

Summer 2017

“Onward How Starbucks Fought for Its Life without Losing Its Soul” Book Review

Charles Leduc

Johnson & Wales University - Providence, CLeduc01@wildcats.jwu.edu

Follow this and additional works at: http://scholarsarchive.jwu.edu/mba_student



Part of the [Business Commons](#)

Repository Citation

Leduc, Charles, "“Onward How Starbucks Fought for Its Life without Losing Its Soul” Book Review" (2017). *MBA Student Scholarship*. 58.

http://scholarsarchive.jwu.edu/mba_student/58

This Book Review is brought to you for free and open access by the Graduate Studies at ScholarsArchive@JWU. It has been accepted for inclusion in MBA Student Scholarship by an authorized administrator of ScholarsArchive@JWU. For more information, please contact kfaulkner@jwu.edu.



Ethics, Corporate Social Responsibility and Law - MGMT 5900

**“Onward How Starbucks Fought for Its Life without Losing Its Soul”
Book Review**

Charles Leduc

Johnson & Wales University

8-11-16

Revised 6-05-17

1. Bibliographical Data: (Author, Title, and Publication Data)

“Onward How Starbucks Fought for Its Life without Losing Its Soul” was written by Howard Schultz who, at the time, was the chairman, president, and chief executive officer (CEO) of the Starbucks Coffee Company. Assistance was provided by Joanne Gordon a former writer for Forbes magazine. The book was published in March of 2011 by Rodale, Inc.

2. Background Information:

2a. Who is the author? What is the nationality and origin? When did the author write?

The main author is Howard Schultz who was the chairman, president, and CEO for the Starbucks Coffee Company headquartered in Seattle, WA (Starbucks Coffee Company, n.d.). Schultz was born into a working class Jewish family in Brooklyn, NY in 1953 where he was raised with his younger sister Ronnie, and brother, Michael (Howard, n.d.). Schultz went to Northern Michigan University on an athletic scholarship he received while attending Canarsie High School in Brooklyn, NY (Howard, n.d.; Schultz & Gordon, 2011 p. xi). In 1975, Schultz was the first person in his family to graduate from college with a bachelor's degree in communication (Howard, n.d.).

After graduating, Schultz started working as a sales manager for the Xerox Corporation (Starbucks First Mate, 2008). In 1979, he joined the Swedish company Hammarplast that manufactured European coffee machines where he oversaw their U.S. operations (Howard, n.d. & Howard Schultz, 2016). Schultz visited the Starbucks company in Seattle after learning that the company was purchasing a significant amount of their Hammarplast machines (Howard Schultz, 2016). After meeting the original owners Schultz became thrilled by the idea of becoming part of the Starbucks company (Howard, n.d.).

In 1982, Schultz left Hammarplast to join Starbucks as the Director of Marketing at a time when Starbucks had six locations and only roasted coffee beans (Howard, n.d. 7 & Howard Schultz, 2016). While visiting Milan Italy in 1983, Schultz came up with the idea of serving espresso coffee to Starbucks' customers in United States (U.S.) after seeing the relationship that the small Italian villages had developed with their local barista (Schultz & Gordon, 2011, p. 66). Despite several attempts to convince the current owners to serve espresso they turned down his idea deciding to remain only coffee bean roasters. As result of their decision Schultz left Starbucks in 1985 to start is own business. In 1986, Schultz raised enough money to open his first coffee shop which he named after the Milanese's newspaper called Il Giornale (Howard, n.d.; Schultz & Gordon, 2011, p. 10). By 1987, Schultz found himself in the position to buy Starbucks from the original owners for an estimated \$3.8 million. He combined all his operations keeping the name Starbucks (Schultz & Gordon, 2011, p.11). Today, Starbucks has over 24, 395 locations in 73 countries, employs an estimated 300,000 people, and has a net worth of \$5.2 billion (Starbuck Coffee Company, 2016).

Schultz started writing Onward two years after returning as the CEO of Starbucks in 2008 after stepping down in 2000 assuming the role of Chairman. To this day Schultz still has his original key to the Starbucks' Pike Place store where he first started working in 1982 (Schultz & Gordon, 2011, p. xi). In Onward, Schultz shares his feelings and views regarding the steps he took to return as CEO and regain control of Starbucks a once valued and successful company that moved away from its core values during the economic recession. Schultz shows how he

created an integrative culture based on his ethical principles while using his personal leadership to restore the company's profitability and value without having to sacrifice the company's core values.

2b. What other work has the author done?

His first book was titled "Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time" written in 1999. In it Schultz writes about his passion for coffee and discusses his entrepreneurial approach to growing Starbucks from a small coffee bean roasting to company to an international coffee shop. Schultz shares his personal accounts about the original owners who founded Starbucks and how he ended up joining the company in 1982 as the Director of Marketing (Price, 2014). In addition, Schultz discusses his decision to leave Starbucks to open Il Giornale and the difficulties he experienced trying to gain investor support to purchase Starbucks from the original owners (Price, 2014). Schultz recounts his pride and appreciation for the creativity and effort of everyone involved in creating the Starbucks, the company's commitment to its socially responsible efforts, and how Starbucks revolutionized the way consumers drink coffee by creating a global coffee culture (Price, 2014).

Schultz's third book is titled "For Love of Country: What Our Veterans Can Teach Us About Citizenship, Heroism, and Sacrifice" written in collaboration with Rajiv Chandrasekaran an associate editor at The Washington Post. Schultz, a longtime supporter of veterans and veterans' rights, discusses the heroic actions of service men and women who performed acts of uncommon valor in Iraq and Afghanistan (For Love, 2014). Schultz writes mainly about how a number of veterans after returning home were able to use their knowledge and leadership skills to help with disaster relief, to work with inner-city youths, and to support veterans with disabilities (For Love, 2014).

