

Organizational structure of starbucks



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Starbucks have built a global coffee empire on the basis of quality inexpensive drinks. In February 2009 the Seattle based Company announced that it will close more than 300 stores which would impact 6, 000 people and result in 700 layoffs. Starbucks have stated that they will continue to expand its presence in Europe and staff that is laid off will be given the opportunity of alternate jobs in these stores. They are planning to open 150 new stores in 2009/10. At this moment in time Starbucks are represented in more than 15, 000 locations worldwide.

The Mission statement of Starbucks has been defined as “ Our mission: to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.” (Farfan, 2012). The vision of Starbucks is all about quality and people. They want to enrich the lives of people by making Starbucks the premier neighborhood coffee shop and be seen as a social influence of good in people’s daily lives.

Starbucks have a number of value statements and this is illustrated on their Canadian web site[1]where they enumerate:-

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- The Coffee – it’s all about the passion for coffee and finding the best ingredients and roasting the beans. They believe passionately in concepts of ‘ fair trade’ and enriching the lives of the coffee growers
- Partners – The firm considers all of its staff as partners and inclusive in the contribution and wellbeing of the business. This ethos extends to its entire international operation.

- Customers – It's all about social interaction with our customers and ensuring that they have an enjoyable experience at all of the Starbucks retail outlets
- The Stores – All of the stores should have a unique ' Starbucks quality' providing a consistent image of quality and an enjoyable social atmosphere where people can meet and enjoy fine coffee
- Community – Starbucks wants to be seen as an important part of the community and an important force for good. It wants to enrich the lives of the local community and be seen as a desirable meeting place.
- Shareholders – Starbucks recognises the important contribution of its investors and wants to remain a business that the shareholders can be proud of and provide them with good returns on investment.

SECTION 2

The Organizational Structure

The Organization structure of Starbucks is similar to most large groups of its size. The organization is controlled by a Board of Directors who functions from the Group HQ based in Seattle, Washington. Around the country it is split into regional jurisdictions with district Managers who oversee a group of regional stores. A store manager acts as the local boss for supervising the staff at a particular store location. The company does not operate as a franchise system but it does license store fronts. These are owned and operated by the Starbucks Corporation under strict quality control guidelines. The entire Starbucks team work as partners and are geared towards quality customer service and client satisfaction. Starbucks emphasises a policy of inclusion amongst its entire staff and no matter where you fit in the

hierarchy the firm attempts to recognize individual contribution. Most of the consumers who are fans of Starbucks will endorse the level of consistency found across the Starbucks locations whether you are in Seattle, New York or London. The Company has been extremely successful in this regard. (Schreiner, 2012).

SECTION 3

Starbucks in China

Starbucks have been instrumental in helping to increase the popularity of Coffee in China. The CEO has said that it plans to start and grow coffee in Yunnan province of China. This essentially will make a strategic commitment to help strengthen and develop the Starbucks brand in China. Yunnan province coffee already has a well-developed reputation in China for the production of high quality coffee beans. Starbucks have indicated that they would like to export Yunnan coffee beans throughout its world-wide distribution of retail stores. Starbucks has now been in China for 12 years and has 400 stores on the mainland and 800 stores in greater China. The firm has stated that China “ will be the fastest and biggest growing market in North America” (CNN, 2010).

The provincial government in China’s Yunnan Province has said that it will invest \$450 million to help expand the green bean volume of production from the current 38, 000 tonnes per annum to that of 200, 000 tonnes by 2020. It will also help Starbucks to expand its hectares in Yunnan province from 26, 700 to 100, 000 acres in the same period. This will help to create employment in China and develop the educational system within the

Universities in the province of Yunnan, thereby promoting the development of the coffee industry in China.

Starbucks will offer Yunnan province their agricultural expertise gained in coffee plantations in Cost Rica and Rwanda. This will help promote local knowledge and expertise in Yunnan province. When entering Japan they looked for local partnerships that would help them to ease their way into the Japanese market place and the approach was more one of stealth and careful navigation than opposed to that of a blockbuster announcement. The approach followed the typical model shown to the right.

External Factors consider such items as cultural implications, market potential, and the intensity of competition and market barriers. Whereas internal factors are more focused upon such items as the characteristics of the country and environment for successful operations, the local resources available, speed of entry, ability to gain local support and investment.

