

2004 GREAT PLACE
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CULTURE AUDIT©
Part 2: Open-Ended
Questions

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What are the distinctive ways in which management (especially senior management) shares information with employees? How do they make themselves available for input from employees?

The Uniquely Starbucks Experience: Engaging Our People through Time with Our Leaders

For the past eight years, Starbucks has brought its more senior partners (the Starbucks term for employees) to Seattle in January for high-level, business-unit-driven meetings that focus on each business unit outlining topics like strategic alignment, rewards, recognition and personal development.

“It had become somewhat of an infomercial,” said Marty Fisher, director, Starbucks culture and partner engagement. “It was interesting, but it needed to be more compelling, more interactive, and more engaging. Simply put, our goal was to strengthen the connection and engagement of our partners to Starbucks and to each other.”

For 2004, Starbucks leaders wanted instead to engage their leadership partners in the very fundamentals of the company

... get back to basics, if you will, to drive the growing company forward. And they wanted to do that in a way that was unique, compelling and truly exciting. They wanted to do something in line with our goal of staying small while growing large.

“We decided to bring everybody together in one place at one time to really begin to celebrate the global nature of the company,” Marty said.

For 2004, that meant bringing together store managers and above from all over the world. It meant focusing on the “everyday hero” stories that make Starbucks a great place to work and make it a rare and uncompromising company.

It meant learning firsthand from the people at the very top, as well as from partners at every level in the company,

how Starbucks Guiding Principles are its core and foundation and remain the driving force behind any of the company’s successful business decisions.

The result was the unprecedented Starbucks Global Leadership Conference. It brought more than 6,500 partners to Seattle (where Starbucks has its corporate headquarters) for four days of total immersion in the company’s Guiding Principles. Attendees also spent time with the company’s top leaders, who shared the true and honest “everyday hero stories,” as Marty called them.

Two “showcase” days allowed partners time to sample displays of upcoming programs and products along with new and innovative products from the various Starbucks business lines. Perhaps most important of all

was the chance to put faces to names of support center (corporate) partners they routinely work with. All partners in the greater Seattle area were invited to participate in the first day of the showcase.

“It hit the bull’s eye in re-connecting our partners to the company,” Marty said. “On any given day we see only a portion of the company’s business. The Showcase was a success because it widened our consciousness of Starbucks, connected partners and rallied the leaders of the company around our values, the Mission (Statement) and the Guiding Principles of Starbucks.”

“We weren’t focused so much this year on what we do, but how we do what we do.”

It wasn’t just Marty who hailed the Global Leadership Conference as a success. Starbucks was notified in June that it had won a prestigious Global Paragon Award from Meeting Professionals International, a leading trade association for the convention and events planning industry. The organization’s Paragon Awards recognize what it calls, “exceptional meetings or events that deliver measurable successes to an organization’s bottom line. These meetings/events ... can serve as powerful educational tools and examples of best practices for the entire industry.”



The Global Leadership Conference featured day-to-day stories from store managers and district managers, as well as time with company leaders like Howard Schultz, Starbucks founder and chairman and chief global strategist, Orin Smith, president and chief executive officer, and Jim Donald, president, North America (it’s our tradition at Starbucks to not capitalize titles or their acronyms).

“We’re not as good as we think we are,” Jim told an audience during his talk. “We’re only creating highly satisfied customer experiences 53 percent of the time.”

He said that a survey of large U.S. companies found that Disney, the Ritz-Carlton Hotel chain and Southwest Airlines have higher averages of “highly satisfied customers.”

“We make the best coffee in the world. We have the best equipment in the world ... now we have to provide the best customer service in the world.”

Jim Alling, Starbucks senior vice president, Business and Operations – United States, urged the partners to work toward creating “the best service organization in the world ... to continue to grow, to be all we can be.

“Our goal is to provide an uplifting experience for a customer every time that customer is in our store,” he said. “We have to do it together. We have to lift each other up.”

Jim Donald, Jim Alling and other top executives, along with store managers and other mid-level leaders, brought that message home over the four-day conference with stories that you might say were “from the field.”

There was the story of the baristas in Centralia, Wash., who gave emergency first aid to a customer when he suffered a stroke in their store. The man was a regular customer with no local family or friends that the partners knew of. The Starbucks partners visited him daily at the hospital, provided him with food and flowers and coordinated his care with a sister that lived farther away.

“He was pretty much a loner, but he knew the partners, came in a couple of times a day,” Marty said. “He was a family member.”

“Those are stories you don’t hear from a lot of companies,” Marty said.

Yet more than 6,500 Starbucks leaders heard that one and other “legendary” stories as part of what until 2004 had been a very top-down, business-strategy-intensive leadership conference.

It was a whole new way of connecting with Starbucks leadership ... from the very top right down to the store manager.

From its beginnings, the interaction between Starbucks management and “front-line” partners has been a crucial and vital part of our culture. Some of the ways our managers and other leaders share information and make themselves available to listen to our partners are explained here.

