

Board committee  
organization structure  
of starbucks  
marketing essay



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In 1971, four people fill with passion of coffee open their first coffee retail store-Starbucks in Seattle, Washington. By 1981, the company had 4 retail stores, which were sale whole bean coffee. Howard Schultz, who is the chairman and CEO of Starbucks, was hired and join the marketing team in 1982. At that time, Schultz wanted to create an idea that Starbucks become Americans “ third place” to go, which is a place people can enjoy, relax themselves and not far away from work or home. Hence, Schultz suggested company set up an espresso bar in the retail, hence, the idea was allow to test in the sixth store in 1983. From then on, the development of company increased significantly. Few years later, Schultz bought Starbuck. After Schultz took over the company, Starbucks turn into high-speed expansion stage. By 1992, Starbucks already had 140 stores, which serviced coffee, beverage, cake and some stores even sold jazz CDs (Tuck business school, 2002). Now, Starbucks is worldwide company with 17, 800 stores in 49 countries including more than 10000 stores in US, 1000 in Canada and 800 in UK (google map, 2010)

## **Methods**

Data collection methods

## **Methodology**

As members of Group 8 (ASB 4431 Organisations & People Assignment Groups 2010-11) perusing a Masters degree in Bangor University, have done a report on Starbucks critically evaluating the organisation’s structure, strategy, culture, and management/leadership style.

## **Data collection method**

The research strategy that the study utilized is the explanatory or Analytical research approach. As this study is based on our analysis of Starbucks, structure, culture, leadership and other issues would be explored; questions will need answering thereby a need to understand the phenomena. The use of a Qualitative data analysis will be employed since the data we use will all be non-numeric data. Saunders et al, (2009)

## **Source of data**

Secondary data was obtained from already existing data mainly from Starbucks website, other Internet sources, journals and textbooks.

## **Issues and challenges**

There are three issues considered in this report, first is the resource constrains, most of the articles we found are all available online, however not all of them are free to assess, especially for those authoritative articles that always need to pay to assess, for example, the book named Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time, which written by Starbucks' CEO Howard Schultz is a good reference for our report, however, we can not assess it without buying it. Second issues is the lack of critical review for Starbucks, most paper we found was regard Starbucks as the positive example in explaining organisational behaviour, there is no doubt that Starbucks doing a great job in rewarding their employees, however it brings challenges to be critical in our report. The final issues is the ethical and legal issues, as all the article we found can published

publicly, and we all using appropriate reference, as a result, there is no ethical and legal issues to consider for our report.

## Analysis

In this study, qualitative data analysis has been conducted to evaluate the organisational feature of Starbucks Corporation rather than using quantitative analysis such as statistical analysis. In order to gather the data, remote data collection, such as Internet search and literature review about has been mainly conducted. The purpose of this study is to critically evaluate the organisation structure, strategy, culture and management or leadership applications of Starbucks Corporation, therefore all information are gathered by internet search and literature review. In order to analyse gathered data to evaluate feature of Starbucks Corporation, observed data analysis method has been practiced. Comprehensive search for several facts related to structure, strategy, culture and management/leadership applications of Starbucks, has been executed by using Internet search and literature review. Afterwards, critical evaluation has been conducted to link all information organically. Finally, all analysis results were integrated and final conclusion has been created.

## Results

Overview of corporate strategy & business goals

## Mission statement

A mission statement is a brief description of an organisation's fundamental purpose, which is steered in outlining the existence of the organisation; this

is to enable members of the organisation to be aware of the company's purpose as well as the general public. (David, 2009)

A mission statement should be a short and brief declaration of goals and objectives. The primary goal of any business is to maximize stakeholder worth, which includes shareholders of the business, business employees and clients or customers who purchase business goods and services. (David, 2009; Abell, 1980)

Diverse works have outlined what should be covered in a mission statement (Abell, 1980; Pearce and David, 1987). It is not the content of the mission statement that really matters but rather the process used to prepare the document and the principles employed to fulfil the prepared document (Mullane, 2002).

