

Organizational behavior practices at starbucks essay sample

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



An organization could keep absenteeism to a minimum, reduce employee turnover, motivate its employees and consequently increase productivity and profitability if it could implement the basic organizational behavior (OB) concepts successfully. In other words, in the life of the organization, OB practices often spell the difference between success and failure. This has been the recipe for success of many business organizations today. Starbucks Coffee is no exception. According to Robbins (2005), “ Starbucks understands how organizational behavior affects an organization’s performance.” Indeed, an investigation of the history, the available records of the company’s performance over the years, and the perception of experts in the field easily verifies this observation.

From its modest beginning which consisted of a single coffee store which was conducting business out of the Pike Place Market in Seattle, Washington in 1971, Starbucks Coffee has grown to a global network consisting of 16,000 stores which are operating in 44 countries and manned by a workforce of over 170,000 dedicated employees which the company refer to as its “ partners.” Its success has been primarily due to its consistent and successful implementation of sound OB practices and by standing firm to its commitment and vision of “ ethically sourcing and roasting the highest quality Arabica coffee in the world” (Starbucks Corporation, 2008).

Among the OB concepts where Starbucks have been performing satisfactorily are *organizational culture*, *motivation*, and *human resource practices*. Implementing these concepts has been facilitated by a practical and supportive *organizational structure*. In order to translate these concepts

into practice, the company started out by putting together six principles which have since guided the whole organization in the process of decision-making and priority-identification. These guiding principles are:

- *Provide a great work environment and treat each other with respect and dignity;*
- *Embrace diversity as an essential component in the way we do business;*
- *Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee;*
- *Develop enthusiastically satisfied customers all of the time;*
- *Contribute positively to our communities and our environment; [and]*
- *Recognize that profitability is essential to our future success*
(Starbucks Corporation, 2008).

A strict implementation of these principles resulted to the establishment of a dominant culture within the company. Over the years, this dominant culture has “institutionalized” the company. Consequently, the culture at Starbucks took “on a life of its own, apart from its founders or any of its members” (Robbins, 2005), completely transforming the company and making it synonymous with great coffee and a refreshing variety of “caffè latte.” Out of the seven characteristics of organizational culture laid down by Robbins (2005) in his book *Organizational Behavior*, Starbucks has distinguished itself in four of them, namely: *aggressiveness, innovation and risk taking, attention to detail, and people orientation.*

Starbucks is an aggressive and growth-oriented company. However, unlike other aggressive and growth-oriented companies, Starbucks did not launch any expansion program during the first ten years of its life (from 1971-1981). It only started expanding its operations sometime in 1982 with the assumption of Howard Schultz as marketing and retail operations director. First, he started selling coffee to “ espresso bars” and selected restaurants. By 1984, inspired by the success of the Italian espresso bars at that time, he became instrumental in brewing and serving the company’s first “ caffe latte” which he christened *Christmas Blend* . However, the company actually started growing and expanding rapidly only in 1987 when the company which was organized by Schultz in 1985 (Il Giornale) acquired control of the business and renamed it *Starbucks Corporation* . Immediately thereafter, Starbucks outlets were opened in the Canadian city of Vancouver, British Columbia, as well as in Chicago. Towards the end of the fiscal year, Starbucks stores had already grown to seventeen. The corporation never looked back since then. After only ten years, Starbucks was already operating a total of more than 1, 400 stores. By the end of the fiscal year 2006, more than 12, 400 Starbucks stores were already operational in the four corners of the world (Starbucks Corporation, 2008).

The company penetrated the foreign markets by establishing alliances with American and foreign business interests. Among these were the joint ventures with the “ Canadian Bookstore Chain Chapters, Inc.” of Canada and the “ Dreyer’s Grand Ice Cream” in 1995. In the same year, it also initiated an alliance with “ SAZABY, Inc.” of Japan in order to penetrate the Japanese

market. Then in 1998 it moved to establish its presence in the United Kingdom by acquiring “ Seattle Coffee Company,” a United Kingdom-registered entity, which had around 60 stores. It also formed a joint venture with NBA star Earvin Johnson’s Johnson Development Corporation to establish “ Urban Coffee Opportunities LLC.” During the same year, it started to establish its foothold in Taiwan, Thailand, Malaysia, and New Zealand. By the year 2000, Starbucks was already operating in Hong Kong and Shanghai in Asia, Qatar, Dubai, Saudi Arabia, and Bahrain in the Middle East, and Australia. The following year, the company opened its stores in Austria and Switzerland. Southern China, particularly Shenzhen and Macau, Puerto Rico, Greece, Indonesia, Germany, Oman, Spain, and Mexico were penetrated by the company in 2002 (Starbucks Corporation, 2008).

