

# The formation of the starbucks corporation commerce essay



**ASSIGN  
BUSTER**

Starbucks Corporation is an international Coffee house and the Coffee chain based in the Seattle Washington. This is the biggest coffee house company in the world and it consists of 17817 stores in more than 49 countries worldwide. There are 11000 stores of the organization in the United States and the organization has more than 800 stores in the United Kingdom, other than these the organization is operating more than 100 stores in Canada. Espresso-based hot drinks drip brewed coffee, coffee beans, other cold and hot drinks, sleds, cold and hot Panini, pastries, mugs, snakes and tumblers are the main products offered by the organization. The company is also dealing in the marketing of books, films and the music through the entertainment division of the organization and the hear music brand of the organization. There are many products which the organization is offering are based on the seasonal or delivered at special locations according to the needs of the customers in the market. The organizations branded ice-cream and coffee is also offered at the grocery stores.( [http://starbucks.co.uk/en-GB/\\_About+Starbucks/](http://starbucks.co.uk/en-GB/_About+Starbucks/))

After the formation of the company in the Seattle, Washington the company rapidly grown and expanded the business of the organization nationally and then worldwide. In 1990s the Starbucks was opening a new store on the daily bases to be the biggest coffee provider in the United States and in the world as well. This growth of the organization continued uphill the 2000. The organization opened first international store of the organization in Canada in mid 90s. The organization was planning to open 900 new stores in 2009 but it has to close 900 stores in United States due to decreased demand and the

profitability of the organization. ( [http://starbucks.co.uk/en-GB/\\_About+Starbucks/](http://starbucks.co.uk/en-GB/_About+Starbucks/))

This closure was due to the different issues targeted the organization like the issues of the fair trade policies, relationship with the labour, the environmental impacts and the anti competitive practices followed by the organization.

### **Critical incident:-**

**The critical incident is the changes in the external environment of the organization which led to the closure of the stores of the organization in the United States due to the different issues targeting the organization. These issues can be the criticism on the organizational fair trade policies and practices, the organizations relationship with the labour and the other political issues effecting the organization. To deal with these issues and to sustain the market position of the organization the company need a strategy and a comprehensive plan to reduce this impact or to solve these problems.**

### **Mission statement of Starbucks corporation:-**

**The mission statement is the small sentence used by the organizations to describe in the very simple and the concise terms regarding the purpose of the organizational existence. The mission statement helps the organization in two ways. In the first step it provides the clear objectives to the employees of the organization and secondly it motivates the employees and encourages them to attain these objectives by motivating them to innovate the new ways to enhance the organizational strengths to attain these objectives.**

**The mission of the Starbucks is “ To motivate the human spirit- one person one cup and one neighbourhood at a time”. ([http://starbucks.co.uk/en-GB/\\_About+Starbucks/Starbucks+Mission+Statement+-+Starbucks+UK.htm](http://starbucks.co.uk/en-GB/_About+Starbucks/Starbucks+Mission+Statement+-+Starbucks+UK.htm))**

### **Core Values of the organization:-**

**To attain the mission of the organization the Starbucks have developed the core business values of the organization to be followed while conducting business and during the strategic decision making these aspects must be kept in mind.**

**([http://starbucks.co.](http://starbucks.co.uk/en-GB/_About+Starbucks/Starbucks+Mission+Statement+-+Starbucks+UK.htm)**

**[uk/en-GB/\\_About+Starbucks/Starbucks+Mission+Statement+-+Starbucks+UK. htm\)](http://starbucks.co.uk/en-GB/_About+Starbucks/Starbucks+Mission+Statement+-+Starbucks+UK.htm)**

**The core values of the organization are as given below,**

**Our Coffee: – The organization’s mission is to provide the best quality coffee to the customers as it is serving them**

**Our Partners: – The organization will treat and respect the partners of the organization with dignity. The organization has relation with the partners on good standards.**

**Our Customers: – The organization’s mission is to connect, uplift the lives and laugh with the customers of the organization when they are connected to the company, even for just a few moments.**

**Our Stores: – the stores of the organization are full of entertainment and speed of life, some time faster and some time slower and these are always full of humanity in the stores of the organization.**

**Our Neighbourhood: – We can be a force for positive action – bringing together our partners, customers, and the community to contribute every day.**

**Our Shareholders – We are fully accountable to get each of these elements right so that Starbucks – and everyone it touches – can endure and thrive.**

**Strategy:-**

**The strategy has been defined in many ways and therefore there are many definitions of the strategy. These definitions cover the different aspects of the strategy but no definition covers the full scope and the aspects of the strategy of the business which leads to the success of the business in the market. The J&S has summarised the strategy as,**