In the mission statement of Starbucks which talks about inspiring and nurturing the human spirit - one person, one cup and one neighbourhood with principles to live out every day as an organisation to fulfil their mission statement.

The principles below are what Starbucks employ in achieving their mission statement;

Our Coffee; It has always been, and will always be, about quality. We're passionate about ethically sourcing the finest coffee beans, roasting them with great care, and improving the lives of people who grow them. We care deeply about all of this; our work is never done.

Our Partners; We're called partners, because it's not just a job, it's our passion. Together, we embrace diversity to create a place where each of us can be ourselves. We always treat each other with respect and dignity. And we hold each other to that standard.

Our Customers; When we are fully engaged, we connect with, laugh with, and uplift the lives of our customers - even if just for a few moments. Sure, it starts with the promise of a perfectly made beverage, but our work goes far beyond that. It's really about human connection.

Our Stores; When our customers feel this sense of belonging, our stores become a haven, a break from the worries outside, a place where you can meet with friends. It's about enjoyment at the speed of life - sometimes slow and savored, sometimes faster. Always full of humanity.

Our Neighbourhood; Every store is part of a community, and we take our responsibility to be good neighbours seriously. We want to be invited in wherever we do business. We can be a force for positive action - bringing together our partners, customers, and the community to contribute every day. Now we see that our responsibility - and our potential for good - is even larger. The world is looking to Starbucks to set the new standard, yet again. We will lead.

Our Shareholders; We know that as we deliver in each of these areas, we enjoy the kind of success that rewards our shareholders. We are fully accountable to get each of these elements right so that Starbucks - and everyone it touches - can endure and thrive.

Environmental Mission Statement; Starbucks is committed to a role of environmental leadership in all facets of our business

Our Starbucks Mission Statement; Our mission: to inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time.

(Starbucks: Our Mission Statements)

## **Business strategy**

To understand and analyse corporate strategy and business goal of Starbucks, we firstly need to have a clue of what corporate strategy is. By Johnson and Scholes, corporate strategy is defined as:

“ Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations.”

In the case of Starbucks, the organization is employing Porter’s Differentiation Focus Strategy. “ This strategy provides a product or service to a specific market niche and differentiates from competition in specific areas”. (Rebecca Larson, 2009) Starbucks does not exist as a low-cost company to the competitors. It focuses on the specialized selections, provides specially tailored lines of coffee and tea related products for a premium price.

Starbucks does not promote itself by using traditional means; they generally concentrate on high-level marketing and branding by “ word-of-mouth”, as

well as alliances and partnerships. They try not to promote the company, however automatically they are promoted by providing customer support and also their excellent works in which up to now has becoming a successful strategy.

By the company's hard work, focusing on details and ethical decision-making, customers have experienced a wonderful service, as a result, the company gradually built up its reputation and becoming "one of the most valuable global brands".(Theodore, 2002, p. 62) It is incredible that Starbucks's achievement with very few commercials, ads or any other kind of marketing means.

Starbucks could not become a coffee-related products giant retailer and remain long-term success only by selling coffee on its own. One important part of the company's strategy is "strategic alliances", which could also be called "joint venture approach". This strategy leads the globalization of the company with higher recognition and reputation of the brand also exposing the brand to other potential customers. The variety of company's products is relatively being expanded demographically and geographically.

For example, in order to advance social and economic equality, the company allied with NAACP, the company donated and together with NAACP organized events for social equality has becoming a great success. It showed that Starbucks is no longer a simple business organization, it also exists as a charity and that brings the company higher reputation. They also "partnered with Barnes and Noble bookstores to be the in-house coffee shop in 1993", (Isidro, 2004) co-produce coffee-related drinks such as Starbucks



Frappuccino with PepsiCo from 1996, “ formed alliances with ice-cream manufactures and hotel chains to offer Starbucks brand and flavored ice-creams and Starbucks coffees within the hotels” (Rebecca Larson, 2009).

