

Knowledge Review: Starbucks and the Power of Story by Tom Ehrenfeld

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by Tom Ehrenfeld



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hy do certain companies inspire shelves of great books, while other notable businesses inspire few? Starbucks, a 37-year-old company, has generated

more than two dozen major books in its short lifetime. There are books that extract life lessons from the company's growth, books that share recipes from the company's coffee mavens, and even one recent title preaching *The Gospel According to Starbucks* (really). No fewer than five Starbucks executives have penned their own works.

There are so many books, from so many angles, mining meaning from the Starbucks story, that the question isn't so much whether they are good or bad. The real question is, Why has this single organization spawned such a library? Could it be that the company's most enduring product is neither its cup of joe nor its safe indie culture, but the Starbucks *story*?

That's certainly a safe conclusion to draw from a close reading of the Starbucks tomes. The legend was first writ large in 1997 in founder and CEO Howard Schultz's *Pour Your Heart Into It: How*

Image by Daniel Pelavin

Starbucks and the Power of Story

How the coffee retailer uses its own narrative to brew global success.

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Starbucks Built a Company One Cup at a Time (written with Dori Jones Yang), and recently embellished in barista Michael Gates Gill's *How Starbucks Saved My Life: A Son of Privilege Learns to Live Like Everyone Else*. Recent books like 2007's *Grande Expectations: A Year in the Life of Starbucks' Stock*, by journalist Karen Blumenthal, reflect the way that pundits use the company as a tilted mirror that reflects what they care to see in it. To be sure, the story is by no means fictional, as the key operating principles described in books like *Built for Growth: Expanding Your Business around the Corner or across the Globe*, by Arthur Rubinfeld and Collins Hemingway, and *A New Brand World: 8 Principles for Achieving Brand Leadership in the 21st Century*, by Scott Bedbury with Stephen Fenichell, reveal. Yet one needs a filter — or, better, one needs to see through filters — to read these books effectively.

The point of this article is neither to prove nor to disprove the Starbucks story. So much of the Starbucks myth resides in an aspirational wonderland, a world so many business players want to believe in, that mere facts are insufficient to illuminate the deeper Truth. What

matters is acknowledging this story, assessing its value in the success of the company, isolating the truly meaningful operating principles and practices behind the company's growth, and trying to sort out the important lessons that can be drawn from all this.

The company certainly has produced and communicated a powerful story. It is a comforting, inspiring, and altruistic vision of the ennobling power of human capitalism. Here's one way Schultz describes it in *Pour Your Heart Into It*: "Starbucks was attempting to accomplish something more ambitious than just grow a profitable enterprise. We had a mission, to educate consumers everywhere about fine coffee. We had a vision, to create an atmosphere in our stores that drew people in and gave them a sense of wonder and romance in the midst of their harried lives. We had an idealistic dream, that our company could be far more than the paradigm defined by corporate America in the past."

This story is grand enough to serve as a setting for book-length subplots. It's compelling enough to fuel endless speculation about the value of the company stock. And it's

rich enough to launch numerous business fables — some of them worthy — about the benefits of good management.

A Coffee Shop Epiphany

Michael Gates Gill's *How Starbucks Saved My Life* provides an expansive opening scene for the modern Starbucks story. In this polished memoir about Gill's fall from privilege and eventual salvation in the confines of one Manhattan store, this well-connected son of *New Yorker* editor Brendan Gill shares how life didn't pan out as planned. On the way up the ladder, Gill parlays his Yale connections into a job at advertising agency J. Walter Thompson, eventually rising to become creative director. Canned at age 51, Gill then spirals downward. His solo business tanks, he loses his family through infidelity, and he then realizes how vulnerable he is when, uninsured, he is diagnosed with a brain tumor.

Providence arrives in the form of a benevolent woman named Crystal who asks Gill if he'd like to come work for her at Starbucks. No longer a master of the elite universe and eager to qualify for health insurance, Gill agrees. And thus begins a

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journey of discovery. Formerly an arrogant, entitled, and heartless soul, Gill ultimately experiences a Scrooge-like epiphany.