**“ Strategy is the scope and the direction of the organization developed for the long run to match the resources of the organization to the changing environment of the organization, especially the needs of the customers and the markets, to meet or to attain the expectations of stakeholders of the organization.” (David Faulkner, 2002)**

**The strategic management is different term as compared to the strategic planning. The strategic planning is the part of the strategic management. The strategy is more stable as compared to the set of plans of the organization. The planning cultures of the organizations are facing difficulties in the changing environments of the organizations and they are less responsive to these changes. Michael porter described the concept of Management by Objectives to deal with the changes in the environment of the organization. According to Porter the best approach to determine the strategy of the organization is the analysis of the internal and the external factors effecting the organization. as the organization is operating in the environment and the functions of the organization are related and attached to the external environment so the organization should critically analyse the external and internal environmental factors before decision making process of the organization. (David Faulkner, 2002)**

**The practitioners and the writers are focusing on the holistic Approach (the organizational and the environment relation) for the determination of the organizational strategy.**

**The scope of strategy must include all organizational elements and these elements must be interrelated with each other and especially with the environment of the organization in which the organization is operating.**

**Only the board of directors of the organization should not be involved in the strategic development and implementation but the other members of the organization must also be included in the process of strategic formulation and development of plan for the implementation of the strategy of the organization.**

**The approach adopted by the organization for the strategic formulation depends upon the changes in the external environment of the company. There are different techniques of strategy development used in different environments. (David Faulkner, 2002)**

**Schools of strategies:-**

**The Mintzberg researched on the strategic management and came up with the concept of ten different schools of strategies which are different in the way and the process the strategies of the organization are formed. These schools are divided into the two categories. These categories are as described below, (Henry Mintzberg, Sumantra Ghoshal – 2003)**

**Perspective approaches:-**

**The perceptive approach of strategic development is useful in the stable environment of the organization or the external environment where there are less changes and the organization is smoothly operating its operations. The perspective approaches include the following schools of strategies, (Henry Mintzberg, Sumantra Ghoshal – 2003)**

**Planning strategies: -The planning school of strategies is based on the formal planning principles for the strategic formulation. A series of steps are taken to formulate the strategy of the organization. The drawback of these strategies is that these are very rigid and are less responsive to the challenging environment of the organization.**

**Positioning strategies: – The positioning strategies are based on the detailed analysis of the external environment and the competition position of the firm. These schools consider these strategies as the analytical tools for the strategy formulation of the organizations.**

**Design strategies: – This school sees the strategic management and the formulation as the process of conception. These strategies depend upon the rigid and the detailed organizational structure and design and are built after the detailed analysis of the environment of the company and its resources to attain the goals of company in the environment.**



**Descriptive approaches:** – The descriptive approach is followed in the dynamic and the competitive environment where there are rapid changes in the environment of the firm. There are seven schools of strategies developed using the descriptive approach of strategic development and implementation. These schools are as follows, (Henry Mintzberg, Sumantra Ghoshal – 2003)

**Entrepreneurial strategy:** – The entrepreneurial strategies are developed by the leader, CEO or the founder of the organization. The entrepreneurial strategies are very important strategies for the newly established business which has not yet defined the direction of the business. The leader develops the mission and the vision of the organization and these strategies are based on these statements and are helpful to attain the objectives and goals of the organization.

**Learning strategy:** – The learning school of strategy sees the process of strategic management as the development process. The learning strategies have the room for the continuous development as there are changes in the environment of the company and the organization deal with these changes in different ways. Most of the businesses today are adopting the learning strategies to be more competent in the market.

**Cognitive strategy:** – These strategies are based on the interpretation of the information by the strategies according to the perception of the developer of the strategy.

**Power school of strategy:** – The power school of strategies depends upon the deference in the power of the strategy developers and the external stakeholders of the organization. The basic element of these strategies is the political involvement of different groups and the stakeholders of the organization. These strategies have many advantages as well as disadvantages for the organization in the long run of the business.

**Cultural school:** – The most important internal factor of the strategy development is the culture of the organizations. These strategies are developed through the collective process.

**Environmental school:** – This school of strategies use the reactive process to develop the strategies of the organization. These strategies are developed in response to the changes in the environment of the organization. The other schools of strategies see the environment as the factor but in the environmental school of strategy the environment is seen as the actor for the development of the strategy.

**Configuration school:** -The transformation process is used as the strategic development of the organization. This school of strategy involves the strategy as the transformation from one type of decision making to the other types of the decision making.