Explanation of organisational structure

## **Board Committee organization structure of Starbucks**

The structure of Starbucks Company is shown in Figure 1. As mentioned by Starbucks Corporation Fiscal Annual Report (2009), as group member of the Board of Directors, Howard Schultz was appointed to Company’s chairman and chief executive. Barbara Bass, William W. Bradley, Mellody Hobson, Olden Lee, James G. Shennan, Javier G. Teruel, Myron E. Ullman and Graig E. Weatherup were appointed to director individually. Kevin R. Johnson and Sheryl Sandberg were appointed to Chief Operating Officer individually. Additional, Starbuck Corporation consisted of 38 members of Senior Officers. Board Committees are composed of Audit and Compliance Committee, Corporation Compensation and Management Development Committee, Nominating and Corporate Governance Committee.

## **Composition & Job Design – Board of Director**

The Board of Director inclusive twelve members, independence of each member are requested to meet of the NASDAQ Stock Market efficiently. When Board getting direction about recommendation of the Nominating and Corporate Governance Committee, the Board of Directors will appoint a new member in case of there is a vacancy occupation occur on the Board. The Board of Directors of Starbucks Company are responsible for monitoring company powers and ensuring that the company business meet goals which

is requested by shareholders. The Board have responsibility to select nominees for the Board of Directors who have appropriate qualifications and diversity of backgrounds experiences. And also, it is in charge of appointing chief operating officer. (Starbucks Corporation Fiscal Annual Report, 2009)

### **Composition & Job Design – Audit and Compliance Committee**

The Audit and Compliance Committee are in charge of financial reporting and internal, external audit processes. The Committee assists the Board of Director reviewing financial issue.

The Committee was appointed from the Board of Directors. The Committee have three members at least and all of them shall match The NASDAQ Stock Market requirements independence. The Committee be recommended by the Corporate Governance Committee, and finally appointed by the Board of Director. The Committee has authority to investigate any financial activity and free access to members of management. It is retain independent legal counsel. All employees have responsibility to assisting members of the Committee investigation (Starbucks Corporation Audit And Compliance Committee Charter, 2010)

### **Composition & Job Design – Corporation Compensation and Management Development Committee**

The Compensation and Management Development Committee has responsible for working with management to establish appropriate compensation practices for the Company. There are deciding the benefits and compensations for senior officers of the Company. The Committee

consists of three members at least, which one member be required come from Board of Director. The members of Committee will be pointed from Board as well. The Committee conducts an annual review of company's compensation for Senior Officer instead of president and chairman. Together with the Chairman of the Corporate Governance Committee, the Chair of the Committee shall annually review the performance of the president and chief operating officer and meet with them to share the findings of such review when after discussing with the member of independent directors of the Board (Starbucks Corporation Compensation and Management Development Committee Charter, 2010).

## **Composition & Job Design – Corporation Nominating and Corporate Governance Committee**

The Corporate Nominating and Corporate Governance Committee is responsible for developing and implementing policies and procedures of the Board of Directors. They are intended to constitute and organize appropriately to meet its obligations to Starbucks Company and its shareholders. The Committee will be comprised of at least three members, all of whom have to meet the independence requirements of the NASDAQ Stock Market, LLC as well as. Under Board of Directors direction, members of the Committee and a Chair of the Committee shall be appointed. The Board of Directors shall appoint a new member or members, which is a vacancy on the Committee. The Committee have professional capability to assist Board identifying candidates personality. Reviewing the Company's Corporate Governance Principles and Practices annually according to changing shareholders' interests and suggesting appropriate modifications to the

Board of Directors. And evaluate the overall effectiveness of the organization of the Board Committees performance.