As Gill takes the subway in rush hour for the first time in his life, takes pride in keeping the store bathrooms clean, and becomes an equal with the African-American “partners” (as the company’s employees are known), the dignity and respect fostered by Starbucks works its mojo. Slowly he learns the value of earnest hard work, of serving customers, and of working in an environment where everybody is judged by merit, not class. “I no longer had the luxury of time for philosophical self-concern,” he realizes about his new station in life. “I was about to discover that at Starbucks it was not about me — it was about *servicing others*.”

Gill learns to work the cash register, makes drinks, and even rises to the role of coffee master, where he teaches small groups the secrets of great coffee. Gill comes to appreciate, perhaps worship, something more important than any coffee knowledge: the humane environment that forces him to reexamine his entitled, privileged background. The benevolent capitalism he en-

counters makes his old life seem worthless. “Here at Starbucks,” he writes, “both the Partners and the Guests seemed to agree tacitly that everyone should be treated with respect and dignity. I had never seen any work environment like it. The best Fortune 500 companies I had encountered, despite spending months and lots of money writing and publishing high-sounding mission statements, never practiced the corporate gobbledygook they preached.”

His story is as heartwarming as a movie on the Lifetime network. (Indeed, Tom Hanks has reportedly optioned the movie rights.) And it’s this sentimentality that makes it hard to trust Gill’s contention that Starbucks is “a work environment that valued those precious moments of interaction.” A reader’s justifiable skepticism has little to do with tangible evidence to the contrary, but much to do with the unreliability of the source.

The screaming need of the narrator to draw such a neat, comforting lesson from his experience undermines his credibility. Throughout this fable of redemption, Gill projects an opera of wishes and fears and emotions onto the

coffee behemoth. For Gill, Starbucks acquires dense and crushing meaning. The store he toils in becomes a potent force that serves to frame and highlight all that his privileged life denied him.

As the son of a *New Yorker* editor, Gill rubbed elbows with Ezra Pound, T.S. Eliot, Jackie O, and Ernest Hemingway, and even snatched cucumber sandwiches from the Queen of England. As the aging barista, Gill finds himself explaining the poetry of Muhammad Ali to his fellow partner Kester, a streetwise African-American. He views his own story through a prism of noblesse oblige that renders it condescending. You can never quite tell if Gill is a brilliant author who mocks his background by deliberately creating a stuffy and pompous narrator or is simply as clueless as the Gill who torpedoes his marriage by knocking up a yoga pal.

Ultimately, the most notable material in *How Starbucks Saved My Life* may be what the author leaves out. The factual story of the company’s growth has given way to the myth. For Gill, Starbucks is no longer a business story; the company has become a country unto itself, governed by such clear rules

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and principles that one need no longer discuss them. Starbucks has become, for him, an economic and philosophical force with the power and resources to salvage his life.

The Story Is the Story

So how did Starbucks become Starbucks? For that story we turn to founder Howard Schultz’s 1997 memoir, *Pour Your Heart Into It*. This solid and intelligent book has become a classic of its genre — an instructive, earnest recounting of a company’s success. And if the founder seems remarkably determined to stick to his principles whenever tested, well, he’s simply exercising the retrospective wisdom that is his prerogative as CEO of a successful venture.

Schultz tells a noble tale, a neat and inspiring story structured around a series of epiphanies woven together as neatly as James Joyce’s insights in *Dubliners*. As a child, born and raised in the housing projects of Brooklyn, Schultz was deeply hurt to see his father suffer after breaking an ankle. Lacking health insurance or other benefits, the elder Schultz struggled to make up for lost pay and medical expenses. The experience left a deep impres-

sion on 7-year-old Howard. “As a kid I never had any idea that I would one day head a company. But I knew in my heart that if I was ever in a position where I could make a difference, I wouldn’t leave people behind,” he vowed.

