

Employee motivation starbucks corporation



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My report to be investigated the staff motivation of Starbucks Corporation, it contains the evaluation of two main sides of motivation strategy: Extrinsic rewards and intrinsic satisfaction. Motivation is one of the main factors for business in the process of making their production, it might even gain a better proceeds than purchasing plenty of equipments and facilities. In order to find the ways that Starbucks used to motivate their staff, widely searching have to be done during investigation. I have collected two types of data, which are Primary data and secondary data. Normally, I will get the components from library, Internet, Interview and Questionnaires. In the process of analysing the information, some essential methods will be used, such as Motivation Strategy analysis, Goal-setting Strategy analysis and Equity Strategy analysis.

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Introduction

Purpose of the study

In next three month, I plan to investigate how the staff motivation benefits the customer of Starbucks Corporation. Starbucks is one of the biggest coffee maker in the world; it was started in the West Coast city of Seattle, Washington in 1971. Today, there are more than 16, 706 (as of Dec. 27 2009) franchise stores around the world (Starbucks website, 2010).

Setting objective should be in line with SMART rule.

Specific – exactly understand what should I want to do.

Through the investigation should understand the employee motivation strategy in Starbuck Corporation, why it is important for Starbuck.

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Measurable – should know when I would achieve this goal.

The report had been divided into three parts: Introduction, Literature review and Methods.

Achievable – the objective should be achieved.

Through search the information and my effort, I should achieve the objective that I had set.

Realistic – best meet my immediate and long-term needs.

It is impossible for me to reach my goal and it is unrealistic.

Timing – good time control and make it reasonable.

I have planned to make full use of 3 months to complete this report.

Statement of the issue

The issue to be investigated is to analyse the staff motivation of Starbucks Corporation.

Starbucks Corporation, one of the most famous retail coffee shops chain in the world, specialise in roasting, grinding, and selling special coffee beans and various kinds of coffee or tea drinks. Starbuck advertise they are the “third place” between home and company, where for get together with friends and families, or just enjoy a quite moment alone with fresh coffee, music and book. Starbucks always meet its customers’ requirements, they perform a good staff motivation which will be beneficial on its internal and external customers. Its internal customers cover its owners, managers and

staff, while its external customers are the people who with vogue knowledgeable coffee drinker.

Some one think that to measure a company success or not, is base on the profit that this company earned. But in these days, the attitude should be changed due to the global market changing. For staff has become one of the most important factors in company, motivation strategy has been used in company, which helps staff work more efficiency, also, the strategy can attract higher degrees or perfect skills staff. Motivation strategy has become important system for company operation management. However, there is no company using the same motivation strategy. Starbuck is a good example, they noted for satisfaction of employees. Starbucks believes that motivation and personal satisfaction should be put into first rank. A good relationship between managers and employees could maintain a high quality of performance.

Definition of terms

Extrinsic motivation - Pay for performance

It include how does it affect the staff moral and how does it increase the product activities. This criterion enable the Starbucks to meet its objectives, further more, it reflects the company's performance level.

Intrinsic motivation - Encourage team work and increase staff unity

This topic show how team work as a kind of motivation effective to Starbucks staff, whether it is helpful to partners to achieving a new level of performance.

Limitation of the study

Limitation for Secondary data: although it can provide large amounts of information quickly and cheaply, the unreliability cannot be ignored, there is no control over data quality.

Limitation for Primary data: this kind of research is accuracy and tailor-made to research problem, but it is time wasted and normally cost a lot.

Review of the Literature

The motivation arises when some one ask why people behave in a certain way (McKenna, 2000). Motivation refers to something dynamic origins from inside (Jain, 2005). Cited in Karthikeyan et al., (2008), Berelson and Steiner (1964. P. 14) observed, " Motivation is refers to all those inner striving conditions which have been described as wishes, desires, drives, etc. It is an inner condition which actives or moves". The definition of motivation is quite wide; scholars have given different definition based on their experiences. According to Michael J. Jucius (1975, p. 111), " Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get desired action." Motivation is also as something that moves person to act and continues this act. Dubin (1974. P. 626) defined " Motivation means a process of stimulating people to action to accomplish desired goals". In the context of corporation, defined by Dalton E. McFarland cited by Talloo (2008, p. 142), " The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impel him to act or not to act in certain ways."