Today, Starbucks stores are already operating in Korea, the Philippines, Brazil, Costa Rica, and Romania. In the United States alone, Starbucks is directly operating a total of 7, 087 stores which are scattered all over the fifty states in addition to its 4, 081 franchise stores. Company-owned stores located outside of the United States total over 1, 700. These are located in Canada, Australia, and in the United Kingdom, Ireland and Germany in Europe. Starbucks company stores are also found in Asia, specifically in the countries of China, Thailand and Singapore. There are also company stores which are operating in Chile and Puerto Rico. On the other hand, its more than 2, 700 franchise stores could be found in 38 countries. These include “ Austria, Bahamas, Bahrain, Brazil, Canada, China, Cyprus, Czech Republic, Denmark, Egypt, France, Greece, Hong Kong, Indonesia, Ireland, Japan,

Jordan, Kuwait, Lebanon, Macau S. A. R., Oman, Peru, Philippines, Qatar, Romania, Russia, Saudi Arabia, South Korea, Spain, Switzerland, Taiwan, Turkey, United Arab Emirates, and the United Kingdom.” This brings the total number of company-operated and franchise stores to 15, 756 (Starbucks Corporation, 2008).

Starbucks is also *innovative and a risk taker*. These characteristics were shown by its unwavering drive to continuously introduce new varieties of “caffè latte” or espresso. It started introducing “caffè latte” in 1984 when it came out with the “Starbucks® Christmas Blend.” This was followed two years later by “Eggnog Latte.” By 1995, Starbucks started serving “Frappuccino® blended beverages,” followed by “bottled Frappuccino® coffee drink.”

In 1996, the company celebrated its 25th anniversary by coming out with the “Starbucks Anniversary Blend [which was described as] a big, bold, full-bodied blend of Asia/Pacific coffees accented with rare aged Indonesian beans.” In 1997 the company came out with its “Starbucks Barista® home espresso machine” which produced espresso or “caffè latte” using ground coffee. During the same year, it started offering “Frappuccino® Low fat Ice Cream Bars” which was described as a “low fat decadent treat.” By 1998 the company introduced a milder tasting and a lighter blend of premium coffee which it called “Milder Dimensions.” Aside from its crowd-drawing varieties of “caffè latte” and its richly brewed coffee, Starbucks today also sells over 30 blends of bagged coffee, “espresso machines, coffee brewers and grinders, a line of premium chocolate, coffee mugs and coffee

accessories, and a variety of gift items.” This is *innovation* in the real sense of the word (Starbucks Corporation, 2008).

The third outstanding characteristic of the Starbucks culture is *attention to detail*. This has enabled the company to maintain the high quality of its coffee and make its customers keep coming back for more. One of the factors which have been responsible for the quality of its coffee is the course on “ coffee education” which the company requires its employees to undergo. The focus of this course is coffee, its core product and its primary income earner. The purpose of the course is to enable its employees to acquire the much-needed expertise on the subject of coffee to equip them for their respective tasks. The company considers it basically important that all its employees fully understand everything there is to know about their product.

In addition, the company exercises the greatest care in choosing the coffee beans for grinding and brewing so that the highest quality is maintained. In fact, it is tasting up to 150, 000 cups of coffee samples from all over the world every year in its quest for the “ finest, richest and most interesting beans” (Starbucks Corporation, 2008). The best coffee beans the company could find are subjected to stringent quality control at Starbucks. After choosing the samples from what they consider to be “ perfect beans,” these samples are then subjected to a special process which involves the roaster’s sense of smell, sight, and hearing, and assisted by a computer program. After testing, one whole batch of beans is rejected if several of its samples fail the company’s standard of perfection (Tran, 2003).

In order to maintain the highest standard of brewed coffee, Starbucks sticks to a recipe which is composed of what it refers to as the “ four fundamentals.” These fundamentals are: “ Proportion, Grind, Water and Freshness.” It considers the proportion between coffee and water to be the most important element of coffee preparation. Starbucks mixes 10 ml of coffee with 180 milliliters of water. Then the mixture is ground, using different grind requirements for its different methods of brewing. The reason for this is that according to the coffee specialists of the company, the flavor of the resulting brewed coffee is greatly affected by the length of the grinding time. Before preparing the mixture, the water component should be heated just below boiling point (90°C to 96°C). To extract the genuine flavor of coffee, the company uses only water which is “ clean, fresh, and free of impurities.” The final element is the freshness of the coffee beans. It is being maintained by storing the coffee beans in “ an opaque, airtight container at room temperature.” Then the fresh coffee beans are only ground immediately before brewing (Starbucks Coffee Company Canada, 2005).