2c. What is the author's reputation?

Howard Schultz is known for his long-term commitment to the Starbucks Company and all employees, which he refers to as partners. He is recognized for his efforts to create an enjoyable atmosphere for customers that is referred to as the Starbucks experience (Schultz & Gordon, 2011, p.12). Through Schultz's efforts, Starbucks offers all its partners who work a minimum of 20 hours a week medical insurance at reduced cost, stock options, and fair pay (Schultz & Gordon, 2011, p. 13). In 2014, Schultz helped implement Starbucks' Education Assistance Plan which provides free tuition to eligible partners who complete an on-line degree through Arizona State University (Starbucks Coffee Company, 2016).

Known is a philanthropist who is strongly dedicated to improving the lives of people all over the world. He has been able to advance Starbucks' global reputation through the company's philanthropy, corporate, social, and environmental efforts. Schultz created Starbucks Global Human Rights Standard which promotes equal opportunity hiring practices based on a person's ability to work and condemns the use of forced labor (Hill, Jones, & Schilling, 2014 p. C265). Schultz also played a key role in Starbucks' ethical sourcing of coffee and sustainability by founding Coffee and Farmer Equity (C.A.F.E.). A program which was implemented to form a partnership with Fairtrade and Conversation International (Schultz & Gordon, 2011, p.323). In addition, Schultz supports community service projects that provide access to clean water around the world. In 2005, Starbucks joined with Global Green USA. For every bottle of Starbucks' Ethos water sold in the U.S. Starbucks contributes 5 cents to the Ethos Water Fund (Schultz &

Gordon, 2011, p. 19, 119). Since 2005, the fund has raised \$7.38 million which has provided benefits to more than 430,000 people across the globe (Starbuck Coffee Company, 2016).

Howard Schultz created the Starbucks Foundation in 1997 as a program to promote literacy. The program was first used in the U.S. and Canada but has spread globally. It was originally funded 100% with the profits from Schultz's books (Schultz & Gordon, 2011, back cover). The Starbucks Foundation, partnering with the Heifer Project, also raises money to purchase cows for the coffee-growing communities in East Africa (Schultz & Gordon, 2011). Schultz and his wife Sheri have also founded the Schultz Family Foundation which supports two national initiatives. Onward Youth promotes employment for people who are not in school or working between the ages of 16 and 24, and Onward Veterans which supports the transition of military personal back to civilian life (Schultz Family Foundation. (n.d.). Schultz embraces diversity and is also a firm supporter of veteran rights and for the legalization of gay rights and marriage (Howard Schultz., n.d.).

Schultz's reputation is not without controversy. In 2009, Schultz was criticized by United Kingdom's (U.K.) Business Secretary, Peter Mandelson, for comments he made about the U.K. economic state of unemployment and consumer confidence. Starbucks released a memo afterwards debunking Mandelson's comments stating that Starbucks is committed to serving each market equally knowing every country is in a similar economic position (Clark, 2009). Schultz has been attacked for being a Zionist after receiving an award in 1998 from the Aish HaTorah Award. The award was for his services in promoting a close alliance between the U.S. and Israel (Guttman, 2014). Schultz and Starbucks have also been accused of ties and donating money to Israel (Guttman, 2014). In 2015, Schultz and the company were criticized for their "Race Together" initiative that was designed to initiate insightful discussions regarding the tragedies over race and ethnicity that were occurring across America. The backlash occurred when Starbucks put the words "Race Together" on their cups. Schultz down played the criticism and remained supportive feeling that the initiative helped to start conversations about a difficult subject matter (Jason & Brat, 2015). Despite all the controversy, Schultz is highly regarded as a philanthropist and human rights activist with a strong regard for the welfare of all people.

2d. Are there any important or enlightening circumstances connected with the composition of this work?

After returning to the position in CEO in January of 2008 Schultz's primary goal was to restore financial order to the company. By the end of the first quarter, Schultz and his executive team were had implemented several new initiatives designed to improve company performance. However, Starbucks' 2008 second quarter results revealed that their global operating income was down 26%, and earnings down 28% from the previous year (Schultz & Gordon, 2011, p. 144). Operating margins fell from 10.7% to 7.1% for the first time in Starbuck's history (Schultz & Gordon, 2011, p. 144). Faced with this economic dilemma it became clear to Schultz that many company's stores would have to be closed. After reviewing the financial data, Starbucks was pressured by its board of directors to cut its operational cost. Schultz and his team determined that they would have to close over 600 stores and layoff 12,000 partners to reduce its annual operating costs by \$670 million to remain liable (Schultz & Gordon, 2011, p. 155-156).

What is enlightening about this situation is Schultz's morals and values as an ethical leader. At first, Schultz resisted closing the stores, but he was pressured by the board to reduce the company's operating costs. Schultz understood what the board was being asking him to do

but found it difficult for Schultz to remove his emotional connection to the Starbucks partners and customers. He cared for each individual who worked for Starbucks and expressed the value they brought to company's overall success, and the impact on creating loyal customers and the Starbucks experience. Stating that closing the stores was necessary for the company to survive but that it had a greater impact on "disrupting the lives on both sides of the counter (Schultz & Gordon, 2011, p. 154)." Being a responsible and ethical business leader Schultz made the difficult decision to close the stores. His decision was based on company's survival over his own personal interest to keep all stores open.

