# Unit 7 Assignment 2 - Final Strategic Plan and Leadership Report

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# Herzing University

BU 690 Business Integration & Strategic Planning

**ORGANIZATION DESCRIPTION**

**Starbucks**

Headquartered in Seattle, Washington, Starbucks specializes in the sale of coffee based-drinks to customers. The venture was founded by Jerry Baldwin, Gordon Bowker, and Zev Siegl. Unimpressed with the coffee frequently encountered, the 3 partners set out to pursue quality coffee. In 1971, the first Starbucks storefront was opened in Seattle Washington’s Pike Place Market.

The store provided gourmet coffee beans sourced from Peet's gourmet coffee company located in Berkeley, California. In this capacity, the company was more of a middle-man in the coffee supply chain. Soon, the company began to roast its own beans, thus evolving into the role of a coffee manufacturer. This marked the first phase of the company creating its own identity.

In 1982, Howard Schultz was hired as director of retail operations and marketing. Schultz incorporated the strategy to open Starbucks’ first espresso bar, in 1984, to serve coffee drinks to customers. Since that time the company has grown into a multinational corporation (MNC) with 30,000 store locations in more than 75 countries. Its line of beverages has expanded to include tea, juice and water. Food products have also been added to the menu list of items offered for sale to customers. Merchandise and take-home products are also available in Starbucks store locations, grocery stores, and other retailers. Store locations have been transformed into an inviting place to meet others, with music playing in the background, all while enjoying a quality beverage.

**IDENTIFIED AND DISCUSSED THE VISION AND MISSION STATEMENTS**

**Mission Statement**

“To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.” ("Mission Statement", n.d.)

Within the Starbuck’s mission statement, the company’s objective is to connect with the customer on a personal level. We see this exhibited in the application of using the customer’s name when taking their order as opposed to assigning a number to the order. A customer would attentively pay attention to attach themselves to a number and listen for it to be called. Use of a customer’s name has a more natural and person touch. “I am being called instead of my number is being called”, has a different feel.

The company understands that a quality beverage can change the mood of person for the better and have a ripple effect and influencing their day and the people they come in contact with. Through that cup, Starbucks aims to have a positive effect on the customer and the surrounding area.

**Vision Statement**

“To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.” (Starbucks Mission Statement 2020: Starbucks Mission & Vision Analysis n.d.)

Starbucks seeks to produce the best coffee throughout the world without comprising the company’s principles. Values should be the guiding force and not empty words presented for appeal. Remaining true to company values ensures that quality will never be overlooked for any reason and cutting cost will not be synonymous will cutting standards. Values present a guarantee of the type product customers can expect as the company grows and as the company expands, quality of the product will be maintained or improved.

**THE ROLE OF ETHICS, SOCIAL RESPONSIBILITY & ENVIRONMENTAL SUSTAINABILITY**

**Ethics**

Ethical conduct and behavior are held to the highest standard in daily work and apply to all partners, officers, and board of directors, temporary workers, contractors and third parties. It is encouraged by all to report any violations or suspected violations of misconduct as set forth in the Starbucks standards of business conduct.

**Greener retail**

Starbuck uses renewable energy to power LEED certified green building stores and reduce environmental impact. Additionally, the company is working to reduce waste by promoting recyclable and compostable cups, discontinuing use of plastic straws, introducing lightweight strawless lids and 10% post-consumer fiber in hot cups, as well as recycled content in paper products. Available food is donated to Feed America.

**Sustainable**

Best farming practices, erosion issues and climate change, can be formidable issues that can impact coffee and cocoa production. Starbucks has work with farmers to develop ways of ensuring a long-term supply of quality coffee and cocoa. Sustainability goes beyond the ability to grow continued crops. Sustainability also extends to ethical practices toward the farmers to ensuring safe working conditions and fair pricing. Starbucks also donates trees to assist in replenishing the trees used in production and farming.