Statistics show a strong performance in sales between 2005-2008 but in 2008 the net income showed a sharp decline. So despite a growth trend in Sales the Company was losing money. The decline in the US market is however less likely to impact the potential investment and growth in China as the market forces are very different in the Chinese provinces as opposed to the USA economic determinations. (Tung, 2010)

Starbucks and Sustainability

When considering the concept of sustainability, the first word that comes to mind is that of the environment. Paper cups, are one of the most common consumables in our daily life. The disposal of these has become a serious

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problem in latest fifty years. This has contributed to the effect of global warming. Every day in the U. S. Millions of people will consume six cups of coffee as part of their routine life and only a few of them will choose not to use paper cups. As coffee has become the most popular drink for the breakfast and afternoon tea, all over the world, the expending of paper cups will only increase. Owing to the impact that paper cups will cause to the environment; some of the coffee stores advocate some discount activity to decrease the damage caused by paper cups. This project considers how paper cups are contributing to the destruction of the environment and the need for future actions of sustainability to protect the environment.

The Environmental impact on paper cup disposal

A paper cup is made of paper and lined with plastic or wax to prevent any drink from leaking out through the paper. Paper cups as the most popular drink container in the world, however, most of them are not recycled paper and as such they bring many negative impacts to the environment.

According to a study of paper cups, it illustrates that a single cup will produce 0. 25 pounds of CO2 emissions. When one paper cup is made, 0. 90 square meters of natural habitat will be lost.

Another statistic shows that in 2006, in excess of half a million trees were felled to make paper cups used by U. S consumers, in addition 4 billion gallons of water were used to make coffee and tea but resulting in 253 million pounds of waste.

The only result of using large amount of paper cups is heavy air pollution, which is related to the thesis in this paper: ‘ sustainability’. Wasting too

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many paper contributes to the wastage factor in the felling of trees. In particular, the disposable paper cups. Basically, a tree needs ten to fifteen years to mature . During this period how many other trees will be destroyed purely for the use of paper cups? Since the paper cup is a vital component of our routine life, most people do not consider the serious impact it creates. Meanwhile, landfill is another problem that disposable paper cups bring to the environment. The world administration is simply not equipped to deal with all of the recycling required and we are left with a quantum amount of plastic cups and lids which are virtually indestructible

Starbucks are taking the campaign seriously

Fortunately, there are some of the institutions and coffee store already realized the serious impact of paper cups. In this project, I am going to look at the most famous coffee store around the world—Starbucks. Starbucks is one of the most popular coffee shop in everywhere in the world, especially in its original place—U. S. And before 2006, paper cups were banned for recycling because of healthy.

According to the graph above, U. S paper consumption has decreased in recent years. Starbucks serves 2. 3 billion coffee cups a year. Owing to the huge consumption of paper cups they have realised the importance of environment concerns. Starbucks was the first company in the U. S to recycle content coffee cups. Those cups included ten percent post-consumer recycled fiber (PCF), this activity saved tens of thousands of trees, a half million gallons of wastewater and million pounds of garbage from being trucked to landfills. (Fusso, 2011).

Starbucks also recommend people bring their own coffee cup nowadays, while one customer bring their own cup, they could have a ten cent discount for their order. This campaign encourages customers to be more environmentally friendly. Sustainability usually reminds people about green products and protecting the environment. However, when confronted not many people will agree upon how to achieve these objectives .

Government's usually are indifferent on the subject and the only effective way is making sustainability related to profit. Modern Corporate entities become more interested in the concept of wealth accumulation and making profits. As a multi-national company Starbuck's sets a good example to achieve paper cups sustainability.

Customer Service

Starbucks are an excellent example of excellence in customer service. They have had a lot of time in terms of getting the model right but they have persevered and never been complacent regarding the needs of their customer base. It starts with the quality of the product itself. They provide a range of coffees that are custom designed in order to meet the needs of even the most demanding of customers. The staff pays attention to the detail and little points that make your experience enjoyable; there are no real throwaways at Starbucks.

One example is the type of background music played in the stores. This is designed to provide a light convivial atmosphere. Very often a light smooth jazz or the mellow sounds of Sinatra. The music is designed to make you feel good in a relaxing atmosphere. Another point is that Starbucks have never tried to nickel and dime their customers; they don't mind how long you sit at

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the café with a single coffee. They want you to enjoy yourself. The Cafes often provide very comfortable seating arrangements and lounge chairs. This helps in the creation of customer loyalty and is indicative of the fact that they care about their customers (Hanft, 2012)

Ethical Practices

Owing to the amount of an ethical and dishonest marketing practices, as carried out in the USA, the public are looking for improved codes of ethics and marketing practices. Standards of marketing are not strictly governed by codes of ethics, as compared to other more regulated professions like law, medicine, accountants etc. the American marketing Association. [AMA] is attempting to bridge the gap but can only make code binding upon some members. An underlying question is will any rigorous code of ethics improve marketing practices of business behaviour? The first consideration must be enforcement; only if you can make people obey the code of ethics does it become worthwhile.