The store closing personally impacted Schultz. He understood and respected the value Starbucks' partners provided to the company's success. He openly expressed his concern for their wellbeing and how they would manage financially. In addition, Starbucks received an outpouring of concern from their customers stating how much Starbucks meant to them and to the community. The emails showed the impact that Starbucks had on people's lives. The outpouring from the public lived up to the company's motto "To inspire and nurture the human spirit one person, one cup and one neighborhood at a time (Schultz & Gordon, 2011, p. 112)." Schultz wrote "Starbucks is not a coffee company that serves people" but "a people company that serves coffee (Schultz & Gordon, 2011, p. 141)" This reflects the ethical nature of Schultz's concern for his partners and the communities in which Starbucks resides. In addition, Starbucks is one of several companies to adopt a strategic approach to organizational ethics and continuously monitors and adjusts their programs as needed (Ferrell, Fraedrich, & Ferrell, 2015, p. 218).

3. Subject Matter of the Book

3a. What kind of book is it? (fiction, history, popular psychology, textbook, technical?)

The book is non-fiction and reveals a great deal about the nature and character of Howard Schultz. It is similar to a memoir with Schultz "speaking" directly with the reader. The book is written from Schultz's perspective about the difficult decisions and challenges he faced in bringing the financially failing Starbucks Company back to its core values making Starbucks a financially viable company again.

3b. What is the subject of the book?

The subject of the book is the story of Howard Schultz's perseverance to regain control of the failing company he started. Schultz goes into detail explaining how he, along with his senior executive team, collaborated to recover Starbucks from near economic disaster during the "Great Recession" of 2008. The book covers Schultz's decision to return as CEO in 2008 after stepping in down in 2000. Schultz replaced Jim Donald, a former Wal-Mart executive, who was CEO at the time. Under Donald the company began to drift away from its core values with its partners, stakeholders, and customers. The company became focused on rapid growth and profits while losing sight of the people they served. The senior management team led by Donald had become so dependent on opening new stores to grow Starbucks that it did not pay attention to declining same store sales from previous years. In addition, Starbucks started to introduce hot food items. Schultz felt that they were inhibiting the smell of coffee, thereby impacting the aesthetic nature that was original to Starbucks design. The book also deals with the decrease in perceived quality by customers under Donald. Starbucks was focusing on new store openings

over important initiatives such as barista training and other quality control programs. Consumers were also expressing concerns about the quality of the coffee, and complaining about the cleanliness of stores.

Schultz was faced with many difficult decisions about his partners and customers. Both of which he holds in high regard. Schultz's efforts to make financial changes with minimal impact on people is reflected primarily as a man-against-self type of literary conflict. Schultz's honesty comes through as he considers every decision he makes. He shares his personal feelings regarding how each decision impacts not only him, but more importantly, how his decisions impact Starbucks' partners and customers. There are also elements of man-against-man in his dealings and conversations with Donald. Schultz often struggles while he contemplates and second guesses his decision to replace Donald, but ultimately decides to fire Donald. This also results in having to let go of other senior leaders who were either not committed to the regaining the company core value or failed to recognize the need for change.

3c. What material does it treat?

Schultz reveals what it is like to be a leader and CEO of a large multimillion dollar company going through a transformational change. Schultz further discusses how he regained control of the company and the ability to conduct business ethically while promoting sustainability and strengthening the people and communities which it served. Schultz examines how, as a person and a leader, he could manage internal and external conflicts. Schultz's critical thinking skills are called into play often throughout the book as he discusses his approach to making quick decisions and handling conflict. At times, he appears to slow his decision-making process and change his leadership style when dealing with different types of conflict. In addition, Schultz outlines the thought processes he uses when having to make tactical or strategic business decisions or when using his negotiating skills to achieve win-win solutions with partners and external stakeholders.

Anyone who does not know him may feel that he lacks confidence, however, Schultz is a unique leader who thoroughly calculates each decision based on evaluating its cost and benefit. His thought process is reflective of his ethical values that were ingrained in him as he was growing up in poor working class family. His father was a blue color worker who possessed a strong work ethic. One day his father, a delivery truck driver, fell and was seriously injured and lost his job (Schultz & Gordon, 2011 p. 15). His father never fully recovered from his injury at the time when there they had no healthcare coverage or worker's compensation. This made a lasting impression on Schultz who makes it clear several times throughout the book that his morals and values are key factors that influence his decision-making process. This is the major reason why Schultz advocates for his partners' wellbeing. Schultz constantly strives to provide fair wages, training, benefits, and tuition reimbursement opportunities to all partners who qualify.

Schultz is an optimistic, self-driven, and ethical leader who is passionate about the organization. He consistently acts in the organizations best interest making fact-based decisions over personal interests which has the lowest negative impact on his partners, stakeholders, and customers. Faced with constant pressure Schultz is careful and thoughtful in his planning, which is expressed by his passion for the organization. This is a crucial factor in Starbucks' economic turnaround and forward progress. He not only expresses his passion for the organization, but also and his passion for making the perfect shot of espresso coffee.

3d. What is the tenor of the book: The author's basic interpretation of the material?

The book starts in the middle of the story with Schultz describing a day in February 2008 where Starbucks closed all its 7,100 U.S. stores at 5:30pm (Schultz & Gordon, 2011, p. 3). The goal was to retrain all of Starbucks 135,000 baristas at the same time to make the perfect espresso shot (Schultz & Gordon, 2011, p. 4). Schultz starts reminiscing about his early career and his love of coffee. He describes his dedication, passion, and drive for his constant approach for making the perfect cup of coffee. He states how much he values the importance of his partners over profits. Schultz understood the value and importance that Starbucks' partners were to the success of the company. Retraining was just one of many steps that Schultz took to get Starbucks back on track.