**Strategy of the Starbucks:-**

**The Starbucks is following the perspective school of strategies:-**

**The Starbucks is following the different kinds of the strategies for the growth and development of the organization. The Starbucks at present is following the positioning strategy and the growth strategy.**

**Positioning strategy of Starbucks:-**

**The positioning strategies of the Starbucks consist of the followings characteristics,**

**Store atmosphere: -The organization is using the specific atmosphere of the store where the people can come and enjoy their time. The stores are located to at the convenient places to the customers.**

**Groups are welcomed: -The organization has developed the seating plans to welcome the customers in the stores of the organization in the form of groups and the families are also welcomed to enjoy their time at stores of the organization.**

**Customer services: – The organization is playing close attention on the customer retention through the effective customer services to them. To develop the effective customer services of the organization, the employees are trained and developed customers service skills. The organization believe that the employee satisfaction is the best needed for the satisfaction of the organization. The organization sees direct link between the employee satisfaction and the customer's loyalty. To provide the effective customer services the organization has developed just say yes policy.**

**Involvement in the community:** – one of the core values of the organization is the involvement in the support of the surrounding communities of the organization. the organization is focusing on different community development programs. For example the company has donated \$ 200 000 for the improvement of the students community.

**Starbucks is the largest corporate contributor for the relief programs of the community services.**

**Advertisement;** – The organization is spending very less on the marketing and the promotion of the products of the organization. The marketing and the advertisement of the Starbucks depends upon the one to one marketing and most of the marketing of Starbucks depends upon the referral through the satisfied customers.

**Problem Analysis:-**

**To analyse the problem and to review the strategy followed by the organization the internal and external environment of the organization must be analysed. Then the decisions can be taken to solve the problem the organization is occurring since last two years.**

**Internal analysis of organization:-**

**The internal analysis of the organization can be done through different methods and techniques developed by the practitioners and the writers. These tools help the management to understand the current position of the firm. There are following tools and techniques which can be used to examine the internal organizational factors which can be in favour or against the organization.**

## **SWOT Analysis**

### **BCG Matrix analysis**

### **Analysis of the 7 Ps of Organization**

### **Ratio analysis**

### **SWOT Analysis of Starbucks:-**

**“ One of management’s trustiest tools is the SWOT analysis. You take a calm, cool look at the organisation’s Strengths, Weaknesses, Opportunities and Threats. Then you seek to capitalise on the Strengths, Eliminate the Weaknesses, seize the best Opportunities and counter the Threats”.**

**Strengths of Starbucks: – Starbucks has the following strengths within the organization which may help the organization to remove the weaknesses of the organization and focus on the opportunities in the market. There are following Strengths of the Starbucks,**

**The organization is very professional and specialist in taking the available opportunity in the market.**

**The organization’s business is very profitable and as result of this the Company has very storing financial position and the bases.**

**The company is globally recognized and has developed the organizational position in the global markets. The organization is operating 9000 stores in about 40 courtiers in the world.**

**The Starbucks has developed the international recognition for the brands of the organization.**

**The Starbucks has the loyal customers**

**The organization is behaving as the respected employer for the employees and the organization consider its value with the employees of the organization.**

**The organization is also focusing on the innovations in the process and [product development.**

**The organization has developed the strong mission statement and the ethical values of the organization.**

**The ability of the organization to roll out the new products quickly gives the organization a competitive edge over the rivals of the organization.**

**Weaknesses of the organization:-**

**There are the following weaknesses of the Starbucks which the organization must overcome to attain the organizational goals.**

**The major weakness of the organization is that it is realising on the beverage innovation, the beverage innovation can go wrong with the passage of time.**

**The organizations sales are dependent upon the beverages and if the sales and the growth of the U. S decrease the growth of the Starbucks also decreases.**

**More than 70 % of stores of Starbucks are operating in U. S**

**The organization has lower employee performance**

**The major sales of the coffee of the organization are retail sales**

**the organization has low per employee return as compared to the industry**

**the employees have less income as compared to the industry.**

**The organization is also facing some problems in the international operations management.**

**The organization is also facing problems regarding the expansion of the business of the organization.**

**Opportunities:-**

**The organization can avail the opportunity to develop global operations.**

**There global market has emerged new markets for coffee's China is the biggest market for the coffee products.**

**There are growth and development opportunities in the India, Pakistan. Russia and Shanghai**

**The economy of the organization is rising which can be suitable for the organization.**

**Threats:-**

**The organization has the following threats in the market.**

**The increased competition in the market**

**The recession in the markets which is affecting the sales of the organization?**

**Political, legal and the environmental issues effecting the organization**

**Decreasing employee's satisfaction**

**External environmental analysis:-**

**The external environmental analysis can be done through the different tools and the analytical techniques used by the organizations. There are the following external environmental analysis techniques used by the organization.**