Motivation is valuable and important to management, Samuel Taylor Coleridge said, cited in Adair's (1990, p. 26) book "No man does anything from a single motive." It gets "the members of the team to pull their weight effectively to give their loyalty to the group, to carry out properly the tasks they has accepted and generally to play an effective part in the job that the group has undertaken." (Brech, 1957, p. 424). A synthesis of motivation theories offers a detailed explanation on why and how people get motivated. Theories been categorised into content theory and process theory. Content theories are "focus on the factors within the person that energise, direct, sustain and stop behaviour. They attempt to determine the specific needs that motivate people (Jain, 2005, p. 120), e. g., Maslow's hierarchy of needs (Maslow, 1943), Herzberg motivator-hygiene Theory (Herzberg, 1959), McGregor's Theory X and Theory Y (McGregor, 1960), ERG Theory (Alderfer, 1972), Cognitive evaluation Theory (Deci & Ryan, 1985) and McClelland's need theory (McClelland, 1988). Process theories are centered on rational cognitive process and explained the process of people been motivated (Fiore, 2004), e. g., Equity theory (Adams, 1965), Expectancy theory (Vroom, 1964), and Goal-setting theory (Locke, 1968)

Adair (1990, p. 26) formulated that "Fifty per cent of motivation comes from within a person and fifty per cent from his or her environment, especially from the leadership encountered there." Those motivators can encourage employee hard working by two reasons: because they get payment - Extrinsic motivation (Kohn, 1993; Ryan and Deci, 1996) or because they are passionate on the work itself - Intrinsic motivation (Chance, 1992; Brandt, 1995). Extrinsic motivators controlling behaviours mechanism and easily

seen (Deci, 1975), it “ serves to satisfy indirect or instrumental needs” (Frey and Osterloh, 2002, p. 8). Extrinsic motivator includes: salary, wages, reward and pay system. Managers normally use these different ways interchangeably in companies, but all these extrinsic rewards can get the same result (Bergman & Scarpello, 2002; Milkovich & Newman, 2008; Zakaria, 2009). In terms of intrinsic motivators, Deci (1975) indicated that intrinsically motivated behaviors are based on activity itself, there is no other apparent reward. They motivate people do without external inducement (Greene and Lepper, 1978). The main form of intrinsic motivation are: Job satisfaction, the achievement of personal goals, ethical standards, fairness and team spirit.

Scholars proposed that in allocating rewards, job based pay and performance based pay are different, if management can appropriate implement each pay system it very helpful to attract, motivate and retain employees (Milkovich & Newman, 2008; Zakaria, 2009). Other researches on pay for performance also emphasized that by using the system properly may improve job satisfaction (Janssen, 2001). Employers should provide fair payment to employee based on their contributions and needs, therefore, improving job performance and working quality, lower the cost of organisations (Milkovich & Newman, 2008; Zakaria, 2009). A numbers of studies shown that although offering rewards do not make work itself more interesting, it does increase employees’ satisfaction (Calder & Staw, 1975).

In terms of intrinsic motivators, Kohn (1993) asserted that intrinsic motivators are comes from inside of an individual. Kick (2006) also states that intrinsic motivation is self-originating, self-sustaining and self-rewarding.

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According to Kohn's view, "intrinsic motivation produces the best results from employees" (Nelson, 2003). A suitable working environment created by companies can help employees self-motivated, includes popular company name, good brand reputation, special corporate culture, etc. employees are benefits from these firm-specific pool resources (Frey and Osterloh, 2002). However, in real world, most of the jobs cannot be motivated intrinsically. Thus today's managers allocate the work match to individual needs and interests (Nelson, 2003)

James R. Lindner (1998) examined the ranked important of motivator to employees, those contains both intrinsic and extrinsic motivators. The result shown the interesting work and satisfied payments are key to higher employee motivation. Others are includes full appreciation of work, job security, good working environment, opportunity to promotion and growth, etc. To better motivate employees, companies have to carefully design its reward systems.

Methodology and Findings

The source of information

In this report, I mainly used two ways to collect data, which are primary data and secondary data. The secondary data could be collected through some methods such as Internet and library. Internet could cover various of information which help me easily get close to the company. In library I can find large kind of books journals that help me exact defined my topic. In term of Primary data, face-to-face interview is essential for my report. It takes place on a personal level. My interview allowed for some flexibility, which gave me much more qualitative information.

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Findings

Extrinsic rewards – Fringe Benefits

These benefits encourage loyalty to a company so employees may stay longer, which also helps employees meet its social need. Starbucks offers its benefits package to both part-time and full-time employees. All employees are eligible for insurance coverage after being paid 60 hours. Starbucks comprehensive benefits package includes: medical, dental, vision and short-term disability insurance, as well as paid vacation and holiday, mental health/chemical dependency benefits, a 401k savings plan and a stock option plan. Schultz, the CEO of Starbucks believes that without these benefits, people do not feel financially or spiritually tied to their jobs. He mentioned that stock options and the complete benefits package increase employee loyalty and encourage attentive service to the customer.