## **Evaluation of the organisation structure of Starbucks**

According to SeaZone (2009), organisation structure of Starbucks Company is “ Matrix structure”. This is one type of organisation structures that is presented by Gareth Morgan. The organisation structure is quite important to manage organisation, it plays important role for organisation’s activities. Moreover, the organisation structure is related to its business purpose and aims. (Mullins, 2005) Matrix structure is the organisation structure that has both of vertical structure and strong horizontal structure. It requires employees to have two reporting relationships concurrently. In this structure, employees work in provisional group constituted by employees from different function. There are two lines of authority in this structure and employees have two bosses in their team namely boss for their project and boss for their function. (Mullins, 2005)

### **Specific future of matrix structure**

Matrix structure provides organisation flexibility, and contributes to keep security and control of project information. Moreover, organisation can have a possibility to develop staff well. (Mullins, 2005) However, there are some disadvantages of matrix structure. At first, there is limitation of number of employees who report to the project manager directly, because most of all staffs are assigned from department managers. This situation may lead uncertainty in organisation and employees may be unwilling to accept that their situation is changed constantly and willing that they establish in their functional group. Next, matrix structure has a possibility that organisation

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make more complex. Thirdly, extension of the authority of manager to the stuff coming from other sections can be a course of problem in organisation. Finally, it is expected that functional group may not attention to their normal tasks and role. (Mullins, 2005)

### **What is required in matrix structure?**

Matrix structure strongly deeply rely on teamwork spirits, it demand culture of co-operation. In this structure, managers are required high level of behavioural and management ability and organisation needs culture of collaboration. It is necessary to educate employees to support other stuffs and to create the teamwork spirits. Moreover, stuffs must have a special competence to solve the conflict in their team in the matrix-structured organisation.

### **How organisation structure works in Starbucks**

There are some disadvantages in matrix structure as mentioned before, however, Starbucks, especially Howard Schultz, CEO of Starbucks Company, may have understood these problems. Therefore he gave special statement to employees when he expanded Starbucks' structure to reinforce their internal and external communication in 2008. He has explained the difficulties of doing business in situation in those days and strongly suggested change of not only structure but also employees in order to enhancing the customer experience. In that message, he also stated that structure of Starbucks Company faced the revolutionary change, however it was necessary to improve customers' and stuffs' experiences and recapture the vigour and benefits in the company. As he explained in that message, he recognised or realised that this structural modification was hard for some <https://assignbuster.com/board-committee-organization-structure-of-starbucks-marketing-essay/>

stuffs owing to increase and complex of their tasks, however he also described that he made this decision understanding these kinds of issues. He explained that he had decided this numerous change of structure with speculation and he respected for stuffs concerned. (Starbucks, 2008)

### Analysis of organisational culture

With the development of economy, the competitions between companies not only aim at the product they offered but also their internal organisation culture. Deal and Kennedy researched organization culture for 15 years and they found that organisation with weak culture always beaten by organisation with strong culture (1999). Edgar Schein who is generally consider the father of organization culture defined that “ organization is a pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problem’ (1985). Organization cultures pay attentions to individuals in a organization that it establish an appropriate platform make individual join in the organization quickly and help people work together toward the same organization goals. In addition, organization culture help employee improve their personal ability and knowledge to maximum. In the meantime, organisation culture forms the external performance and reputation, which are important to decision making during purchasing

Starbucks is one of the successful chain coffee stores. It is because it has a unique organisation culture. In order to understand internal culture in Starbucks, we will use the Great Holsfedes cultural framework. Holsfedes used different five aspects to evaluate culture, which are power distance, individualism, masculinity, uncertainty avoidance, long term orientation (Holsfedes, 1991). . Base on this model, it can reveal that Starbucks have long power distance, because every employee in Starbucks have the same basic rights no special treatment. In addition, for the gander issue, Starbucks view all the employees the same regardless of their gender, thus, Starbucks has high masculinity and femininity. And it also has low uncertainty avoidance; due to it have a vast number of brunch stores abroad, Starbucks has to take huge risk for that. In terms of collectivistic, Starbucks belongs to high collectivistic, although it have branch store everywhere, but there is a core team to conduct the whole company. Starbuck still pay attention to environment and other charity event, so Starbucks is long term oriented.

