

Starbucks and their Corporate Culture

How they have used communication to counter internal and external issues

Executive Summary

Starbucks is a dynamic organization that has attained global significance. They have stores all around the world and their success can be largely attributed to their culture of communication which has helped them to grow within, as well as deal with the external business environment in which they are operating. The following will address how *Starbucks* has used communication effectively, and how it has affected their business both internally and externally. From this, it will be clear that the company has created a culture within and outside of the organization that has fostered success, but the economy and the nature of their industry is changing, and therefore they must change alongside everyone else if they are to remain leaders in their industry. This will require effective use of business communication into the future, but *Starbucks* has always approached challenges head-on, and they will likely be adaptable in the future.

Introduction: About Starbucks

Starbucks is a major player in the gourmet coffee industry, and more broadly in the service industry. They have built their business around a culture of corporate social responsibility in which the bottom-line has many more factors than just profit. This culture that has guided the company affects all aspects of the operation – from the acquisition of beans, to selling drinks in the stores. They were founded in 1985, and have

since grown to have over 145,800 employees across the world. Throughout the years, the company has been able to continually expand and thereby grow demand for its product. Their success has come from their ability to deal with internal and external threats, and they have done this largely through communication. Internal factors are those things which affect the company from within – such as employee satisfaction and turnover, how they manage their resources, and research and development. External factors are those things which affect the company from outside of it – such as advertising, the quality of their reputation, and competition from others in the same or competing industries. (Alvarado et al., 2007).

Internal Factors

Starbucks' success has come largely from communication, but more specifically its corporate culture. The company is proud of its *empowering corporate culture*, and this is reflected in one of their six mission statement principles: To provide “a great work environment and treat each other with respect and dignity” (Kembell et al., 2002). They use communication as a means of ensuring that the company is thriving from the inside, and that a purposeful and efficient work environment is created as a result. This commitment to having a satisfied workforce has translated into increased profits because their employees are working more effectively to achieve that goal. Communication is an important part of this corporate culture and the company's success, as employees are given the ability to make decisions on their own, without needing clearance from management. This open-system of communication allows for a more *relaxed and*

supportive corporate culture that serves the bottom line. Each and every person that works at the company is not referred to as an employee, but rather as a ‘partner’, and this is true for both full and part-time workers. All of these workers are entitled to comprehensive benefits which creates culture within the company that is positive, and the ‘partners’ communicate this to each other regularly. This is reflected in the fact that *Starbucks* spends more money on their workers’ health care costs than they do on coffee beans. This has led to low levels of employee turnover (employee turnover at *Starbucks* is 50%, while it is 400% in other companies in the same industry). (Weber 2005).

The company communicates to its partners that they are the most important resource to be managed within the company, and this has worked to create adaptable and dependable workers that are passionate about doing what is needed to succeed in the changing economy. Their *matrix organizational structure* has allowed for effective communication within the organization. It is now a flatter and less-hierarchical organization, and this works to facilitate faster change within the various departments that are essential for the company’s success. (Alvarado et al., 2007).

External Factors

At *Starbucks*, communication has served to create a *strong brand* over the years. They have expanded their line of quality products and services. For example, they have a lucrative gift card business and they have greatly expanded their selection of food items. This has been the product of communication with external forces – namely their

customers. They have communicated with them to learn what they want, and *Starbucks* has worked to give it to them. (Alvarado et al., 2007).

Advertising has also worked to grow their business. This refers to the way that the company has communicated their brand to their customers. Their approach to advertising has created a coffeehouse culture which goes far beyond just selling coffee. The company has marketed a culture that is planned in every way, from the name of the beverages to the type of music that is playing in the stores. This communication that has taken place with external players (their customers) has been a key factor in the company's success. (Alvarado et al., 2007).

As the company continues to grow, they will need to use communication strategies to counter the *competition* that is developing from fast-food services. Companies like *McDonalds* are increasingly trying to make gains in the coffee market, and this will pose as a direct threat to *Starbucks*' profits. The company needs to continually communicate to their customers that they are paying for an experience when they go to *Starbucks*, and this is what justifies their price-point within the expanding market. (Alvarado et al., 2007).

Recommendations and Conclusions

Starbucks is a company that has thrived as a result of its use of communication, as it has been able to counter internal and external threats to its business model. They should continue to communicate with their partners, and with the customers so they always know what they need to do to grow, and create more efficient and effective means

of meeting the needs of their clients. Through increased communication, the company will be better suited to deal with challenges that come from competition and other threats, such as the changing economy.

References/Sources

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