Starbucks have attempted to place ethics high on their value chain. This starts off with the coffee production and dealing with ' Fair Trade Coffee' that ensures planters and their staff are treated in an equitable manner and receive proper financial rewards that are commensurate with their efforts. This has also seen a move towards organic coffee production. It is often difficult to keep a check on all that takes place in your supply chain but is important to avoid scandals like that of Nike who found themselves at the centre of a human rights scandal on the exploitation of child labour.

Information Technology

Starbucks has always taken Information Technology very seriously in its business operations. In March of 2012 they announced the appointment of two new Executives to be responsible for the way Starbucks uses technology and innovation relative to servicing its customer base. Starbucks have embraced the digital revolution in supporting digital networks within its stores. Starbucks has made significant investments in point of sale management systems, sophisticated inventor control systems and provision of computer technology in its supply chain.

Leadership Practice

The leadership style in Starbucks is very focused towards that of the democratic leadership style. This form of leadership style promotes delegation amongst assigned staff and given them the authority in which to complete tasks by using their own methods but adhering to corporate standards and guidelines. This motivates the staff because it promotes initiative and makes them feel more inclusive in the decision making. Delegation of responsibility does not however make the Manager less accountable for achieving the end results. The Manager is accountable for the end result. There is a danger that staff does not carry their weight and rely upon others to carry them.

The Situational Leadership Model by Blanchard and Hersey is an important contribution because it has created a relatively simple matrix in order to explain a complex subject. Managers in larger Corporations are able to examine their directive and supportive leadership styles and determine where they are portrayed on the Model. By adjusting, the dynamics of their

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leadership style that can fine-tune the behavioural stance of leadership to be more supportive or more directive as the occasion demands. Hersey pointed out that this is not a theoretical concept but that of a leadership model. This is because the model is more application oriented and may be modified or adapted to meeting various situations as opposed to theoretical considerations that are normally more fixed.

The negative side of traditional leadership models is that it has been more inwardly focused upon personal leadership styles as opposed to taking a more holistic viewpoint in terms of looking who leadership serves and how best to gain the optimum outcomes for the organization i. e. managing customer relationships and ensuring the business objectives are driven and focused towards meeting these needs. Positive attributes are that it has promoted group dynamics within the organization and helped in business transformation and change management.

Starbucks have also adopted more of a servant leadership style at the store level. This is a relatively new concept that is finding a lot of support where high customer centric support is required. Servant Leadership may be defined as a leadership style that influences, models and supports how people learn to serve others first. It encourages the concept of speed (efficiency) and integrity in the way people interact and negotiate in a business setting. The concept covers both an internal and external focus. The approach works on the basis that in meeting peoples legitimate needs one gains more influence as a leader. This builds trust within the organization and is seen as dedication and commitment by customers. The qualities of servant leadership can be seen in individuals that:-

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- Have Empathy – they are good listeners
- Empowered – They encourage others to lead by active delegation
- Positive attitude – They promote a positive outlook in the organization
- Desire – They have honesty and integrity and work on building trust
- Problem Escalation – They will resolve issues or problems in an expedient manner
- Serve – Excellent provision of customer service

Pros of Servant Leadership

Seeks and encourages open and honest feedback from others

Helps people to progress and develop to their optimum capability levels

Meets the legitimate needs of other people and aspires to the highest levels of trust

Prepares for the future by careful succession planning

Above all provides excellence in customer service by open, honest and transparent communications with an emphasis on service and quality

Cons of servant leadership

Not applicable to all situations e. g. The Military

Changing the leadership view from one style to that of servant leadership can prove difficult unless very carefully handled

Leading is different from managing – personal and organizational styles need to be carefully aligned

Importance of servant leadership

Servant leadership has become an extremely popular approach in modern business. In a difficult financial climate competition for business increases and a good customer, relationship management team becomes of paramount concern. Good servant leaders bring about a very positive approach in the development of internal resources by promoting them, coaching and encouraging them, whilst equally motivating them towards a sense of community building. People will follow such leaders because they portray a selfless and generous demeanour and concerned about the welfare of others.