Sharing Information: Partners Gain Access to Our Leaders

Inside the Starbucks experience, partners don't need to wait for senior management to come to them to get feedback or learn about operational pitfalls. We have created many communication media for our partners to find the person who can best answer their questions or support their initiatives. Some of those communications methods are listed here.

Servant Leadership at 2004 Global Leadership Conference
Supporting the Starbucks Mission Statement and Guiding Principles as we grow is a lofty goal that is always on the minds of our senior leaders.

Maintaining our ability to connect with partners at all levels of the company, in essence serving the partners to help them become "healthier, wiser, freer, more autonomous," is essential if we are to stay "small" as we continue to grow. With that in mind, one day of each partners' schedule at the 2004 Global Leadership Conference was dedicated to a learning day on the topic of "Servant-Leadership."

"Servant Leadership has been practiced in the zones informally for many years," said Chris Burns, training and development manager. "This is our first step to focus on it as a global way of being."

The program illustrated leadership building in the presence of the leadership team. Regional directors facilitated the sessions together, and zone vice presidents (zvps) rotated throughout the sessions.

"It was great," Chris said. "The zvps would pull up a chair and just be available. They'd join an informal conversation, or add in where appropriate. Their presence really validated what was going on."

Forty sessions of roughly 150 regional partners each were held.

"It was exciting to see a team come together and build as a team," Chris said. "The store managers will take that back with them."

Servant Leadership shows one way Starbucks is focusing on our partners, because we know that each partner is integral to our success.

Each partner who attended the conference participated in one of these learning-day workshops and provided feedback about their experiences. In these workshops, partners from our retail company-owned and licensed stores, foodservice, International, Supply-Chain operations, Support-Center and Non-Retail field partners joined to celebrate how we have served each other in the past, and how we can continue to serve each other as we grow into the future.

Here is what some partners had to say about that experience:

- "To spend an entire day for 6,500 people on a topic so counter-intuitive to corporate America is going to reap rewards far greater than you can imagine."
- "Very helpful session – brought together life within the store with actual examples of our guiding principles, to what things look like when you live servant leadership."
- "It's wonderful to see the investment in us is just as important to the company as the investment in products and things. Thank you for making us such a priority."

Dave's Diner

How many companies have an executive vice president who each month invites a dozen or fewer employees to have a completely informal lunch with him – just so they can ask him any questions they want, about anything they want, with no agenda and with no holds barred – where he serves the food and dons the apron?

Starbucks does. It's Dave's Diner.

It's actually a small conference room in the north wing of the Starbucks Support Center (our administrative headquarters building in Seattle). Each month, the room is decorated to resemble a '50s diner, complete with a vintage sign that sports the name, Dave's Diner and Dave's Diner fountain glasses for each partner.

And when it's time for lunch, Dave Pace, executive vice president, Partner Resources, decked out in a chef's hat and apron, is ready to serve up answers to whatever questions are on the minds of his guests.

"Dave's Diner was set up to help me stay connected with partners (the Starbucks term for employees)," Dave said. "It's my way to really find out what their issues are, what's on their minds, and also to let them raise their questions, to get to know their senior leadership a little more informally."

Dave wanted a comfortable, non-intimidating setting in which he could "really get people to relax."



A Uniquely Starbucks Experience

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-Dave Pace, executive vice president,
Partner Resources

"The first thing I do is tell them there's only one rule: there are no rules," Dave said. "Nothing's off limits. If you want to talk about your favorite TV show or what you did over the weekend, or what I did over the weekend, that's fine. Or if you want to know about the strategic direction of the company, where we're going, what's working, what's not ... that's OK, too."

From the very first question, Dave knew that Starbucks partners believe they can speak their minds and ask management tough questions.

"I was asked, 'What value do you add to the company?' I thought, OK, the gloves are off right from the first question. But that's OK. You want to build trust. And you build trust by talking directly with the work force. And when you do that, you've got to be prepared to take the hard ones with the easy ones."

Scott Grover, a senior technical recruiter, attended lunch at Dave's Diner in June. Scott has been around the block in his profession. He's recruited for some of the most recognized names in American businesses. So he's familiar with the standard business pitch from senior management that says they'll listen to employees. He's heard them say they want to know what's on your mind or that they will keep you posted on what's going on with the company.

"Starbucks is a place where things are supposed to be safe to talk about," Scott said. "And this held to that. We got to ask any questions we wanted. Because of the small audience, it was really our opportunity to talk to him."

“And I think for Dave, it was a chance to get a pulse for what people are doing and thinking,” Scott said. “Starbucks means it when they say they treat people with respect and dignity. Dave for one operates from a position that nobody wakes up in the morning and goes to work intending to screw up ... that we all have the best of intentions. He operates from a mindset of abundance instead of scarcity. It makes a difference.”

Dave said his “diner” atmosphere lets him meet and get to know partners he wouldn’t routinely deal with, whose opinions and attitudes need to be heard.

“I get to have my finger on the pulse of things that are happening ... what’s working, and what’s not ... which way is the needle pointing,” he said. “And they tell me. They’ve been pretty open about it.”

