

Case Application (Structure)

Starbucks—Organizing

Organizing is an important task of managers. Once the organization's goals and plans are in place, the organizing function sets in motion the process of seeing that those goals and plans are pursued. When managers organize, they're defining what work needs to get done and creating a structure that enables work activities to be completed efficiently and effectively by organizational members hired to do that work. As Starbucks continues its global expansion and pursues innovative strategic initiatives, managers must deal with the realities of continually organizing and reorganizing its work efforts.

Structuring Starbucks

Like many start-up businesses, Starbucks' original founders organized their company around a simple structure based on each person's unique strengths: Zev Siegl became the retail expert; Jerry Baldwin took over the administrative functions; and Gordon Bowker was the dreamer who called himself "the magic, mystery, and romance man" and recognized from the start that a visit to Starbucks could "evoke a brief escape to a distant world." As Starbucks grew to the point where Jerry recognized that he needed to hire professional and experienced managers, Howard Schultz (now Starbucks' chairman, CEO, and president) joined the company, bringing his skills in sales, marketing, and merchandising. When the original owners eventually sold the company to Schultz, he was able to take the company on the path to becoming what it is today and what it hopes to be in the future.

As Starbucks has expanded, its organizational structure has changed to accommodate that growth. Starbucks' success is credited, in part, to its adaptive organizational structure, and the company prides itself on its "lean" corporate structure. Howard Schultz is at the top of the structure and has focused on hiring a team of executives from companies like Nestlé, Procter & Gamble, Corbis, Microsoft, and PepsiCo. Schultz realized how important it was to have an executive team in place that had experience in running divisions or functions of larger companies, and that's what he focused on bringing in to Starbucks. These senior corporate officers include the following: six "C" (chief) officers, seven executive vice presidents, three group presidents, two managing directors, and several "partners." For instance, because technology is an important factor in Starbucks'

growth strategy, Schultz created a chief technology officer position. A full description of the team of Starbucks executives and what each is responsible for can be found on the company's website. Although the executive team provides the all-important strategic direction, the "real" work of Starbucks gets done at the company's support center, zone offices, retail stores, and roasting plants. The support center provides support to and assists all other aspects of corporate operations in the areas of accounting, finance, information technology, and sales and supply chain management.

The zone offices oversee the regional operations of the retail stores and provide support in human resource management, facilities management, account management, financial management, and sales management. The essential link between the zone offices and each retail store is the district manager, each of whom oversees 8 to 10 stores, down from the dozen or so stores they used to oversee. Since district managers need to be out working with the stores, most use mobile technology that allows them to spend more time in the stores and still remain connected to their own office. These district managers have been called "the most important in the company" because it's out in the stores that the Starbucks vision and goals are being carried out. Thus, keeping those district managers connected is vital.

In the retail stores, hourly employees (baristas) service customers under the direction of shift supervisors, assistant store managers, and store managers. These managers are responsible for the day-to-day operations of each Starbucks location. One of the organizational challenges for many store managers has been the company's decision to add more drive-through windows to retail stores, which appears to be a smart, strategic move since the average annual volume at a store with a drive-through window is about 30 percent higher than a store without one. However, a drivethrough window often takes up to four people to operate: one to take orders, one to operate the cash register, one to work the espresso machine, and a "floater" who can fill in.



In joining Starbucks' senior leadership team as executive vice president and chief technology officer, Gerri Martin-Flickinger leads the strategic planning of the company's global information technology function. She brings deep management and technical expertise to Starbucks, including experience in cloud, big data analytics, mobile, and security—areas that are important technology elements in the company's growth strategy.

Source: Ted S. Warren/AP Images

People Management at Starbucks

Starbucks recognizes that what it's been able to accomplish is due to the people it hires. When you have talented and committed people offering their ideas and expertise, success will follow.

Since the beginning, Starbucks has strived to be an employer that nurtured employees and gave them opportunities to grow and be challenged. The company says it is “pro-partner” and has always been committed to providing a flexible and progressive work environment and treating one another with respect and dignity.

As Starbucks continues its expansion both in the United States and internationally, it needs to make sure it has the right number of the right people in the right place at the right time. What kinds of people are “right” for Starbucks? They state they want “people who are adaptable, self-motivated, passionate, creative team players.” Starbucks uses a variety of methods to attract potential partners. The company has an interactive and easy-to-use online career center. Job seekers—who must be at least 16—can search and apply online for jobs in the home office

(Seattle) support center and in the zone offices, roasting plants, store management, and store hourly (barista) positions in any geographic location. Starbucks also has recruiting events in various locations in the United States throughout the year, which allow job seekers to talk to recruiters and partners face-to-face about working at Starbucks. In addition, job seekers for part-time and full-time hourly positions can also submit an application at any Starbucks store location. The company also has a limited number of internship opportunities for students during the summer. But the company's efforts don't stop there.

