

Comparing organizational theories of google and starbucks essay

[Business](#), [Company](#)



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ABSTRACT

Organizational theories are a means to structure and conduct business or one's specific goals within a group or organization. There are many different types of theories; in particular, systems theory and classical organizational theory are two significant examples of structures in which many modern companies operate. While classical theory espouses a more traditional, rigid division of labor, systems theory encourages a more fluid, cooperative structure among the members of an organization. Expanding these definitions to the corporate sector reveals a distinct difference in the way many major corporations conduct business. Google Inc. and Starbucks, Inc. will be explored in terms of both classical and systems theory, and the various attributes of both theories will be explored.

INTRODUCTION

Organizations, such as corporations, are complicated and dynamic, with goals that they world toward; this necessitates a specific methodology, or theory, that will allow them to structure their organization to suit their own preferences and specific needs. Organizational theories abound in this modern, technological age; a variety of innovative new ways of thinking have arisen, and corporations are taking advantage of them. Systems theory involves providing everyone in the organization with a common threat or code, allowing individuals and positions to interrelate and work together to find solutions regardless of hierarchy. Classical theories of organizations, however, are far more reductivist in their thinking, and focus on strict hierarchies and chain of command. In this paper, we will evaluate the corporations Google, Inc., and Starbucks, Inc., in order to determine which organizational theories they use in their management, and how they compare and contrast.

GOOGLE

Google Inc., runs a family of information technology products, including software and web applications, all centering around their Google search engine, which is one of the most (if not the most) popular search engines on the Internet. As a corporation, Google operates mainly on a classical organizational theory, with a traditional corporate structure. Bureaucracy is the name of the game, wherein there are closely defined regulations for behavior and conduct of an employee through an employee handbook. Different departments exist that handle different sections of the business -

customer service, quality assurance, and a large number of information technology departments. The public good is of primary concern to Google, and therefore all activities are directed by those in power; they also flourish in today's free market system, wherein the best product wins out. Google gets ahead by placing all its efforts toward creating the best product they can in the web design and software application markets.

A clear chain of command must exist in a classical organization structure - management rank is the primary barometer by which authority is meted. In a classical organization such as Google, a board of directors exists, headed by cofounders Larry Page and Sergey Brin, which oversees all major decisions made by the company. The day-to-day operations of Google, however, are run by the CEO and other executive officers. These two groups make up the management team of the company. Further down the line, there are managers and supervisors of the various departments, all creating a systematic chain of command from executive to individual employee. This creates accountability, and the capacity for strict maintenance of authority (Etzioni, 1964).

Individual advancement in a classical organization occurs given the merit of the specific employee; if someone wants to advance in the organization, they must work hard and possess superior job performance; if they can, they will qualify for added responsibilities and potential promotions within the organization. Workers are thought to be motivated by the money they get from their work, which is increased through raises, promotions and bonuses (Perrow, 1973). Labor is strictly divided by specialization, with certain

employees being skilled at departments to which they dedicate the entirety of their work. There is no crossover or interdisciplinary concentrations for employees, and the corporate hierarchy focuses much more on the care of the management

Another hallmark of classical organizations is the presence of professional managers - individuals who run the company, who do so for the owners of the company (Perrow, 1973). In the case of Google, this is represented by the presence of the board of directors, where the two owners do not directly run the company. This provides a level of transparency and accountability, where the owners are able to reap the benefits of the continued success of the company while serving merely in an advisory capacity, allowing the CEO and other executives to handle the day-to-day operations of the company. Within the company, the operation is very transparent, executives remaining open with employees about policy changes, while keeping its inner workings secret to the public and outside forces. This is to lessen scrutiny, and protect the employees and executives from being subject to the public opinion of outside forces.

While Google focuses mainly on a classical structure, there are elements of systems theory in place as well. The actual Google offices (Googleplexes) are havens for cooperation, teambuilding, and interaction with all levels of the company. Communication between branches and levels of authority are somewhat encouraged, and their employees are very well taken care of financially. However, this is all done for the ultimate classical structure which maintains the primary authority of

STARBUCKS

Starbucks is a chain coffee shop that sells gourmet coffee, paninis, baked goods and other products to upscale customers worldwide. It is one of the most profitable and wide-reaching companies in the world, and this is partially due to its innovative, systems theory-based management style. In essence, systems theory involves the interrelation of every segment of an organization, leaving the alteration of a single variable to have lasting consequences on the remainder of these segments. As a result, each segment or department must have equal say or importance, and all components of the corporate culture have to contribute equally to the success of the company in order to thrive (Kast & Rosenzweig, 1972).

Starbucks performs a number of systemic actions to maintain diversity and interrelation; at the same time, there are semblances of the same kind of division of labor and hierarchy evidenced in a classical organizational structure. As it stands right now, Starbucks announced a new corporate structure in order to accelerate growth strategies, involving a three-region organizational structure that divides the world market into the Asia Pacific Markets, the Americas, and Europe and African markets. Each organization has a president to oversee the business of each market, which is meant to tailor each market to its specific needs - this particularly applies to the Asian market, where business is still growing (Katz & Kahn, 1966).

Systems theory in an organization is greatly reliant on receiving feedback and its employees being open to providing new ideas (Kast & Rosenzweig, 1972). Starbucks does that in spades; the company maintains a friendly,

upbeat, inclusive corporate culture, taking steps to include employees of all levels in the development and growth experience of the company. The “Starbucks Experience” is the company’s label to describe the feeling of camaraderie and family that corporate culture and attitudes encourage. The competitive pay and benefits programs for its employees also contributes to each employee feeling like a partner in the company, thus increasing their productivity and decreasing turnover dramatically - this sees to their control and inclusion needs.

Given that systems theory focuses on the importance of relationships and patterns of duties, integrating of tasks is very important. Employees at the coffee shop level are given a wide berth, and allowed to customize their specific space in order to provide a more integrated work environment for that specific area. Instead of the management being responsible for the employees, each member of the organization is equally responsible for these duties, and therefore must dedicate the same amount of energy to the company’s success. Low-level employees are encouraged to share the workload with their peers, instead of delineating specific duties to specific people (though that can happen depending on the specific work environment) (Kast & Rosenzweig, 1972).

The stakeholder concept is a very large component of systems theory - the management must not act solely in their own interests, but for the sake of the stakeholders. This allows the stakeholders to carry a vested interest in the policy of the company, and the ability to shape said policy. At Starbucks, stakeholder management is utilized to govern the corporation, managing

relationships and interests of employees and customers. This promotes further corporate social responsibility, as those who benefit from (and finance) the company are taken into account (Freeman, 1984).

CONCLUSION

In conclusion, Google and Starbucks have somewhat similar organizational hierarchies, but their basic organizational theories have distinct differences. In the case of Google, they run somewhat like a traditional, classical organization, with a hierarchical, bureaucratic structure that focuses on top-down chain of command. With Starbucks, however, while there is still a semblance of bureaucracy, they maintain a great number of systems theory practices, including permitting employees from the lowest level down to legitimately be heard regarding ideas to improve the company. The compartmentalization of the company by region also allows for a greater division of labor between areas of the world. Both companies carry the hallmarks of both styles of organization (classical and systems), providing a fair middle-ground for their organizational structure that does not emphasize just one discipline. However, Starbucks, with its heavy emphasis on employee participation and interaction, provides a large number of elements of systems theory within its corporate culture.

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