Years later, Starbucks would provide him with that opportunity. After honing his sales skills in the Xerox training program, and then working for a Swedish company selling housewares, Schultz visits Seattle on a sales trip. Upon discovering the superior taste of premium coffee, Schultz realizes that he’s found his mecca. He persuades the founders of Starbucks — then a local coffee bean roaster and seller — to take him on as its director of marketing and operations, leading to a series of discoveries that form the foundation of today’s international coffee and media empire.

At first Schultz follows his passion for the high-quality coffee itself. Then, on a sales trip to Italy, Schultz discovers the allure of café culture. He experiences another revelation: that the beverage represents just half the appeal of fine coffee. Starbucks could have unlimited potential if it aimed higher, he realizes. “The connection to the people

who loved coffee did not have to take place only in their homes, where they ground and brewed whole-bean coffee,” he writes. “What we had to do was unlock the romance and mystery of coffee, firsthand, in coffee bars. The Italians understood the personal relationship that people could have to coffee, its social aspect. I couldn’t believe that Starbucks was in the coffee business, yet was overlooking so central an element of it.”

This grand insight inspires Schultz to leave the company and launch several coffeehouses, eventually returning to purchase and then convert Starbucks into what it is today. What started as a passion for coffee expands to a vision of a new establishment, enabling Schultz to realize his dream of creating a humane company that redresses a childhood tragedy. “I tried to make Starbucks the kind of company I wish my dad had worked for,” he writes. Although his story is ostensibly about growing an enormously profitable company at an almost unprecedented pace, Schultz continually returns to the deeper meaning of the company. From the very beginning he institutes such compassionate practices as training and

promoting employees extensively, sharing equity in the company, and providing health benefits to part-time employees at an early stage. Even when he encounters tough challenges in raising capital and selling his vision, he always makes choices based on human values.

Although Schultz experienced an undeniably inspiring entrepreneurial journey of identifying a huge nascent market and then executing an absurdly ambitious plan — in the process transforming millions of people around the world into latte lovers — he downplays the hard business facts. According to Schultz, the real purpose of the company was always deeper than mere profit. “We never set out to build a brand,” he writes. “Our goal was to build a great company, one that stood for something, one that valued the authenticity of its product and the passion of its people.”

It is important to assess Schultz’s story not as a blueprint for other companies to adapt but as a testament to the value of an enduring creation myth and system of corporate values. Communicating compassion has been an undeniable factor in the company’s success. Public claims of being altruistic and benevolent and caring can, in fact, attract and motivate employees and appeal to customers, leading to a profitable cushion that affords a company the ability to pursue such practices as insisting on “fair trade” benefits for its coffee bean growers. Being good becomes, in effect, a self-fulfilling credo. And yet, there’s more to that than meets the eye.

How much should one separate the *story* of Starbucks from a rigorous analysis of its success? How much of the premium that folks pay for Starbucks coffee owes itself to

this appealing fable? Here’s where a recent book by Phil Rosenzweig helps frame the entire conversation. Even though it is not explicitly about Starbucks, *The Halo Effect — and the Eight Other Business Delusions That Deceive Managers* offers invaluable insight into understanding the power of its mythology.

In *The Halo Effect*, Rosenzweig, a former manager and current professor at Switzerland’s IMD business school, argues that most conventional thinking about corporate success is shaped by delusions: “For all the secrets and formulas, for all the self-proclaimed thought leadership, success in business is as elusive as ever. It’s probably *more* elusive than ever, with increasingly global competition and technological change moving at faster and faster rates — which might explain why we’re tempted by promises of breakthroughs and secrets and quick fixes in the first place. Desperate circumstances push us to look for miracle cures.”

Rosenzweig cautions that we create rationalizations for success when the real explanations are far more difficult to identify, let alone codify in a way that enables others to make equally productive decisions. And so the tale of what has really happened gives way to the one that people want to tell. Describing ways that journalists reported on Cisco, depending on which side of the profit mountain it was on, he writes, “Facts were assembled and shaped to tell the story of the moment, whether it was about great performance or collapsing performance or about rebirth or recovery.”