**CORE AND NON-CORE BUSINESS**

**Core Company Values**

Starbucks core consists of 3 components: 1. partners, 2. coffee and 3. customers. The company has 4 values in relation to their core:

1. Creating a culture of warmth and belonging, where everyone is welcome.
2. Delivering our very best in all we do, holding ourselves accountable for results.
3. Acting with courage, challenging the status quo and finding new ways to grow our company and each other.
4. Being present, connecting with transparency, dignity and respect. (Culture and Values n.d.)

**Creating a culture of warmth and belonging, where everyone is welcome.**

For customers, Starbucks locations serve as a gathering place. Whether for business or pleasure, Starbucks stores have a welcoming and accommodating atmosphere. Tables, sofas, chairs, counter space seating, outside seating area, low music and free wifi, Starbucks locations has the space for study sessions, meet and greet, a relaxing place to read, or enjoy a beverage and/or food.

For employees, Starbucks has a different approach regarding how employees are viewed. Employees are considered partners. This places more value in the employee and creates an atmosphere where they are not just viewed as someone performing work related task. This also gives the employee a better perspective of the value with the company. Employees are partners in the business, working together toward business goals. The customer experience is directly linked to their point of contact with the business, which is the employee that is performing the daily customer-facing duties of the business.

**Delivering our very best in all we do, holding ourselves accountable for results.**

The best delivery begins with the product of coffee. The company began its journey acquiring gourmet coffee from Peets. Eventually, Starbucks began roasting its own coffee, applying master roasting techniques to bring forth quality laying within the bean. The unveiled quality is only as good as the bean itself. Bean production is in the hands of the farmers that grow coffee. Knowing this, Starbucks conducted research and resources to discover sustainable ways for farmers to produce quality coffee. The company partnered with its growers making this research and resources available to them to maintain a quality. All coffee is ethically sourced to ensure a better future for people and the environment. This commitment to excellence is applied to all areas of the business and the presence or lack of results are the lies with the company.

**Acting with courage, challenging the status quo and finding new ways to grow our company and each other.**

Starbucks takes the approach of being having the courage to be a constant innovator with their business even if it is an unchartered path. In the pursuit of social responsibility, the company is committed to safe practices toward people and environment by purchasing 100% ethically sourced coffee through its Coffee and Farmer Equity (c.a.f.e.) Program. When the company’s

focus on customer experience appeared to be fading, it postponed expansions in 2007 and decided to ensure every location had the aroma of coffee in the air, integrating local environment aesthetics into the store design, and incorporating digital confirmation boards at the drive thru with two-way live video communications. On the technological front, Starbucks was one of the first companies to launch a website, began offering free wifi to transition into a gathering place, and started its social media presence. To maintain technological innovation, Starbucks implemented mobile order and pay, a Starbucks Reorder Skill was added to the Amazon Alexa platform and a My Starbucks Artificial Intelligence Barista chatbot for mobile ordering.

**Being present, connecting with transparency, dignity and respect.**

The company has a positive company culture and very good employee relations, being transparent, treating them as partners in the business and with dignity and respect. That respect and dignity is in turn, transferred from employees to customers when conducting business.

**Non-Core Company Values**

**Community**

Starbucks seeks to create opportunities for youth through hiring, providing career and educational opportunities through the Starbucks College Achievement Plan, 100,000 Opportunities Initiative, mentoring through at organizations such as Big Brothers, Big Sisters and Year Up and job opportunities for veterans and military spouses, and refugees.

**Environment**

The company has a green approach to reducing environmental impact of cups, straws and lids. This approach includes lightweight, recyclable strawless lids; recycle programs, reusable cups, and implementation of the hot sleeve to avoid using extra cups as a hot barrier.

**GLOBAL STRATEGIES**

Starbucks Corporation Vision Statement: “To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.”

Starbucks strategy for obtaining their vision involves their undertaking to invest in assisting coffee farms producing the best coffee and utilize Starbucks master roasters to bring forth the highest standards of quality flavor from those coffee beans. The organization has expanded their presence to bring their signature high quality products to over 80 markets.