The story moves around as Schultz start discussing his upbringing in a working-class society. He describes how his family's morals and values shaped him as a person and leader. The story picks up as Schultz discuss his first job with Starbucks and his excitement over being able to start his own company called Il Giornale. The tone continues to be positive with the hiring of Jim Donald, a former Walmart executive, who takes over as CEO in 2005 so Schultz can focus on the global expansion of Starbucks. Midway the tone become very tense as Schultz decides he must fire Donald and come back as CEO due to the company's poor performance and its move away from its core values. At times, he seems to regret working behind Donald's back and holding conversations with key stakeholders and senior leaders when plotting to return as CEO. There is a tense feeling when Schultz asks Donald to his home. Donald is unaware of Schultz's plan and is blindsided by Schultz's statement. As Schultz writes "I cannot recall the exact words I spoke to Jim before he looked at me with what I perceived as disappointment and surprise (Schultz & Gordon, 2011, p. 60)." This make the reader feel torn between the two leaders as Donald is portrayed as a genuine person whose only fault was not sharing the same vision as Schultz.

There are tranquil and enlightening moments in the book. Schultz often relies on his close friends to help him think through his issues. Schultz is humble as leader who understands that he is not an expert in all areas of business but a leader who can inspire and motivate his people to succeed. Schultz's primary concern is making sure his partners are properly trained, have the information and tools they need to develop and grow while building a lasting company. One interaction that particularly stands out is Schultz discussing the idea of returning as CEO with Michael Dell who made a similar move, returning to CEO of his company. Dell offered Schultz advice and he used the term "Transformation Agenda" which Schultz found inspirational. "Transformation" spoke to the scale of change that Starbucks had to undertake while the word "Agenda" provided the actionable framework which Schultz would use to make the change (Schultz & Gordon, 2011, p.49).

The tone remains tense as Schultz returns as the CEO and starts to make several changes to restore the company back to it to its original core values and financial health. His first steps in returning was to discuss Starbucks three pillars of success. These are to improve the current state of business, reignite the emotional attachment with the customers, make long-term changes to the foundation of the business. The three pillars were to serve as the blueprint leading to the develop of the company's Transformational Agenda (Schultz & Gordon, 2011, p.67). Despite his efforts, the company remains in turmoil. Schultz understood that to stay viable Starbucks would have to close 600 stores and layoff thousands of workers. This process and his reluctant decision

to close the stores put on significant amount of strain on him. The reader can sense the agony and grief expressed in his decision. The reader can also feel the exhaustion Schultz expressed the night before the announcement was to be released. Schultz discusses the impact that previous negative statements had on the company's morale. However, to Schultz these pale in comparison to closing over 600 store and the impact it will have on life of 12,000 partners who will lose their jobs (Schultz & Gordon, 2011, p.156).

Schultz's passion reignites and the reader can slowly start to feel the change. Staying true to his Transformational Agenda, Schultz introduces many new consumer and social responsibility programs. This included the Starbucks Rewards Program and My Starbucks idea. Schultz helped to lead the development into the use of social media. The goal was to create an online community designed to allow customers to share their ideas and feelings about Starbucks practices, offerings, and social responsibility (Schultz & Gordon, 2011, p.265-266). Social responsibility programs that reduced waste and water conservation, and promoting volunteerism in the company were just some of the programs that helped to ignite Schultz passion. Schultz also used social media as an indicator to determine if Starbucks was staying true to its core values and its ethical practices through the use of their sustainability and social responsibility programs. This concept is again discussed towards the end of the book when Schultz discusses Starbucks partnerships with Fairtrade and Conservation International in the sourcing their coffee from independent farmers in over 30 countries (Schultz & Gordon, 2011, p. 288).

Overall, *Onward* is positive and up lifting book. Schultz is a leader who can use his personal values and transform them into creating the company's core values and inspire people. He created a culture where everyone is treated equally, provided fair pay, good benefits, and are committed to modeling the organizations values. Schultz made difficult choices but he tried to put his partners and customers' wellbeing over company profits. Schultz knows that Starbucks is capable of being a profitable while also being able to remain authentic to its core values (Schultz & Gordon, 2011, p. 273-274).

4. Method of Organization

4a. Summarize in your own words the table of contents

The book is divided into five parts and Part 1 titled "Love" which sets the tone of the book. Part 1 consists of chapters 1 through 7. These chapter reflect Schultz's love for coffee as he talks about his humble upbringing. He states the ideas and motives that led him to open Il Giornale coffee shops and the formation of Starbucks Coffee Company. Schultz also discusses his decision to hire Jim Donald as Starbucks' new CEO. He describes his tumultuous relationship with Donald as he attempts to speak with him on several occasions. They never seem to agree with each other's point of view. Schultz does show respect and admiration for Donald efforts to lead the company but as Starbucks' performance declines Schultz realizes his need to return as CEO. Schultz describes to the reader the subtle change in direction that Donald has taken the company that led to the company's moving away from its core values. Donald was focused on rapid expansion and growth by putting profits before Starbucks' partners and customers contradicting the values and ethical position that Schultz had created. The reader experiences the turmoil that Schultz feels as he contemplates each step in his plan to return as CEO. From the beginning Schultz makes his passion clear to the readers as he discusses the source of Starbucks pride by saying "I love Starbucks because everything we've tried to do is

steeped in humanity, respect and dignity, passion, laughter, compassion, community, responsibility, and authenticity (Schultz & Gordon, 2011, p. 4).”