This style is very paternalistic and encourages others not to be selfish but consider what they can do to help others. It was John F Kennedy that immortalised the saying ‘ Ask not what your country can do for you, but what can you do for your country’. The style treats employees more as business partners as opposed to helpless drones of a slavish and subordinate mentality. Equally, the customers will look at the positive internal dynamics that are being generated. Customers will see this as indicative of the manner they will be treated i. e. with equality, respect, personal concern and a willingness to achieve a high quality product or service. (M. McCrimmon, 2012)

Social Responsibility

An excellent video link illustrating the Social responsibilities of Starbuck can be viewed at this location: http://www.youtube.com/watch?v=Nly_OdvORQY . This is a very interesting video clip that illustrates both the ethical and social responsibility of Starbucks on a global basis.

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Essentially all business organisations have reward systems for their employees. Without these being in place the employees would not complete their job functions. Executives tend to regard this as compensation but in reality it extends far beyond the simple concept of pay. Modern organizations tend to view reward in terms of a strategic framework and this considers the overall vision and mission of the organization. For example, how will the business be successful and as such how the people that drive the business is both rewarded and incentivised. As such this rests upon a number of different perspectives i. e. Financial, Sociological, Psychological, Environmental, Hygiene etc. This falling within the general concept of Maslow's Hierarchy of needs. (Bussing-Burks, 2009)

SECTION 4

SWOT Analysis of Starbucks

Strengths:

There are a lot of very strong positive forces at play within Starbucks and this is what positions the firm as a Fortune 100 Company and a global player in this field.

- Large Market share & capitalization – They have the financial clout!
- Strong Brand Image – The brand is recognized world wide
- Large store network – Huge distribution of global stores
- Committed workforce – A highly motivated workforce
- Highly profitable – A highly profitable global business
- Global presence – They continue to expand international presence
- Strong ethical values – They have maintained a strong ethical stance

- Fortune 100 Company – Recognition as an American Corporate giant
- High customer loyalty – The customers are very loyal to the brand
- Quality products- Consistent quality over all their stores.

Weaknesses:

There are some issues with Starbucks but these are offset by the very strong profile the business projects.

- Premium company, as such can be undercut by low quality brands
- High dependency on coffee – need for increased product diversification
- Very focused on US domestic market – This is changing
- Could use more Free Trade Products – This is being addressed and improving
- Seen as loyal American Global brand – Despite this it is extremely well respected globally
- Fairly high costs to maintain standard of excellence – You always pay for quality!

Opportunities

Starbucks have a very proactive marketing department and are always looking forwards to areas for improvement. . They are planning to open 150 new stores in 2009/10. At this moment in time Starbucks are represented in more than 15, 000 locations worldwide.

- Emerging international markets like China – Starbucks has now been in China for 12 years and has 400 stores on the mainland and 800 stores in greater China. The firm has stated that China

- Advancements in Technology – Constant innovation spearheaded by two senior executives of the firm
- Product range diversity – Constant ongoing improvements in this area
- Licensing its Name to open up market channels – This will be done carefully in order to protect quality standards and the brand image
- Improved marketing initiatives – Constantly exploring new marketing opportunities
- Increased ‘green’ initiatives – Part of marketing initiatives. Starbucks also recommends people bring their own coffee cup nowadays, while one customer brings their own cup, they could own a ten cent discount for their order. This campaign encourages customers to be more environmentally friendly.

Threats:

- A saturated coffee market – possibility of too many new market entrants
- Activists criticise Starbucks fair trade practices – They are improving though
- Recession may mean less people purchase daily coffee- Temporary setback
- Increased costs of raw materials – May need to be offset in pricing model
- Increased costs of operational overheads- May need to be offset in pricing model

SECTION 5

Personal Reflection

Starbucks is a hugely successful global American company and has a very loyal customer following, particularly in the USA and Canada where the coffee shops provide a focal meeting place for social meetings and connecting with the internet. There is no reason why the firm cannot continue its global expansion aims, particularly in China. Starbucks have been instrumental in helping to increase the popularity of Coffee in China. The CEO has said that it plans to start and grow coffee in Yunnan province of China. This essentially will make a strategic commitment to help strengthen and develop the Starbucks brand in China. Yunnan province coffee already has a well-developed reputation in China for the production of high quality coffee beans. Starbucks have indicated that they would like to export Yunnan coffee beans throughout its world-wide distribution of retail stores. (Gilbert, 2008)

SECTION 6

Recommendation

In today's difficult financial climate it appears that Starbucks are doing most things right. They have a customer centric approach, place quality control high on the agenda, they address the needs of a young discerning market place and have the right hygiene and environmental factors that support the business. Perhaps less reliance on coffee and increased diversification in their stores may help to consolidate their position further.