The company's commitment to helping people in communities has led to various special hiring initiatives that focus on particular groups. For instance, Starbucks committed to hire at least 10,000 veterans and their spouses by 2018. More recently, the company has partnered with several companies, including CVS Health Corporation, Walmart, and Microsoft to hire at least 100,000 low-income individuals.

Starbucks' workplace policies provide for equal employment opportunities and strictly prohibit discrimination. Diversity and inclusion are very important to Starbucks as the following statistics from its U.S. workforce illustrate: 64 percent of its total workforce are women and 33 percent of its total workforce are people of color. That commitment to diversity starts at the top. At one point, senior executives participated in a 360-degree diversity assessment to identify their strengths and needed areas of improvement. Also, an executive diversity learning series, including a full-day diversity immersion exercise, was developed for individuals at the vice-president level and above to build their diversity competencies.

Although diversity training is important to Starbucks, it isn't the only training provided. The company continually invests in training programs and career development initiatives: baristas, who get a "green apron book" that exhorts them to be genuine and considerate, receive 23 hours of initial training; an additional 29 hours of training as shift supervisor; 112 hours as assistant store manager; and 320 hours as store manager. District manager trainees receive 200 hours of training. And every partner takes a class on coffee education, which focuses on Starbucks' passion for coffee and understanding the core product. In addition, the Starbucks corporate support center offers a variety of classes ranging from basic computer skills to conflict resolution to management training. Starbucks' partners aren't "stuck" in their jobs. The company's rapid growth creates tremendous opportunities for promotion and advancement for all store partners. If they desire, they can utilize career counseling, executive coaching, job rotation, mentoring, and leadership development to help them create a career path that meets their needs. One example of the company's training efforts: When oxygen levels in coffee bags were too high in one of the company's roasting plants (which affected product freshness), partners were retrained on procedures and given additional coaching. After the training, the number of bags of coffee placed

on “quality hold” declined by 99 percent. Then, on one day in February 2008, Starbucks did something quite unusual—it closed all its U.S. stores for three-and-a-half hours to train and retrain baristas on espresso. A company spokesperson said, “We felt this training was an investment in our baristas and in the Starbucks’ experience.” The training, dubbed Perfecting the Art of Espresso, was about focusing on the core product, espresso, as well as on the customer experience. Feedback was quite positive. Customers said they appreciated the company taking the time to do the training and felt it had resulted in a better customer experience. The company also embarked on a series of training for partners to find ways to do work more efficiently. A 10-person “lean team” went from region to region encouraging managers and partners to find ways to be more efficient.

One human resource issue that has haunted Starbucks is its position on labor unions. The company takes the position that the fair and respectful “direct employment relationship” it has with its partners—not a third party that acts on behalf of the partners—is the best way to help ensure a great work environment. Starbucks prides itself on how it treats its employees. However, the company did settle a complaint issued by the National Labor Relations Board that contained more than two dozen unfair labor practice allegations brought against the company by the union Industrial Workers of the World. This settlement arose from disputes at three stores in New York City. In 2011, a strike by partners in Chile—which is the only country where the company has a sizable union presence—over low wages led baristas in other countries to call for a “global week of solidarity” in support of the strikers. The Chilean workers eventually abandoned that strike without reaching an agreement with the company. As Starbucks continues to expand globally, it will face challenges in new markets where local labor groups and government requirements honor collective bargaining. And Starbucks realizes it needs to be cautious so that its “we care” image isn’t diminished by labor woes

Discussion Questions

P4-1. What types of departmentalization are being used? Explain your choices. (Hint: In addition to information in the case, you might want to look at the complete list and description of corporate executives on the company’s website.)

P4-2. Do you think it’s a good idea to have a president for the U.S. division and for the other international divisions? What are the advantages of such an arrangement? Disadvantages?

P4-3. What examples of the six organizational structural elements do you see discussed in the case? Describe.

P4-4. Considering the expense associated with having more managers, what are some reasons why you think Starbucks decided to decrease the number of stores each district manager was

responsible for, thus increasing the number of managers needed? Other than the expense, can you think of any disadvantages to this decision?

P4-5. Why do you think it was important for Starbucks to keep its mobile workforce “connected?” In addition to the technology used to do this, what other things might the company do to make its adaptive organizational design efficient and effective?

P4-6. Starbucks has said its goal is to open nearly 10,000 new stores globally by 2019. In addition, the company has set a financial goal of attaining total net revenue growth of 10 to 13 percent and \$30 billion in annual revenue by 2019. How will the organizing function contribute to the accomplishment of these goals?