Part 2 is titled “Confidence” and consists of chapters 8 through 16. Part 2 begins on January 7, 2008, the day Schultz announces to Starbucks partners his return as CEO of the company. Earlier that morning Schultz decided to visit the Pikes Place Store. The reader can feel the eerie stillness of that morning as Schultz reminisces about his early days working for Starbucks prior to owning it and where he discovered his passion for coffee. That morning Schultz make two commitments to himself. First, returning as CEO he would bring Starbucks back to its original roots and core values. He would not dwell on past success, but instead use Starbucks’ successes to reinvent and innovate the company so it would not fail. Second, as ethical leader, Schultz would not point blame on anybody. Schultz acknowledges and accepts that he himself is partly at fault for Starbucks’ decline in performance and there was no time for finger pointing (Schultz & Gordon, 2011, p. 56).

Prior to the announcement Schultz had prepared his three pillars or strategic initiative for the company’s press releases and communication that would eventually lead to defining his Transformation Agenda. Later that morning Schultz stood front of 1000 partners standing should-to-shoulder while his announcement would be broadcast to all global locations around the world. He was unsure of the reaction he would receive, but when the crowd broke in to applause reader could feel Schultz’s relief. Part 2 continues as Schultz and his executive team collaborating with internal and external partner SyPartners. Together they brainstormed for three days in San Francisco listening to Beatles music for inspiration. This session led to company to refocus its efforts on develop appropriate incentives and provide managers with the technology they need to operate correctly (Schultz & Gordon, 2011, p. 77). Other initiatives included the retraining of 135,000 baristas and the hosting of leadership conference for Starbucks’ for US store managers and partners. Most importantly was Starbucks’ commitment to serving great coffee.

One of the first initiatives implemented was the successful development and launch of Pikes Place Coffee. Pikes Place Coffee was considered a unique roast that was developed to be bold but smoother and be more acceptable to consumers who may not have the acquired taste for Starbucks signature dark roast. Starbucks also acquired the Clover company which was used to make new coffee brewing equipment for Starbucks. They also experimented with new methods to serve coffee customers. During this time twelve year veteran Michelle Gass was selected to lead the develop of Transformational Agenda with SYPartners. The Transformation Agenda’s vision was based on Starbucks being one of the “most recognized and respected brands known for inspiring and nurturing the human spirit (Schultz & Gordon, 2011, p. 106).” The vision was to be achieved based on seven goals which included; becoming the undisputed coffee authority, engage and inspire partners, ignite the emotional attachment with customers, expand the global presence, be a leader in ethical sourcing, create innovative growth platforms, and deliver a sustainable economic model. Schultz decided it was best for the company to be more transparent and to create an inclusive culture by allowing all partners to email him directly. He conducted open forums for communication and to allow people to interact and ask questions. Through Schultz’s effort the company put more emphasis on developing and monitoring its online social networks to connect with customers and develop an online community to help improve customer relationships and generate ideas.

Part 3 is titled “Pain” and consists of chapters 17 through 21. Part 3 discusses the problems Starbucks continued to face despite early changes the company implemented. This is a

turbulent time for Starbucks as they introduce Pike Peak Coffee, a loyalty program, and other product offerings designed to boost company performance. Rising costs and declining sales resulted significant declining profits. Starbucks previous business model would be to add stores which initially helped reduce wait times but it cannibalized business from nearby locations. Despite all their efforts, Starbucks was pressured by its board and ultimately closed over 600 stores and laid off 12,000 partners during the economic recession of 2008. Consumer reacted to the store closure as online communities sprang up like saveourstarbucks.com. This is a result of Schultz's passion for coffee and how his ideas transformed through the company created a culture and a community of loyal Starbucks consumers. The store closures personally impacted Schultz who understood the consequences of his decision on his partners and customers. Although closing the stores is not something he wanted to do he knew Starbucks faced financial ruin. Schultz did the best he could to help the partners who lost their positions with the company. The company provided severance packages and let people manage their time to clean up and depart the company. Schultz insisted on provided outplacement assistance for partners to learn about their benefit options. This was first time Starbucks went through a reorganization. Having to speak in front of his Starbucks partners impacted Schultz and motivated him to find a way for himself and the company to perform better.

Part 4 is title "Hope" and consists of chapters 22 through 26. Schultz starts by discussing the impact of the 2008 financial collapse as Lehman Brothers Holdings declared bankruptcy and Merrill Lynch was taken over by Bank of American. These financial changes directly hit Starbucks business as suppliers were unable to provide necessary materials to meet Starbucks needs. The disruption in Starbucks supply chain led to store running out of inventory. This further resulted in driving down store sales. Over the years, Starbucks' supply chain had become so complex that the average partners who moved into supply chain management roles did not have the background, training, or experience to handle complex supply chain problems. On average the company handled approximately 83,000 deliveries in a week (Schultz & Gordon, 2011, p. 186). Schultz himself admitted that most of the blame was on him for failure to recognize the complexity of the business. This again shows the ethical and honest nature of Schultz who, instead of placing blame on someone else, he knew that he was responsible and owned up to his mistakes. Changes were implemented to improve supply chain performance to improve sales.

Schultz decided to hold Starbucks' annual leadership conference in New Orleans. Despite push back from his senior staff, Schultz felt a connection to New Orleans which was still financially suffering from 2005's Hurricane Katrina. The goal of the meeting was to revive 10,000 of Starbucks partners and have them embrace Starbucks' new mission while teaching them to improve their store's performance. Schultz was also empathetic to the needs of the city. During their stay in New Orleans Starbucks' approximately 2000 partners would work 5 hours each day with six different organizations. They provided labor and equipment to help revitalize the city. This including planting trees, landscaping, painting murals and schools, and cleaning storm drains.