The strong power of Starbucks' organisation culture appeals a great number of people, including both consumer and potential employee. Great quality of coffee and well service make Starbucks become a global company with hundreds of chain stores. Its organisation present a great service, consumer always be expected to be confronted with enthusiastic well trained employees with a great number of coffee knowledge and their service always base on consumers need.

Starbuck also appeal people because of its values. As we talked above, Starbucks support many organisations in a long term, such as Conservation International, The Earthwatch Institute, Save the Children, Mercy Corps, the <https://assignbuster.com/board-committee-organization-structure-of-starbucks-marketing-essay/>

African Wildlife Foundation, and Planet Green. Starbucks convey a message that corporations need to concern about the society and environment around them. And then, Starbucks establish diversity internal working environment in order to satisfy the entire consumer.

The strong organisational culture in Starbucks also embodied in the way they treat their employees. Starbucks hold a job fairs every year in different places, and there are also some guidelines for manager to interview the candidates and test whether they have full knowledge about the company's product, and who are adaptable, dependable and passionate in interacting with customers. Starbucks also need to deal with hundred of thousands of online applications using software developed by Taleo, this software help to screen out the candidates by answer the basic information and skills-based questions (Weber G. 2005). After recruiting people, Starbucks will also offer 24 hours of trainings to their employees, and learn how to use espresso machines, how to interact with the customers, the process and production of coffee beans. During the training, employees also need to understand the company's mission statement, and bring company culture to their customers (Cesario Minor, Jr. 2009), Starbucks spends more on recruitment and development than on advertising which in 2004 is \$68. 3 million (Weber. G. 2005), the mangers and assistance mangers also have trainings in computer, leadership and coffee knowledge. As Starbucks offers both product and services, people become an important factor in maintaining the quality, Starbucks treat their employees as partners by connecting their contribution to company's market value, and give the opportunity to share the success in the company, their employees are highly involved in company's activity by



reporting their concerns to company's Mission review team, each employee will receive a comment card when they newly hired, and they can write down some suggestion, advice or disagreement in management decisions, the managers will response and sign for all the comment cards within two weeks, and their CEO Howard Schultz also review all the comments every month(Cesario Minor, Jr. 2009), the high involvement also increase the level of responsibility to the company.

Starbucks also well known in retaining and rewarding their employees by good salary, stock options and health cares, according to Thompson & Strickland (1999), the store employees were paid \$6 to \$8 per hour that is above the average minimum wages, their employees can also paying the initial year's price and receiving the current year's price by cashing in one-fifth of the shares granted each succeeding year. Part-time staffs is the major workforce in Starbucks, and they receive the same health insurance as full-time employees, the insurance including preventive care, crisis counselling, dental care, eye care, mental health care and treatment for chemical dependency. Howard Schultz also been invited to white house and meet with president Clinton to brief the Starbucks health care programme in 1994. Starbucks have a relative low turnover rage compare with the other companies, the turnover rage for Starbucks was about 65% compare with 150% to 400% for other retailers and fast-food chains, and the turnover rate for store manager was much lower, which is 25% compared with 50% in other retailers.

Starbucks's organisation culture, especially the strong spiritual culture appealing lots potential employees, employees not only attracted by the <https://assignbuster.com/board-committee-organization-structure-of-starbucks-marketing-essay/>

salary, stock plans and health care, they would like to work for Starbucks because the trust, power and autonomy given by the organisation, Starbucks' promotion for fair trade and environmental contributions also bring positive image and reputations.