Finally, Starbucks is *people oriented*. This characteristic is evident in the way the company employs another OB principle - *motivation* — to increase productivity and minimize employee turnover. Simply stated, motivation is being achieved by adhering to people-oriented policies. Towards this end, the company offers a comprehensive benefit package which includes “ progressive compensation package, healthcare benefits, retirement savings plan, stock options and discount stock purchase plan, income protection plan, management bonus plan, adoption assistance plan, domestic partner

benefits, referral programs and support resources for child and eldercare, discounted Starbucks merchandise, and a pound of coffee each week.” Its being people oriented is not, by any means, confined to its employees. It has also come out with a “ Supplier Code of Conduct” which ensures that their suppliers do not violate human rights and destroy the environment.

Specifically, this code of conduct requires their coffee suppliers to promise to uphold the “ welfare, economic improvement and sustainability” of the coffee-producing regions and their residents; observe “ national laws and international standards” concerning the rights, safety, compensation, and treatment of their workers; and to protect the environment by all means (Starbucks Corporation, 2008).

Starbucks likewise subscribes to the view articulated by Robbins (2005) that “ An organization’s human resource policies and practices represent important forces for shaping employee behavior and attitudes” This is why the company exerts every effort to develop its people. In addition, one of the guiding principles of the company – *Provide a great work environment and treat each other with respect and dignity* – clearly exhibits its commitment to safeguard the welfare of its workers. Starbucks firmly believes that treating its employees as fairly as possible not only motivates them the right way but also assures the company of a very loyal and highly dependable workforce. This is the reason why the company starts out by bestowing to its employees the status of “ partners,” develops them by providing them with adequate training, and motivates them by offering them with a very attractive and highly competitive benefit package (Starbucks Corporation, 2008).

In an interview which was conducted by the Human Resource Executive Online, Dave Pace, Starbucks executive vice president for partner resources, referred to the company's *human resource practice* as "the value-and-treat-employees-right approach" which, according to him, has been rooted in the company since its inception "in an almost religious-like faith." He said that a committee which is specifically tasked with "mission review" has been created in the company. The primary responsibility of this committee is to conduct a periodic reality check of the company's adherence to its mission statement to ensure that actual company practices are not veering away from it. He also said that complaints made by employees are being addressed by the managers concerned within two weeks. When asked about the comments coming from other executives that it is easy for the company to treat their workers fairly because the company is making money, Pace replied that at Starbucks, "We don't take care of our partners because we're successful. We're successful because we take care of our partners" (Stolz, 2005).

Although Robbins (2005) explained that the relationship between the organizational structure and employee performance, level of motivation, and level of job satisfaction has not been clearly established, Starbucks has decided to give due consideration to *organizational structure* as a possible support factor to *organizational culture, motivation, and human resource practices* which form the cornerstones of its organizational health. Believing that organization and interpersonal interaction could prove critical to the organization's success, Starbucks chose to avoid adopting a hierarchical

organizational structure by deciding against a prescribed and set organizational chart. This resulted to a “ laid-back and supportive” culture within the company which empowers its employees to exercise their discretions and make decisions without first obtaining approval from higher management. Since one of the policies of Starbucks is to develop its employees, it prefers that workers think for themselves and behave as an integral part of the business.

This is also why employees are called “ partners” regardless of their employment status – perhaps the only company that is doing so. This is a form of employee empowerment that did not only serve Starbucks well but also enabled the company to succeed as a retail organization with outlets in the fifty states of the country and 43 other countries all over the world. Starbucks considers its employees as one of its most important assets and has developed them accordingly. It is convinced that by properly developing its workers it has succeeded in raising the quality of its workforce to a level which is high enough to allow them to make responsible on-the-spot decisions. The strong culture which emerged has also made its employees realize that they want exactly the same things desired by the company which are profitability and customer satisfaction (Tran, 2003). The case of Starbucks, therefore, leaves no doubt that less centralized organizations “ have a greater amount of participative decision making,” a factor which, according to Robbins (2005), has been positively linked to job satisfaction.

The experience of Starbucks is a clear proof that the proper application of the concepts of organizational behavior could propel a company to success.

A strong organizational culture, a highly motivated workforce, sound human resource practices, and a less centralized but very functional organizational structure have combined to help the company achieve its objectives. In fact, Starbucks is not only profitable. It is also one of the “ 100 Best Companies to Work For” and the second-ranked most admired companies in the United States. This is according to a survey which was conducted by Fortune Magazine and the Hay Group among 3, 322 company directors, executives, and securities analysts in the United States (Fortune Magazine Online, 2007).

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