Starbucks continued to feel the financial pressure. At the end of the 2008 fourth quarter September profits were down 94% and yearend earnings were down 53%. The board of directors instructed Starbucks to make significant reductions in its operational costs. Schultz and his team were wary of the idea but committed to cutting \$400 million though decreasing store waste, operational and supply chain cuts, and labor reduction. A change is felt as Schultz reviews a new commercial designed to motivate people to vote in the 2008 election. Schultz is excited

about the commercial and states it would be only the second time in company history that Starbucks would run a television ad. Starbucks ad first ran on Saturday Night live after the opening act featuring presidential candidate John McCain. Schultz's mood began to change and he felt upbeat and positive, this mood continues into the last section of the book.

Part 5, the last part of the book, is titled "Courage." Part 5 consists of chapters 27 through 32. Schultz discusses in detail the programs that helped to turnaround Starbucks financially. This occurred through new profitable product offerings that brings Starbucks back to its earlier success of the Frappuccino, developed in the late 1990's. Starbucks ability to listen to its partners and consumers, establishing integrative culture, and increasing focus on its social responsibility platform that included water reduction, recycling, and building new stores to be LEED certified (Schultz & Gordon, 2011, p. 324). Starbucks asks the question how it could improve customers' in-store experience as way to improve store traffic and profits. Out of this came Starbucks VIA a dry coffee power that consumer could purchase in a retail store and bring home. VIA is Italian for "street" or "on-the-go" and was viewed as alternative method to provide the Starbucks experience to consumers who were on the go (Schultz & Gordon, 2011, p. 255). Starbucks instant coffee powder helped to improve Starbucks' brand image, recognition, and recall with consumers which led to improving Starbucks brand equity. Starbucks also increased its presence on social media with the use of Facebook and Twitter. Engaging with the consumers and creating an opportunity for consumers to interact with Starbucks through MyStarbucksIdea.com. This allowed Starbucks to listen and connect with consumers and was also used a method to measure and improve their ethical business practices.

At the end of the book, success is realized and the Transformation Agenda is achieved when the company's performance improves. Starbucks' financial improvements are the result of the incremental changes that were created by Schultz based on the seven Transformational Agenda goals. Throughout Onward, Schultz never loses focus on providing the Starbucks experience to the customers. He understands the importance of maintains a balance between providing an experience to consumers while achieving profits. This is achieved by Starbucks providing its partners with fair wages and benefits while increasing the company's use of fair trade coffee and increasing efforts on promoting their social responsibility platform. By 2010, two years after Starbucks started Transformation Agenda, stock rose 400% (Schultz & Gordon, 2011, p. 326). Schultz reflects for the last time, answering the question why he returned to as CEO. Schultz's answer is quick and to the point "I love this company and the responsibility that goes with it. Onward... (Schultz & Gordon, 2011, p.311)."

4b. What are the tone and style of the book? (What kind of audience is being addressed? Does the author give interesting facts or analyses?)

The book is an inspirational autobiography. The overall tone of the book is uplifting and motivating as Schultz tells the story of how he returned as CEO to the failing company he started. The book discusses how Schultz was not only able to regain control of the company, but how he improved on an already successful business. Schultz interacts with everyone from everyday customers, employee-partners, business executives, and to his personal friends. Schultz is very candid and open in his writings. The book offers insight into Schultz as a person who is consistently trying not only better himself but better the lives of everyone around him. Based on his humble upbringing he strives to make sure that people come first. This is evident in his

approach to business. Schultz puts his partners and their benefits along with customers first over profits.

From a business perspective, it is not uncommon for someone to return to the position of CEO after previously stepping down. This is evidence by Michelle Dell who, like Schultz, returned as CEO of Dell computer company. Schultz returns as CEO during the 2008 economic downturn and implements a high-risk strategy. Schultz appears confident in his ability to be successful. The reader is left feeling doubtful whether anybody else but Schultz is competent enough or has the determination and drive to develop and implement the Transformational Agenda. From an ethical perspective, Schultz can maintain a balance between people and performance as Starbucks implements its first ever restructuring and cost-cutting practices while develop and implementing growth strategies.

One analysis that Schultz repeats several times is that he knows his partners and customers come first over profits and he is aware of their value and direct input on company performance. Schultz is able to meet consumer expectations and the expectation of Starbucks' partners and key stakeholders by implementing innovative solutions, as well as, many social and ethical programs that benefit society. In return, this also helps to strengthen Starbucks' brand image. In two of the economy's toughest years, Schultz, along with senior executives, managed to turn the sinking company into financially viable, ethical, and consumer driven company. As stated on Starbucks' Business Ethics and Compliance webpage, "Starbucks believes that conducting business ethically, and striving to do the right thing, are vital to the success of the company (Starbucks Coffee Company, n.d)." This would not have happened if it were not for Howard Schultz.

4c. State Four to Ten Main Ideas of the Book. Be as Descriptive as Possible.

One of the first ideas that comes across in Onward is the Schultz's authenticity as a person. From the beginning Schultz shares his feeling as he describes his early childhood life growing up in lower middle class working family. The impact that his father's injury had on him and his father's inability to work at time when there was no workers' compensation or health insurance. From this experience Schultz vowed to make sure people were treated fairly and had the means to a decent way of life. Schultz does what he can to helping others achieve a better life by providing fair wage and benefits to his partners. His approach led to creating new standards in the fast food industry. In addition, Schultz's passion for coffee is present throughout the book. His passion and drive to develop the best espresso shot is discussed as he consistently searches to find the best techniques, best coffee, and develop or purchase the best equipment.