Unlike the field of science, in which one can conduct replicable activities with relative certainty about their outcome, in business,

managers cannot assume that following a formula will produce predictable results. So they gravitate toward stories, which represent “a way that people try to make sense of their lives and experiences in the world,” writes Rosenzweig. “The test of a good story isn’t its responsibility to the facts as much as its ability to provide a satisfying explanation of events.”

Rosenzweig is not arguing against making good decisions but against pursuing easy conclusions and delusional plans. The relevance of his assertion to Starbucks is simply this: The noble purpose of the company is a good thing, and has led to nice policies that have benefited employees and contributed to the popularity of the brand. But one must view the Starbucks claims with caution. Two things in particular should be noted.

First, there’s no guarantee that these practices (which are harder to sustain as a company grows) will be critical factors as the business moves forward. Given the pace of change threatening every company, simply following several core principles will never ensure sustained success. The world changes too much and too fast for a static set of guidelines to work with the same impact.

And second, one must be careful not to confuse causality and correlation when it comes to linking the company’s values and mission to its spectacular run. Starbucks’s practices have been admirable. They have helped the company in tangible ways. Yet how many other companies that have been launched in the past 20 years have also made genuine commitments to nurturing the human spirit? How many of them backed up this mission with real policies? Why haven’t they

Starbucks Resources

Works mentioned in this review.

Scott Bedbury with Stephen Fenichell, *A New Brand World: 8 Principles for Achieving Brand Leadership in the 21st Century* (Viking, 2002), 240 pages

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Taylor Clark, *Starbucked: A Double Tall Tale of Caffeine, Commerce, and Culture* (Little, Brown, 2007), 297 pages

Michael Gates Gill, *How Starbucks Saved My Life: A Son of Privilege Learns to Live Like Everyone Else* (Gotham Books, 2007), 265 pages

John Moore, *Tribal Knowledge: Business Wisdom Brewed from the Grounds of Starbucks Corporate Culture* (Kaplan, 2006), 252 pages

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Arthur Rubinfeld and Collins Hemingway, *Built for Growth: Expanding Your Business around the Corner or across the Globe* (Wharton School, 2005), 268 pages

Howard Schultz and Dori Jones Yang, *Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time* (Hyperion, 1997), 358 pages

Leonard Sweet, *The Gospel According to Starbucks: Living with a Grande Passion* (Waterbrook Press, 2007), 222 pages

Moore's *Tribal Knowledge: Business Wisdom Brewed from the Grounds of Starbucks Corporate Culture*. Whereas the last two share insightful lessons about marketing, the principles in Arthur Rubinfeld's *Built for Growth* (written with Collins Hemingway) are worth focusing on.

Rubinfeld, who led Starbucks's growth from 100 to nearly 4,000 stores, shares a sharp set of ideas and practices that help explain how the company grew so fast with such little resistance. If the public face of

the company was a friendly, welcoming environment of great coffee and a supportive community, the brains in the back were executing a detailed plan with discipline and imagination. Rubinfeld brought to Starbucks a background in architecture and real estate development that enabled the young company to follow a dynamic growth plan.

Rubinfeld reinforces Schultz's argument about the need for a company to establish and articulate a core set of values. Yet his book delves far more practically into the

succeeded on the same level that Starbucks has? It's clear that the Starbucks story is comforting and, to a degree, instructive — but it's not a recipe for success. Its lessons are neither absolute rules nor scientific principles, but rather “guidelines” that must be followed...until they shouldn't be.

Corroborative Detail

In business, the value of a good story is fully realized only when the promise of the tale is met. Starbucks has spun a good story, but its credibility comes down to developing the operational capacity to back it up. And here's where the company has developed hardware as robust as its software. In the world of retail, where execution counts for so much, Starbucks has managed, for nearly four decades, to maintain premium product quality while attracting and training motivated employees without faltering on its aggressive growth strategy. The company has corroborated its story through terrific execution.

