

Introduction to starbucks case study assignment

[Business](#), [Management](#)



PRINCIPLES OF MANAGEMENT ASSIGNMENT 1: STARBUCKS CASE STUDY

Summary The history of Starbucks starts in Seattle in 1971. Three friends, Jerry Baldwin, Zev Siegl, and Gordon Bowker, who all had a passion for fresh coffee, opened a small shop and began selling fresh-roasted, gourmet coffee beans and brewing and roasting accessories. In 1981 Howard Schultz first walked into Starbucks as a sales representative for a Swedish kitchen manufacturer. He immediately wanted to work for the company as he got so inspired by Starbucks but it took him a year to finally persuade the owners to hire him.

The owners were reluctant initially to hire Schultz because they thought his style and high energy might not blend with the existing culture of the company. However in 1982 Starbucks hired Schultz as the new head of retail operations and marketing and shortly thereafter was sent to Milan to attend an international housewares show in Italy. When he arrived, Schultz found himself infatuated with the exciting coffee culture of Italy. Schultz went to Verona and had his first *caffè latte*. But he observed something more important than the coffee.

The cafe customers were chatting and enjoying themselves while sipping their coffees in the elegant surroundings. That's when Schultz was struck with an inspirational idea. " Why not create community gathering places like the great coffee house of Italy in the United States? " However, Schultz's idea did not go down well with Baldwin. Baldwin was not ready to get into the restaurant business nor to have anything distract him from his original plan of selling whole beans. Schultz, however, branched out on his own and

opened a coffee house named after Italy's largest newspaper, The Daily, or Il Giornale.

Two months later, the new store was serving more than 700 customers a day, and it was selling 300 percent more than the Starbucks locations. In 1987 the owners of Starbucks Coffee Company decided to sell their coffee business, along with the name for \$3.8 million. Schultz raised the money by convincing local investors of his vision. Now with over 11,000 outlets in more than 36 countries, Starbucks is the world's number one specialty coffee retailer. Schultz philosophy: "We aren't in the coffee business, serving people.

"We're in the people business, serving coffee" has shaped and continues to shape the company. Q1: What management skill do you think would be most important for Howard Schultz to have? Why? What skill do you think would be most important for a Starbucks store manager to have? Why? Conceptual Skill would be the most important skill for Howard Schultz to have and as we can see Schultz already had those skills. When he went to Italy and saw espresso bar it was his conceptual skills that led him to the idea of introducing coffee bars in America.

It was his conceptual skills that led him to identify the opportunity. And it is the conceptual skills that lead managers to take advantage of opportunities and oppose threats as well as make good business decisions and lead him to innovation. Human and Technical Skills would be the most important for a store manager because he is in direct contact with employees. By Human skills he is able to work well with other people individually and in a group and

by technical skills he can guide people under his supervision to efficiently perform specific tasks.

Q2: How might the following management theories/approaches be useful to Starbucks: Scientific Management, Organizational Behavior, Quantitative approach, System Approach? **SCIENTIFIC MANAGEMENT:** It is concerned with improving the performance of individual worker and finding the best way to do particular task. Starbucks coffee producing department is the place where scientific management theory can be applicable where they can divide and distribute jobs and find out the best way of performing tasks in order to improve production efficiency.

ORGANIZATIONAL BEHAVIOUR: It is the field of study concerned with the actions or behavior of people at work. Organizational Behavior theory can be useful for Starbucks in the following ways: **SYSTEM APPROACH:** System can be defined as a set of interrelated components with clearly define boundaries working together to achieve an objective by performing three main functions such as input, processing and output. Using the system approach it is important for Starbucks departments to work together as one unit.

For example if the marketing and production department don't work in collaboration with each other Starbucks as a whole organization would suffer. Also using the system approach Starbucks must be aware of the environment its working in. For example if the company opens an outlet in another country it must be aware of the government rules and regulations and also the taste and trends of society there. **QUANTATIVE APPROACH:** It

involves applications of statistics, optimization models, information models and computer simulations to management activities. Quantitative approach can be useful in the following ways:) Price: Starbucks can judge the amount of price to be charged on a product if the price is high then no one will buy the product and if it's low then the business won't be able to maximize its profits. 2) Customer Preferences: It can conduct and analyze surveys about customer's likes and dislikes. This will help the business in improving their product, services and surrounding atmosphere. 3) Sales Analysis: Starbucks can conduct sales analysis which can help them in forecasting future sales and allocate required resources and also help them in budgeting.