Critical evaluation of Management & Leadership practices

## **CE for business goal**

## **CE for organisational structure**

## **Critical evaluation of Management and Leadership practices**

As we have described previously, the organisation structure of Starbucks is the matrix structure. This structure influence management style and leadership style, too. The matrix structure strongly relies on the teamwork and relationship between employees and managerial stuffs. In the matrix structure, a line of command and report is complicating and the line is changed frequently. Therefore, employees are required more complex work rather than in other organisation structures. Moreover, organisation must provide employees good education system to create teamwork spirits in organisation. Additionally, in order to lead employees in the matrix structure, strong leadership and well-organised management style is necessary. (Mullins, 2005) It would appear that Starbucks Company might be able to overcome with these problems coming from disadvantage of the matrix structure and achieve to create good working relationship atmosphere. Therefore, they have been awarded a prize of " 100 Best Companies to Work For" by Fortune during 1998 to 2009, except 2001. (Starbucks 2010)

## **CE for organisational culture**

There are two critical issues to discuss in Starbucks's culture, firstly, David A. Pace, who has been an Executive Vice President of Partner Resources of Starbucks Corporation since 2002 said that, ' even company were to hit hard times, the strategy of above-average investment in training and rewarding employees isn't going to change' (Weber G. 2005). Starbucks now is an successful company, and Pace's announcement really help to build a good reputation on taking social responsibilities, however, once the company suffer from the crisis, can they still keep the promise, if they can, it helps to gain more support from their employee, but if they can't, the employees will feel disappoint and may break down the reputation.

Secondly according to Weber G. (2005), Howard Schultz, the CEO of Starbucks on October told Business week Online that, for the following two years, Starbucks would spend more on employee health care costs than it does on coffee. What Schulze said may have both impacts on their employees and customers. For their employees, they will feel appreciate and proud to work for Starbucks, and it may also attract more people desired to work for Starbucks. For Starbucks customers, some may feel Starbucks is a responsible and ethical company and feel comfortable to buy coffee from Starbucks. However, spending less on coffee may misleading other customers that the company will pay more attention on employee health care rather than coffee, customers may feels they are not regarded.

## **Conclusions & recommendations**

Conclusion

## Business goal

### Organisational structure

As previously mentioned, Starbucks adopts matrix structure for their organisation structure. (SeaZone, 2009) Matrix structure has a complex aspect owing to the characteristics of that structure, namely it has both of vertical structure and strong horizontal structure. Matrix structure provides organisation flexibility, and contributes to keep security and control of project information. Moreover, organisation can have a possibility to develop staff well. (Mullins, 2005) On the other hand, matrix structure has disadvantages, for example, it has limitation of number of employee who report to the project manager directly, moreover, matrix structure has a possibility that organisation make more complex. (Mullins, 2005) However, Starbucks seems to have good relationship and well-organised education system for managerial staffs to overcome with these disadvantage and they seems to convert these disadvantages to advantages of matrix structure. Moreover, Howard Schultz, CEO of Starbucks, has strong leadership and he is trying to encourage staffs in order to achieve their business well. (Starbucks, 2008) In reality, the fact that Starbucks have been awarded a prize of " 100 Best Companies to Work For" by Fortune during 1998 to 2009, except 2001 gives evidence that many staffs who are working for Starbucks satisfy to work in this circumstances. (Starbucks 2010)

### Organisational culture

To conclusion, the Comprehensive and thoughtful organisation culture is Starbucks core competitive strategy, which is not only appeal potential <https://assignbuster.com/board-committee-organization-structure-of-starbucks-marketing-essay/>

employees but also the customers. Almost all the customers satisfied Starbucks services because they are treated very well. At the same time, they are faced with passionate employees and high quality coffee. For employees, they have well trained before they participate in the work formally, which allow them to introduce customer professionally. In addition, employees are satisfied with the wage and even part-time employees have the insurance as well. Feedback makes Starbucks' culture special then their company. Their employees have the rights to write down their disagreement or suggestion to company.

Recommendations

Business goal

Organisational structure(included in conclusion)

Organisational culture

As we know, Starbucks' turnover rate is low, because their rewarding system attracts a great number of employees. We recommend company could change its rewarding system to performance base system, which means employees' rewarding base on their personal working performance (e. g. set up best employee of the month/year). In terms of health care of employees in Starbucks, it is excellent to treat their employees in such a good way. However, consumers need an image that Starbucks devote itself to improve the quality of coffee and develop the environment in stores. Hence, we recommend Starbucks could increase spending on retail store decoration and offering more kinds of food.