A second idea from the book is Schultz's ethical approach and commitment to Starbucks values and people. Schultz is committed to being aware, behaving ethically, and following values that were developed based on his personal commitment to serving people. As he states "helping partners build their futures and care for their families is a core value of mine (Schultz & Gordon, 2011, p.300)." Schultz is conscientious and understands the value of his partners and how they are the front line of the business. He knows that they are the people who help to create the Starbucks experience for their customers.

Despite having to close greater than 600 stores and lay off 12,000 partners, a 1000 non-store employees, Schultz always strives to make the best decisions for the company while considering the impact on his partners, stakeholders, and customers. This includes providing fair wages and strong benefits package that includes health care coverage and stock options to many

of Starbucks' partners. He is also committed to ensuring that his employees are properly trained as Schultz views them as being as valuable to the company as the coffee itself. He does not make excuses regarding the economic downturn or put blame on others. In fact, Schultz throughout the book appears to be in constant turmoil with every decision he makes. Schultz recognizes his responsibility as a leader early on as Starbucks begins to fail financially under Donald. Even in the introduction of the book Schultz is quoted as saying "As chairman, I held myself responsible for the problems we ourselves created (Schultz & Gordon, 2011, p. xv)."

A third idea is Schultz's notion that one can be a capitalist and still be ethical while achieving profits and growth. Schultz is open and honest regarding Starbucks' financial issues. He acknowledges that Starbucks had lost sight of its core values as it started to put expansion and profits before its partners and customers. After returning as CEO Schultz implements Starbucks' Transformation Agenda. The agenda was built on seven pillars or core values that would guide every decision going forward. These seven pillars include: being the undisputed coffee authority, engage and inspire our partners, ignite the emotional attachment with our customers, expand our global presence, be a leader in ethical sourcing and environmental impact, create innovative growth platforms worthy of our coffee, and deliver a sustainable economic model (Schultz & Gordon, 2011, p. 106-108).

Starbucks had to make several changes, some of which included store closures and laying off employees, however, Schultz's Transformation Agenda never lost sight of implementing financial changes to grow the company while at the same time remaining ethical in the pursuit of profits. Restoring the company's economic value and being true to providing the best Starbucks experience to its customers is the core of the company's culture. To generate ideas, Schultz decided to invite 10,000 store managers to New Orleans at a cost of \$30 million for a week of discussions about the firm's values, problems, and potential solutions (Schultz & Gordon, 2011, p.193). Schultz chooses New Orleans for several reasons, but primarily because it was still recovering from 2005's Hurricane Katrina. Schultz was aware of the perception that spending this much money may have on Starbucks' brand image just after it decided to close many of its stores and lay off several of their partners. So, he decided if Starbucks was going to spend this money it should spend it in a way that gave back to society. In addition, while in New Orleans, Schultz made sure that community volunteer plans would be incorporated to help rebuild part of the city that was still in ruins.

Schultz and his senior team implemented profitable changes to the company while adhering to the Transformation Agenda. Starbucks started working with many ethical organizations including the Fairtrade and Conservation International. In 2009, Starbucks' commitment to purchasing 40 million pounds of Fairtrade coffee, doubling their annual purchasing amount (Schultz & Gordon, 2011, p. 204). Starbucks also introduced its C.A.F.E program which created Starbucks environmental and humanitarian standards that their suppliers had to comply with if they wanted to do business with Starbucks which led to 81% of Starbucks coffee being purchased through C.A.F.E (Schultz & Gordon, 2011, p. 323). In addition, Starbucks committed to making all its new store meet LEED requirements to lower energy and waste consumption (Schultz & Gordon, 2011, p. 324). Recycling programs were also implanted in all in store each based on local regulations and offer free used coffee grounds that customers can take for using in their gardens.

A fourth idea is Schultz's approach to creating a sustainable and lasting corporate culture. Initially Schultz creates a culture based on his principal stating Starbucks "is a people company that serves coffee (Schultz & Gordon, 2011, p.141)." When Schultz first created Starbucks he

was committed to building shareholder equity though following ethical business practices, and providing the necessary equipment and training to his partners. The company under Donald became profits focused. The expansion of stores was a priority over quality and service. The company's poor financial performance coupled with the economic downturn led to Schultz's decision to return as CEO.

As the company focused on "Transformation Agenda" to improve its economic condition, Schultz realized that the corporate culture had changed under Donald's leadership. The company moved away from Starbucks' original culture that thrived on innovation, developing people, and its quality programs. Instead the company become focus on profits which led to increased competition between in employees. Although Schultz does not mention any specific incidents, when employees are competitive and profits focused, employees have a higher risk of committing illegal and unethical acts to meet deadlines. This type of competitive culture can become the new norm for the company.

Schultz recognized the impact his partners have on the company's financial performance. Schultz also knew for the company to survive and grow, he had to return the corporate culture to its origins. He accomplished this by reinstating open forums in which he would communicate all company changes to partners before they were released to the press, creating a sense of inclusion. Schultz reduced operational costs by building a more efficient global supply chain. This provided \$400 million in saving in the first two years and helped to increase company's profit margin. This changes reduced the risk of layoffs and increased moral for the company. Schultz also went back to forming a culture that focused on quality over profits (Schultz & Gordon, 2011, p. 230).

Schultz implemented Lean concepts which were used to eliminate wasteful steps in the customer process, improving the customer experience and partner engagement (Schultz & Gordon, 2011, p. 219). Schultz also invested in developing a world-class leadership team to improve leadership communication and ability to lead teams and inspire partners. Finally, Schultz went back to providing the training and development to his partners necessary for career advancement that would allow a promote from within culture. The focus on the company's commitment to people is evident in the company's new Mission Statement written by Schultz in 2008 which states "To inspire and nurture the human spirit one person, one cup and one neighborhood at a time (Schultz & Gordon, 2011, p. 112)."