**PEST Analysis**

**Porter's five Forces analysis**

**PEST Analysis of Starbucks:-**

**The PEST analysis is used to evaluate the overall macro-environment of the organization in which the firm is operating its operations. The PESTEL analysis includes the analysis of the political, economical, social, technological, environmental and the legal factors affecting the organizations strategy and the market position.**

**Political Factors: -The political factors which are affecting the strategy of the Starbucks are the changes in the taxation rates like the VAT is increasing in the United Kingdom which will lead to the increase in the prices of the products of the organization. The other political factors can be the foreign policies of the country.**

**Economical condition:-**

**The economical conditions include the changes in the economy of the external environment of the organization. These factors can include the change in inflation rates, change in the unemployment and other economical changes which can affect the strategy of the organization. The Starbucks is facing the inflationary and the increased unemployment problems in the US, which are leading the organization towards decreased sales of the organization.**



**Social Factors:-**

**The social factors which can affect the strategy of the organization include the difference in the social behaviours and attitudes of the customers towards the products of the organization. Social behaviours of the people are changing towards the products of the organization because of the social issues against the organization.**

**Technological Factors:-**

**The organizations are introducing the technology to be more competent in the market. The competitors are using different technologies for the development and the improvement of the quality of the products and the services of organization.**

**Strategic Planning Models:-**

**There are various strategic development and planning models used by the organization but none of these models is perfect and different models are used in different situations. The organization uses these models to gain competitive advantage in the changing business environments of the organizations. There are following strategic planning models used by the organizations in different competitive positions. (Carter McNamara, 2010)**

**Basic Strategic Planning:-**

**The basic strategic planning model for the development of the business strategy is followed by the organizations to deal with the strategic development of the small and growing organizations. In this model the mission and vision of the business are developed and then the goals are defined to be attained by the business. Different strategies are developed to attain these stated goals and objectives of the organization. The specific action plans are developed for the implementation of each strategy. And in the last step these all processes are monitored and changed if needed.**

**Issue-based Planning:-the issue based planning for the strategic development is used to evaluate the specific issue affecting the organization. The following steps are followed in these types of strategy,**

**Identify key issues**

**Design strategies to deal with these issues**

**Evaluate the mission and vision of the organization and upgrade if needed**

**Development o yearly implementation plan along with the budget for the year**

**Evaluate, monitor and review the plan on regular basis**

**Strategic Alignment model:-**

**“ The overall purpose of the model is to ensure strong alignment among the organization’s mission and its resources to effectively operate the organization. This model is useful for organizations that need to fine-tune strategies or find out why they are not working. An organization might also choose this model if it is experiencing a large number of issues around internal efficiencies”. (Carter McNamara, 2010)**

### **Scenario Planning Models:-**

**“ This approach might be used in conjunction with other models to ensure planners truly undertake strategic thinking. The model may be useful, particularly in identifying strategic issues and goals.” (Carter McNamara, 2010)**

### **Organic planning model:-**

**“ Traditional strategic planning processes are sometimes considered “ mechanistic” or “ linear,” i. e., they’re rather general-to-specific or cause-and-effect in nature. For example, the processes often begin by conducting a broad assessment of the external and internal environments of the organization, conducting a strategic analysis (“ SWOT” analysis), narrowing down to identifying and prioritizing issues, and then developing specific strategies to address the specific issues.” (Carter McNamara, 2010)**

### **Recommendations:-**

### **Review of the strategies of the organization:**

**The following steps should be taken by the organization to review the strategy of the organization to attain the organizational goals and objectives. These strategic changes are developed after the analysis of the organizations internal and external environments. The organization is following the positioning and the growth strategies and the both strategies are suitable for the organization for the development of organization towards the achievement of the goals. But according to the internal and the external environmental analysis these strategies need some improvements or some changes to respond these changes in the environment of the organization. The followings are the reviews which should be taken by the organization in its strategy,**

#### **Advertisement:-**

**The organization must communicate the mission, vision and the core values of the organization to solve the community related problems. The organization should also use the different advertisement tools to attract more customers towards the organization. This will enhance the market share of the organization.**

#### **Customer services:-**

**The organization should improve the customer's services by providing training, education and development to the staff of the organization. The organization should increase the pay rates of the staff to increase the efficiency and the loyalty of staff towards the organization.**

#### **Other strategic options available to organization:-**

**The organization can also develop the cost leadership strategy to attract a number of customers and the market share in the period of recession. This can be attained by implementing the new technologies to improve the processes of the organization.**