**STRATEGIES FOR DIVERSIFIED COMPANIES**

Starbucks has diversified its business to include several other sectors of the beverage industry. This will cater to other portions of the market that prefer beverages other than coffee. Its product offerings are not only offered in Starbucks locations but grocery stores, and other retail locations as well.

* Seattle’s Best Coffee – Starbuck’s rival in the coffee roaster and wholesaler market. The company was the 2nd largest in the U.S. Acquisition 2003
* Teavana, a company that specializes in brewed loose-leaf tea. Acquisition 2012
* Evolution Fresh - Cold pressed bottled fruit juices and vegetable and fruit blended juices. Acquisition 2011
* Tazo – Premium packaged tea and herbal tea and bottled beverages. Acquisition 1999
* Ethos Water – Bottles water company. A social project that donates 5 cents of every bottles sold toward a humanitarian program to provide clean and safe drinking water to coffee-growing countries.
* Torrefazione Italia Coffee packaged coffee. Included in the Seattle’s best coffee purchase. Acquisition 2003.

**PROVIDED 5 SOURCES OF REVENUE OR A COMPLETE LIST**

1. **Coffee**

Starbuck’s primary product is coffee. The company has buyers that visit the farms where coffee is purchased. Those 3 major regions are: Latin America, Africa, and Asia-Pacific.

**Strength**: This allows inspection and direct purchase of the main product to ensure a quality product.

**Weakness**: The cost to send Starbucks employees to those locations adds an extra expense.

1. **Tea**

Starbucks Company is not a producer or processor of tea. It purchases ethically sourced, top-quality tea from around the world. Starbucks has partnered with Ethical Tea Partnership (ETP) to create a practice of producing sustainable ethically sourced tea. The company relies on the generational expertise of tea farmers to provide a quality product.

**Strength**: Experts in the tea industry have been identified and are accessible.

**Weakness**: Starbucks lacks the capability to contribute to the technical expertise of tea production and has to rely on people outside the company.

1. **Cocoa**

Cocoa sourcing starts with seeking a high-quality product. That product must ethically sourced. Starbucks has worked to understand the intricacies of cocoa farming in West Africa and identify key areas for improvement in order to produce high-quality cocoa that is also sustainable.

**Strength**: High-quality cocoa production has been obtained and provides a great product for Starbucks goods.

**Weakness**: None.

1. **Water**

Water is a basic a staple for everyone. Sometimes, a customer is in the mood for simple water.

**Strength:** Water on the menu helps to create a beverage list that has something for everyone.

**Weakness**: None.

1. **Juice**

Among the variety of products sold, Starbucks also offers bottled fruit juices and vegetable and fruit blended juices.

**Strength**: Creates more beverage options for customers and may appeal to health-conscious person and children.

**Weakness**: This is not an area of specialization for Starbucks and there may be better market options.

1. **Food**

All Starbucks locations offer a variety of food items the customers can purchase along with their beverages. Categories of food are: Hot Breakfast, Lunch, Baker, Yogurt & Custard, and Snacks and Sweets.

**Strength**: Fulfils customers need for food and expands business into the food industry.

**Weakness**: Frozen foods that are not freshly prepared.

**INTERNAL COMPONENTS THAT IMPACT STRATEGY IMPLEMENTATION**

1. **Innovation**

Through its Farmer Support Centers, located around the world, Starbucks has assisted farmers in overcoming challenges by sharing their research and resources. This as helped to improve productivity and sustainability of ethically sourced, high-quality coffee, tea, cocoa.

**Strength**: This helps to ensure long-term quality of its products, beginning with the source.

**Weakness**: None.

1. **Technology**

Starbucks mobile app, Uber Eats, or Starbucks Website, the company has several ways in which technology is used to place an order. Through the use of the mobile app machine learning creates tailor-made suggestions for customers. That same learning will be applied to drive-throughs in combination with the mobile app to offer suggestions at drive throughs.