4d. Elect 1 short passage as an example of the author's insight. Why did you select this quote?

"Grow with discipline. Balance intuition with rigor. Innovate around the core. Don't embrace the status quo. Find new ways to see. Never expect a silver bullet. Get your hands dirty. Listen with empathy and over communicate with transparency. Tell your story, refusing to let others define you. Use authentic experiences to inspire. Stick to your values, they are your foundation. Hold people accountable but give them the tools to succeed. Make the tough choices; it's how you execute that counts. Be decisive in times of crisis. Be nimble. Find truth in trials and lessons in mistakes. Be responsible for what you see, hear, and do. Believe (Schultz & Gordon, 2011, p. 309)."

This quote demonstrates Schultz's ethical and moral approach to leadership and his ability to model the values of the organizational. It also reflects his care for Starbucks partners, stakeholders, and consumers. Schultz is humble and ethical leader who inspires and motivates

people. He uses his leadership skills to revitalize Starbucks to become one of the most successful businesses in the world. Schultz's ability to maintain his core values and beliefs while remaining true to the "seven pillars" of Starbucks "Transformational Agenda" allows Schultz and his senior team to re-energize the Starbucks brand, create a personalized customer experience, stimulate financial growth and profitability, recognize Starbucks' partners, and secure customer loyalty all at the same time while in pursuit of making the perfect cup of coffee.

4e. Give your overall synopsis of the book and your final recommendations.

I would recommend the *Onward* to anyone who has a passion for coffee, who is interested learning about how success can be achieved through commitment, passion, and motivational drive, who is interested in learning how a business can be financially successful while following its core values and its ethical business practices.

Onward is filled with Schultz's real-life experiences. Through *Onward* readers get a better appreciation for Schultz as a person from his impoverished upbringing in a working-class family in Brooklyn, NY to becoming CEO of Starbucks the world's most successful coffee businesses. Schultz portrays himself as a humble leader with a passion for success and for coffee. It is his personal drive for success and his personal motivation that inspires people around him. Schultz demonstrates what it takes to be a successful leader and demonstrates this in the programs and policies which are implemented at Starbucks. Through his efforts it shows that Starbucks can be financially successful while at the same time staying true to its ethical nature and core values.

Schultz understands that people come first and this shown by his concern for Starbucks partners who lost their jobs during the economic recession and for wellbeing of the farmers and their families that grown Starbucks Fairtrade coffee, the creating the Starbucks experience for customers, and implementing Starbucks' social responsibility programs. Schultz recognizes the power of social media in its ability to interact with Starbucks' consumers. Starbucks presence on social networks such as Facebook, Twitter, and MyStarbucksIdea.com allowed the company to connect, share experiences, and listen to their consumers. All the changes that Schultz implemented led to new product innovation and improved business practices which resulted in Starbucks stock increasing 400% in 2010 and revitalization of the Starbucks brand. It is known today that Starbucks has integrative culture that balances concern for people through community causes, sustainability, and employee benefits, while looking at how to improve the company's performance (Ferrell, et al 2015, p. 187).

References

- Clark, A. (2009, February 18). Mandelson launches tirade at Starbucks boss over attack on UK economy. *The Guardian*. Retrieved July 24, 2016 from <https://www.theguardian.com/politics/2009/feb/18/peter-mandelson-starbucks>.
- Ferrell, O. C., Fraedrich, J., & Ferrell, L. (2015). *Business Ethics Ethical Decision Making and Cases (10th ed.)*. Stamford, CT. Cengage Learning
- For Love of Country: What Our Veterans Can Teach Us About Citizenship, Heroism, and Sacrifice (2014, November, 4). Goodreads.com website. Retrieved, July 17, 2016, from <https://www.goodreads.com/book/show/22725929-for-love-of-country>.
- Guttman, N. (2014). *Starbucks Doesn't Mix Coffee With Politics*. Forward.com website. Retrieved, July 15, 2016 from <http://forward.com/news/204108/starbucks-doesnt-mix-coffee-with-politics/#ixzz4EaKq2asO>.
- Hill, C. W., Jones, G. R., & Schilling, M. A. (2014). *Strategic management: theory: an integrated approach (11th ed.)*. Stamford, CT: Cengage Learning.
- Howard Schultz Biography. (n.d.). Bio.com website. Retrieved, July 10, 2016, from <http://www.biography.com/people/howard-schultz-21166227>.
- Howard Schultz Biography: Success Story of Starbucks CEO. (2016). Astrum People website. Retrieved, July 8, 2016, from <https://astrumpeople.com/howard-schultz-biography-success-story-of-starbucks-ceo/>.
- Jason, D., & Brat, I. (2015, March 22). Starbucks Ends Key Phase in ‘Race Together’ Campaign. *The Wall Street Journal*. Retrieved, July 10, 2016, from <http://www.wsj.com/articles/starbucks-ends-key-phase-in-race-together-campaign-1427076211>. Price, R. (2014, February, 2).

A Review of Howard Schultz's first book "Pour Your Heart Into It. Richard Price website. Retrieved, July 8, 2016 <http://www.richardprice.io/post/75389602494/review-of-howard-schultzs-first-book-pour-your>.

Schultz, H., & Gordon, J. (2011). *Onward: How Starbucks Fought for Its Life without Losing Its Soul*. New York, NY: Rodale, Inc.

Starbucks Coffee Company. (n.d.). Starbucks.com website. Retrieved, July 15, 2016, from <http://www.starbucks.com/>.

Starbucks First Mate (2008, October, 10). Entrepreneurial.com website. Retrieved July 16, 2016 from <https://www.entrepreneur.com/article/197692>