Extrinsic rewards – Pay for performance

According to research firm – The Corporate Library, different companies have different ways to give bonuses. Costco Wholesale Corporation awards bonuses based on factors such as goals related to sales, controllable expenses and inventory shrinkage; Paccar Inc. gives bonuses based on a simpler measure: net profit; furthermore, Amazon.com Inc. does not provide performance-based bonuses.

Starbucks as a successful company is tying compensation directly to employee performance to drive incredible business results. Pay-for-performance is providing to be effective at all levels and in all functions of Starbucks. Building a pay-for-performance culture may seem like an abstract vision for some companies, however, in Starbucks, it is considered a top

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tool by senior executives for achieving better financial results. And for good reason: a strong pay-for-performance culture has the ability to unlock their employee performance potential, keep Starbucks' employees happy, and ultimately drive a healthier bottom line.

In Chicago, starting pay for a baristas has increased from \$7.50/hr to \$7.80. After six months, Chicago baristas will make \$8.58/hr if they receive a "favorable performance" review. In New York City, baristas will make \$9.63/hr after six months on job and a "favorable performance" review.

Pay-for-performance culture help Starbucks increased motivation by combining clear direction, quality feedback and tangible rewards, and recognition-key components to job satisfaction and employee dedication. It also improved retention, according to Giga Information Group, retention has improved by meritocratic management or pay-for-performance by up to 27%. Cost savings is another benefit by using pay-for-performance as company can only reward individuals whose performance help achieve key corporate objectives.

Intrinsic satisfaction – Training Policy

The CEO of Starbucks, Howard Schultz, considers that the key of success in Starbucks is not coffee but employees. He believes that happy employees are the key to competitiveness and growth. On practical level, Starbucks provides chance to employees and let them learn something new, there is a thorough employee training and each participant much take at least 24 hours training. The content of class covers everything from coffee history to a seven-hour workshop called "Brewing the Perfect Cup at Home." This

workshop is one of the five classes which employees must complete in the first six weeks with company.

Intrinsic satisfaction – Internal Pay Equity

The managers in Starbucks treat each employee equally and all the staffs are called “ partners”. To narrow the gap between managers and employees, managers co-work with the basic level staffs in the front line. When Mr. Schultz took on the additional role of president and CEO of the corporation on 7th Jan 2008. He did not receive any additional compensation in connection with his new position. Mr. Schultz’s base salary has remained the same with former CEO.

Intrinsic satisfaction – Listen to Employees and Empowerment

Starbucks has a well-organised communication channel for employees. It places a great importance on labors. For example, managers arrange the schedule for every employee to hear their requirements. There are interviews weekly to see what they need is. A special survey named “ Partner View Survey” is taken off every two years thus managers can receive feedbacks through the event, and acknowledge which part should be improved or what issue should be pay more attention on. Employees even have the right to figure out what is the best policy for them, and directors show a respect for each suggestion.

Besides above policies, the empowering corporate culture have aided in crafting an exceptional staffs. Starbucks promotes an empowered employee culture through generous benefits programs. Employees are empowered by

management to make decisions without management referral and are encouraged to think of themselves as a part of the business.

Conclusion

Starbucks changes the behaviors and viewpoints of global consumers to coffee, and this successful example has caught global attention. According to my study of Starbucks, it shows that motivation is the key factor of a company policy. In other word, opposite to the principles of classical management which only concerns about produce but ignore workers' ideas. In recent successful business, the appropriate management for labors should include both financial and emotional rewards. Besides, motivation and personal satisfaction should be put into first rank. A good relationship between managers and employees could maintain a high quality of performance. Just like Starbucks, to use the correct strategy would lead to a successful path.

Recommendation

As we know, Starbuck is the company which part-time workers favorite cover jobs at. Starbucks may find that its growth plans will hinder its effort to provide too much benefit to part-time employees. Opening more stores means more employees and higher cost on benefits pay. In this stage, Starbuck has announced to close 600 stores in US while 61 stores in Australia, there are more than 12, 000 jobs will be slashed.

Aiming at this problem, I have some recommendations to Starbucks:

Providing employees with a better understanding of how to use their plans and take advantage of lower-cost options for treatment.

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Some of these stores which certainly discouraged, however, still helpful to business can be given some more time.

Another way the company is expanding without adding significantly to personnel costs is through the licensing of its Starbucks coffee shops to other retailers and companies. Starbucks stores can in local food store, in bookstore chains, in cinema and in airport. Those who work in stores are employed by the companies which rent the brand. Licensing enable Starbucks in a more cost-efficient way.

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