**Strength**: Introduction of new and relevant products therefore increasing the chance of sale.

**Weakness**: Possible bottle-neck of traffic at the drive-thru.

There many pieces of equipment needed to ensure that a customer’s order can be fulfilled. That equipment needs to be in working order at all times. The Internet of Things (IoT) is being incorporated into the Starbucks produce that assurance.

**Strength**: Stats from equipment can be gathered and analyzed in real-time and allow proactive approach as opposed to reactive.

**Weakness**: None.

Starbucks is parenting with Microsoft to provide transparency by tracing the movement of coffee from farm to customer. Using Microsoft’s Azure Blockchain Service, farmers can see the journey of their product and customers have visibility into the farming communities they are supporting.

**Strength**: Farmers are provided with additional information their role in the supply chain. Socially conscious customers may find the information to be a purchase reinforcement.

**Weakness**: Practical application of the information from the farmers’ perspective not clear.

1. **Location and Design**

Starbucks locations are positioned in high traffic areas in 75 markets with nice seating arrangements, a decent atmosphere, and free Wi-Fi. Locations include near offices buildings, in bookstores, in airports, near college and university campuses, i.e. places of convenience for customers.

**Strength**: Starbucks is clearly positioning itself to be a global leader with its ever-growing presence.

**Weakness**: Being abreast of culture and traditions of the global locations and ensuring that those differences are respected.

1. **Workplace Culture**

The company promotes an atmosphere of diversity and inclusion. Starbucks understands that such diversity can foster new ideas leading to growth. Employees are viewed as partners in the business and not simply hired workers.

**Strength**: Employees are viewed with value and worth and this can create a sense of wholesomeness in work environment.

**Weakness**: Deciding which ideas to incorporate and provide support that leads to acceptance of diverse change.

**SUMMARY ACTION PLAN FOR BUSINESS INTEGRATION AND PLANNING SUGGESTIONS**

# **Coffee:**

**Issue**: The cost to send Starbucks employees to those locations adds an extra expense.

**Recommendation**: Hire and train a local person to inspect and the quality of coffee prior to purchase. This will cut expenses related to sending employees to the locations to perform inspections.

**Tea:**

**Issue**: Starbucks lacks the capability to contribute to the technical expertise of tea production and has to rely on people outside the company.

**Recommendation**: Hire the 3rd party to educate and train Starbucks employees, this will allow a transfer of knowledge and empower the company with new inhouse intellectual resources.

**Juice:**

**Issue**: This is not an area of specialization for Starbucks and there may be better market options.

**Recommendation**: Solicit feedback from customers for improvement. Research the market to discover what juice specialty companies are doing in that market space. This is will establish a benchmark that Starbuck can use to identify areas of improvement.

**Technology:**

**Issue 1:** Possible bottle-neck of traffic at the drive-thru.

**Recommendation**: Partner with Google, Microsoft, and Apple to create a proximity smartphone popup that gives the option to place an order, drive to a designated marker, and await the order to be brought to the awaiting car.

**Issue 2**: Practical application of tracing transparency from the farmers’ perspective not clear.

**Recommendation**: Examine what information is being provided and ascertain it relationship to operations in order to make it practical in use.

**Location and Design**

**Issue**: Being abreast of culture and traditions of the global locations and ensuring that those differences are respected.

**Recommendation**: This requires research, understanding that all people are not the same, and being open to those differences. Initiate a shift in perspective: taking the view that the company is a guest in foreign markets will assist in creating sensitivity to foster inquiry needed for understanding.

**Workplace Culture**

**Issue**: Deciding which ideas to incorporate and provide support that leads to acceptance of diverse change.

**Recommendation**: All ideas cannot be incorporated at once. Many ideas may be applied in general and others may have to be involved in a rotation. General ideas are those that affect the operation of the business daily. Rotational ideas are those that are seasonal. Finding the space for good is a matter of the relevance to the business environment.

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