To see how the company has done so, we can tap into a handful of excellent books from former Starbucks executives: *Built for Growth*, *A New Brand World*, and John

way such a sense of purpose informs the daily processes of opening and operating new stores. “A retail brand comes down to the overall experience of the customer in the store, of which product quality or value is only one part,” Rubinfeld explains.

He shares numerous insights about how Starbucks achieves its hypergrowth. On the one hand, the company uses a sophisticated demographic analysis to guide site selection. On the other hand, it blends this careful analysis with street smarts — siting stores on the side of major avenues where drivers are more likely to make a turn, and even searching out parking lots with many oil stains because that indicates heavy traffic. In everything from budgeting new store openings to clustering new outlets for brand awareness to systematically breaking into new markets, the company is tactically superb.

Built for Growth, which draws from Rubinfeld’s Starbucks experience but includes other experience, does a great job of presenting a systematic approach to growth that should help one make smart choices. The key is to have a mix of the sacred and the profane — growth guidelines that are articulated with enough clarity to guide key decisions, yet loose enough for individuals to adapt and personalize them to their unique settings. For Starbucks, for example, this means designing a “vocabulary” of store icons enabling new store managers to select fixtures and signage that are consistent with the growing brand yet mindful of the unique site.

It’s exactly this tension between sticking closely to rigid formulas and remaining responsive to current conditions that will dictate the next round of Starbucks stories. Schultz

himself identified the challenge 10 years ago by saying that “one of the greatest responsibilities of an entrepreneur is to imprint his or her values on the organization.” Recently he shared a memo expressing his concern that the company risks drifting from its original spirit.

Yet today it’s very clear that the Starbucks story has evolved into something more complicated in the public eye. Like Wal-Mart, the company has found that the sheer size of its success forces a reexamination of many of the practices that fueled its growth. Has the company itself changed radically, or could it be that it has simply crossed some line, some boundary — entered a bold new world in which a profoundly different set of eyes are focused on its practices?

This issue is raised by the new book *Starbucked: A Double Tall Tale of Caffeine, Commerce, and Culture*, by journalist Taylor Clark. Clark’s effort represents the most modern take on the company. Earlier books have been one-sided, idealistic, or parable-like (that is, halo-builders), but Clark’s ambivalent tell-all could be spawned only by the tremendous scale of the company’s success. Clark warns that Starbucks could put mom-and-pop shops out of business, but doesn’t. And explains that Starbucks has helped farmers in developing countries by paying more for beans, but only when it was pressured to do so. And says that because the workforce is relatively young and healthy, the company’s policy of providing health-care benefits isn’t quite as beneficent as many outsiders believe. Clark comes across as the fictional Dr. Evil (from the *Austin Powers* movies) pressing his son Scott to be bad by trying to add “evil” to his son’s dream of

becoming a vet (“an evil vet?”) or working in a petting zoo (“an evil petting zoo?”). Could this be “evil Starbucks?” Um, not really.

What’s clear is that for Starbucks, as for any other company that relies on powerful brands to resonate with the public, the ability to craft and communicate a compelling story will continue to have a role in its success. For many years the company has shown genius at delivering on a promise — Starbucks comforts, delights, provides security, and offers familiarity, and does so with a veneer of respectability. Buying at Starbucks means buying in, essentially; you are paying a premium for your fancy drinks, and in return you support a touching story in which employees are respected, customers are valued, indie culture is supported, and bean farmers in developing countries are paid fairly.

At the same time, however, it is important to recognize that although having a good story can play a key role in raising money, engendering customer and employee loyalty, and serving as a basis for making decisions, it’s no magic formula. Couple it with a terrific ability to execute on a detailed strategy and you have positioned yourself for success. As Starbucks faces a challenging future, with dynamic markets and growing competition, its own ability to evolve will determine the next chapter in its story. +

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