The three trends and issues are as follows: These skills includes Looking for Opportunities Innovation Growth Due to these skills, Starbucks has excelled and reached to the height of success. Starbucks focused on growth i. e the reason they have been able to expand to 11, 000 outlets in 36 countries. They also introduced many innovations in their product line. It is mostly implicated on top line managers as they are the ones who make major business decisions. Starbucks operates in many countries; therefore it consists of diverse workforce.

So as a manager it is necessary to be well-acquainted with the diverse backgrounds of individuals in order to manage its workforce effectively. It is most applicable for the first line managers because they are the ones who are in direct contact with employees. In Starbucks black apron displaying the little " coffee master" are worn by employees who have completed the

coffee master course, which shows that Starbucks conducts many programs to enhance the knowledge of workers.

This implies mostly to middle level managers as they are ones who are responsible for meeting the goals set by top level managers by managing the workforce which includes enhancing their learning and knowledge. Q4: Give examples of how Howard Schultz might perform the interpersonal roles, the informational roles, and decisional roles. Schultz, as a figurehead, can be the greeting visitor, signing legal documents. He would attend ribbon cutting ceremonies for new plants. He could be a leader responsible for motivating subordinates and staffing, training.

He could also coordinate activities of various project works. INFORMATIONAL ROLES: Schultz can perform this role by monitoring reports, holding informational meetings, making phone calls to relay information, holding board meetings, giving information to media Q5: Look at Howard Schultz philosophy of Starbucks. How will this affect the way company is managed? At first businesses used to focus on products. But with the passage of time businesses have realized that their main purpose is serving the people. Schultz philosophy has shaped and continues to shape the company.

The company is now more focused on the five C's: community, connection, caring, committed and coffee. Now the company doesn't only focus on producing coffee rather all its activities are now driven to provide customer satisfaction by giving them quality service and understand and meeting their needs, tastes and preferences. What managers can learn from this case study? We as managers can learn the following from the Starbucks case

<https://assignbuster.com/introduction-to-starbucks-case-study-assignment/>

study. Focus on the people Businesses traditionally used to mainly focus on their products.

Their prime objective was to manufacture mass products at low cost and hence make more profits. But now businesses have grown smart, they realize the importance of people in their business. Now companies strive to build better and long term relations with their customers by providing them with top notch services and quality products. And that is exactly what Howard Schultz philosophy reflected: " We aren't in the coffee business, serving people. We're in the people business, serving coffee. " It is this philosophy of Schultz that has taken Starbucks to new heights.

We as managers of today need to realize this and shift our focus on our customers by providing them with best quality service and products which is the key for businesses to survive in today's very competitive world and also for the company to benefit in the long run. True Entrepreneur Spirit Entrepreneurship has three main themes: Opportunity, Innovation and Growth. When Schultz walked into an espresso bar he quickly saw the opportunity because such a concept did not exist in America and if applied in America could be very successful.

We can say that Schultz was open to ideas and an opportunity seeker. We as managers need to be more open to ideas and not get stuck just on routine day to day task. We need to think out of the box and grasp on opportunities out there. If we won't our competitors will and we can be left behind in the race. Starbucks did not get stuck with just producing simple coffee. It got innovative and launched various other products such as hot and iced

espresso beverages, coffee and noncoffee blended beverages, Tazo teas, home espresso machines, premium chocolates, baked pasties, sandwiches etc.

Thus we learn it's important to be innovative and meet the changing trends in customer's taste and preferences otherwise business can become stagnant. Schultz started with a small chain of espresso bars but he didn't stop there. He always looked for expansion and growth and that is the reason why Starbucks today has over 11, 000 outlets in 36 countries. As managers we always need to strive for growth and expansion. Grow and expand to reach new marketplaces and new customers that will in return result in more revenue and profits for the company.