, in addition to environmental issues.

One example, of planning that took place in order to develop a more environmentally friendly disposable coffee cup, that they would distribute to consumers, as opposed to the "double cup" policy that frequently was used in their chains since the companies start of business in 1985 (Anderson, 2006). The development of this eco-cup was over a ten year process that was "littered with rejected designs and culminating the approval from the Food and Drug Administration" (Anderson, 2006). The eco-cup is now used as the official Starbucks cup, which will save about 5 million pounds of paper per year (Anderson, 2006).

In another effort to organize a better awareness and ethical responsibility toward corporate social entrepreneurship Starbucks started to buy some of its higher-quality coffee beans from El Faro, a coffee plantation in Guatemala, that boasts a company funded grade school, free health care, paid vacation, and pays at least minimum wage to its employees, in addition to bonuses and a human resources department (Kramer, 2006). The company organized this venture with El Faro, despite that fact that they would be spending on average 35 cents more per pound, then that of others beans on the market. "Starbucks is also organizing by next year to buy at least 60 percent of its beans from farms that meet its social and environmental standards" (Kramer, 2006).

Starbucks is continually striving to lead the competition in what can be done differently to effect change in the way other corporations do business and consumers view their product; that will help the environment, and the growth economically and socio-economically of underdeveloped countries. Referring back to the eco-cup that Starbucks helped to pioneer, once the new model "cup received the FDA's stamp of approval in 2004, that cleared

the way for other businesses to create similarly eco-minded packing" which is used in various other food chains and supply organizations today (Anderson, 2006).

Starbucks demonstrates a definite control in the coffee market, from the beans they use to the number of stores they own. Starbucks is often considered the standard to meet or beat for other coffee giants like Tully's, Folgers, and Millstone (Kramer, 2006). The company is 6.4 billion dollar super power, that goes through 1.9 billion cups of coffee annually, while continuing to grow (Anderson, 2006). Starbucks, while maintaining its seemingly unattainable control of the coffee market, manages to do it with great amount of ethical business practices as it relates to environmental and social responsibility.

The issue of diversity, and how Starbucks as a company and franchise deals with the matter, is one of great significance and importance. Due to its various locations across the world, it is obvious that it is necessary for the business to approach the issue of diversity seriously and with the utmost consideration. Diversity is an internal factor that impacts the planning function of management. Strategic plans should be made for recruiting, training, motivating, retaining, and effectively utilizing people of diverse backgrounds with the skills needed to achieve the company's mission (Bateman & Snell, 2004, p. 10). Starbucks gives its employees the opportunity to be stockholders, asks them for suggestions, and commits to training them. Within the organization of Starbucks, there could be cultural and income differences among the employees, and language barriers. Starbucks has handled these diversities well, since the company keeps expanding into foreign markets, and the customer and employee loyalties

keep growing.

Starbucks uses the organizing function to open stores in other areas where the opportunity exists to become the leading specialty coffee retailer (Company Spotlight Starbucks Corporation, May 2003, p. 18). Starbucks will need to use diversity to its advantage in order to succeed. In foreign countries, it is important to be flexible and adapt to the various cultures and languages. Starbucks will have to update its human resource practices frequently to attract and retain a highly diverse population. Service and quality are important for a company to be effective. Creating work units to train employees on how to brew coffee and serve customers is essential for Starbucks to continue to function as a highly competitive company.

Starbucks leads its employees to be highly productive. In foreign countries, communication is very important. Working with employees and dealing with customers in different income brackets, motivates Starbucks to become an organizational leader. Managers ask for ideas from employees and customers to help them guide Starbucks toward achieving organizational and team goals. In the world market, the management of Starbucks focused on stores that have convenient access for pedestrians and drivers (Company Spotlight Starbucks Corporation, May 2003, p. 18). With much global diversity, Starbucks should continue to direct and motivate its employees to remain competitive.

Starbucks monitors progress and implements changes regularly. Other coffee companies compete with Starbucks every day. When some companies introduce new beverages, Starbucks comes out with different flavors and sizes. Prices change frequently depending on the store location and the diversity of the population. Starbucks uses the controlling function

successfully.

From this review, we can see that Starbucks is both a local and global, incredibly diverse, and notorious franchise, whose prominence was started off with basically no expectations, only to grow into the largest coffee franchise in the world. Today, it would be quite difficult to meet someone who has not heard of the name Starbucks, which just goes to prove how far they have come.

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