

## **Project Organizations**

Vandana Anand

Worcester Polytechnic Institute

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Professor Kenneth J. Wermann

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**Abstract**

Starbucks is the largest American multinational chain of coffeehouses. Its successful business model and organizational structure has made the firm world renowned. Starbucks follows a matrix structure that aims to operate in a middle ground between functional and projectized organizations. A matrix structure is evident because Starbucks has a functional hierarchy, product-based divisions, and teams that operate under each type of department.

### **Introduction**

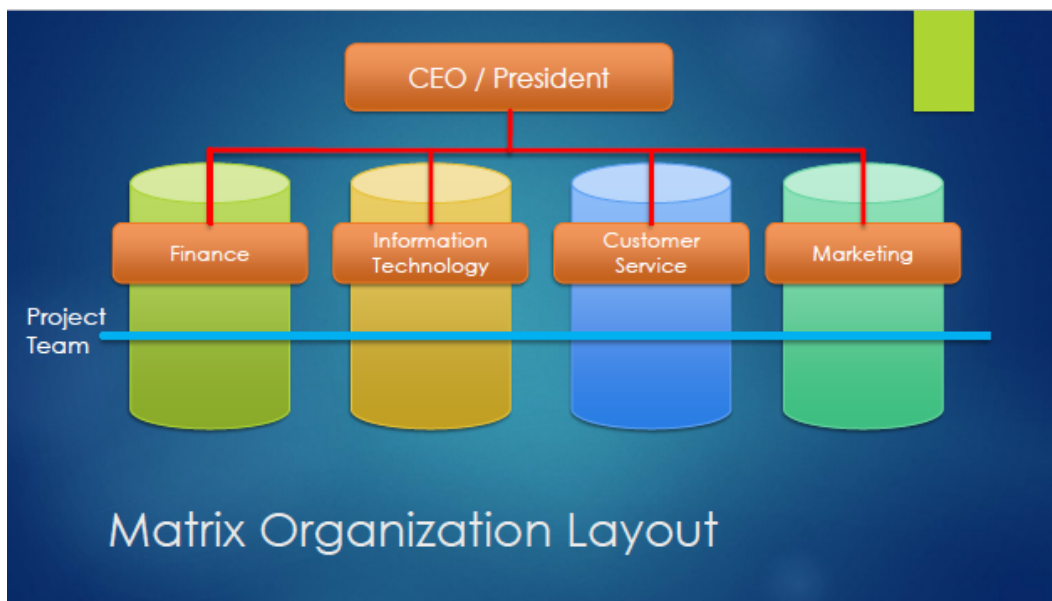
Starbucks opened in 1971 with its first coffee shop in Seattle, Washington. It offers coffees with some of the world's finest fresh roasted, whole, high quality beans from coffee farms in Latin America, Africa, and Asia. Not only do they provide many types of coffee, they also have premium teas, fine pastries, and other treats that provide the full coffee experience for their millions of customers. Today, Starbucks has grown to have over 30,000 retail stores in 80 markets. Their mission is to “inspire and nurture the human spirit - one person, one cup and one neighborhood at a time” (Starbucks, 2015).

A company's corporate structure impacts all areas of its business such as management, leadership, business strategies, and culture. Starbucks utilizes its company organizational structure to further advance its business as well as remain competitive among other competitors such as McDonald's and Dunkin' Donuts. By evolving and maintaining a hybrid matrix structure, Starbucks is able to satisfy business needs as well as ensure that its operations are accomplishing goals and managed effectively (Meyer, 2019).

## Discussion

### Matrix Organization

Starbucks is purely based on a matrix organization, a combination of functional and projectized structures. In a functional organization, tasks directly come from top management. Thus, the functional managers have more of the authority whereas project managers serve as the assistants to functional managers. In a projectized environment, tasks come from the project manager, who is responsible for all decisions of a project, and teams are organized around that specific project (Imtiaz, 2017). A matrix organization has characteristics from each of the different organizations mentioned, featuring a structure that typically has project teams that complete tasks from both the project/product manager as well as the department manager. The Chief Executive Officer (CEO) manages this whole hierarchy as shown in the image below.



*Figure 1: Matrix Organization Layout (Wermann, 2020)*

Starbucks' product based divisions intersect with the functional groups, which also intersect with other parts of the firm.

One of the many advantages of a matrix organization is that the company can capitalize on the advantages of both functional and projectized organizations, allowing for an efficient utilization of resources. These resources can be used for more than one project at a time and matrix structures are sponsor focused. Moreover, knowledge is shared and better utilized. After completing a project, employees can return to their functional area or department (Wermann, 2020).

However, a disadvantage of the matrix organizations include the dual reporting nature of the structure with the project manager and functional manager. The structure can lead to conflicts between project and functional managers over resource allocation and team members would need to manage their time more effectively to complete tasks (Wermann, 2020). With planning, these difficulties can be overcome.

### **Functional Hierarchy**

The functional hierarchy of Starbucks' corporate structure refers to the groups of business functions or departments. The firm has many different departments such as technology, marketing, finance, sales, HR, and more. These sectors serve as the top-most level of the organization, reporting to the CEO. Decisions made at this level would affect all Starbucks shops and locations. Next are the geographical and product-based divisions that have their own managers and teams. The hierarchy features a top-down model with functional groups responsible for the growth and development of the firm (Meyer, 2019).

### **Geographical and Product-based Divisions**

The geographic corporate structure of Starbucks includes three main regions where cafes and other operations are located: 1) The Americas, 2) China and Asia-Pacific, and 3) Europe, Middle East, and Africa. Each division has a senior executive so that each lower level manager reports to both the geographical head and the functional head, referring to the dual reporting structure of a matrix organization. In addition, each division head has the authority to change strategies and design products that cater to the specific needs of customers in that area. Therefore, each region could offer different products (Sobiya, 2018).

The product-based divisional structure divides employees into different groups that work towards a specific product. The products are divided into coffee and other beverage products, merchandise, bakery items, and more. The division enables a more product development focused environment, allowing Starbucks to innovate its products and be more competitive (Meyer, 2019).

### **Teams**

Employees at Starbucks are divided into teams, making up the lower level of the organizational hierarchy. They work primarily to deliver goods and services to the customers. This part of the structure is very important as the team, especially those that work in cafes, are directly in contact with consumers. Team effectiveness and culture are significant to ensure financial and business success of the corporation.

### **Conclusion**

Starbucks has a matrix organization because it combines the characteristics of a functional and projectized structure. It features a structural, top down model in which the CEO is at the top of the management and then the department headquarters followed by the geographical and product-based divisions. The employees on each team are product development focused and are expected to report to two managers, the geographical and functional head. The matrix structure seems to be an efficient way to manage Starbucks as the business is successful among customers. The firm is expected to gradually grow and develop, offering more products and services in the future.

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