“Our partners know what’s genuine and what’s phony,” chairman and chief global strategist Howard Schultz has said. “When I speak to them from the heart, they relate to the Starbucks vision and the Starbucks experience. When management listens to their concerns and responds honestly, they realize that Starbucks is neither faceless nor impersonal.”

You might ask, “What’s next for Dave and his diner?” The answer: Dave’s Diner to Go. “It’s important to take this to the field to stay connected,” Dave said.

Town Meetings

We held our first Town Meetings in April 2002 and they were an immediate success. Conducted at the Starbucks Support Center, the meetings give partners a chance to ask president and ceo Orin Smith and chairman and chief global strategist Howard Schultz questions – and get answers – in a setting with no formal agenda and no formal presentations. The town meetings harken back to the early days of Starbucks growth, when all partners could gather in one room for Q&A with Howard.

The first two Town Meetings attracted nearly 1,000 participants (the maximum the room could hold). We now hold Town Meetings once a year.

“Coffee Breaks with Orin”

Orin Smith hosts “Coffee Breaks with Orin.” Any partner who is interested in attending can sign up to attend a one-hour “coffee break” with Orin.

The program’s initial reach is to the more than 2,400 partners at the Starbucks Support Center in Seattle. The coffee breaks include up to 25 partners at each session and provide an opportunity for Orin to meet with partners at all levels of the organization, answer their questions, listen to ideas and simply get to know each other better.

Participating partners receive a special coffee mug as a memento of the occasion. This year we expanded the Coffee Breaks to include other partners in the region.

We held the first Coffee Break with Orin at our Northwest Regional Office in late 2003 with a variety of partners who work in the field organization.

Partner Roundtables

When Orin Smith and other senior leaders travel on business, they make an effort to hold partner roundtables in those areas. The roundtables offer a relaxed, informal atmosphere for partners to ask questions, hear more about our company, and get to know our senior leadership team members.

“Ask Orin”

Partners are invited to submit a question to Orin on any topic. Selected questions are posted on the portal for all partners to read. A number of partners have submitted questions since the program has been in place since July 2002. The topics raised range from the serious (“Will tuition reimbursement be implemented”) to the light-hearted (“Does the Siren have a name?”).

The Bean Book

Our company directory lists the direct phone numbers, voice mailboxes, email addresses and inter-office mail stops for every partner in our organization – right up to the very top.

Starbucks Partner Portal

Starbucks Partner Portal has become the central desktop for Starbucks partners.

The information on it is a searchable, centralized and growing catalog of everything we've tried – from product development to process improvement. We also catalog successful programs, projects and the best practices that stem from them. The portal is a central information source for users, and offers our partners – including those in our stores – instant access to localized information and personalized resources they need to do their jobs and stay connected to each other and Starbucks culture.

Engaging Desktop: Powerful Potential for Sharing and Receiving Information

Communities currently on the Starbucks Partner Portal range from business information, such as Starbucks standard business practices, forms, documents and department websites, to partner life information about discounts, activities, clubs and events.

The Question of the Week keeps partners connected through fun and informative quizzes on topics like Starbucks history and new programs and initiatives. Partners who visit the portal see a multiple-choice question, such as, "According to the Rolling Stones Artist's Choice album, which artist's dance moves does Mick Jagger imitate while warming up before a concert?"

After partners submit their answer the correct answer is displayed along and a grid with the percentage of respondents who selected each option. Additional detail is provided about the correct answer, and links to related information are also included.

This tool provides a great way for partners to stay connected and learn more about the information contained on the portal.

LifeAt.sbx.com

This Starbucks website was launched in 2004 to give partners a one-stop source for a wide range of information about benefits, company sponsored savings and stock plans, pay and compensation, partner perks and wellness. Accessible from any standard Internet browser, **LifeAt.sbx.com** routinely lists quick links to more than 20 other web pages or downloads. These offer partners quick, easy access to everything from our Future Roast 401(k) website to our Partner Connection program.

In addition, the site offers quick links to a changing lineup of timely topics. Recently, these included:

- The new patient advocate program from Aetna.
- A new investment lineup for Future Roast.
- Information about upcoming benefits open enrollment.

The Scoop

The Scoop is our weekly newsletter distributed in hardcopy to all Retail North American stores and field partners. Its mission is to provide need-to-know information about Starbucks operations, culture and strategy. *The Scoop* – unlike traditional newsletters – contains information that requires action on behalf of the reader. All store partners are encouraged to read *The Scoop* and initial the front page upon completion. Store managers post the newsletter in the backroom or circulate it for review every week.

Managers' Communication Sessions

Held monthly at the Starbucks Support Center, these meetings are hosted by Starbucks president and ceo Orin Smith. At least 225 partners attend each Managers' Communication Session to receive updates on key projects and accomplishments within the company to take back to their team. They also participate in a 30-minute Q&A with Orin or other senior leaders.

The Weekly Buzz

The Weekly Buzz is an email publication for Starbucks Support Center partners. It gathers routine communications and includes Starbucks facts, such as our current number of stores and partners, and a Point of Interest feature that highlights interesting Starbucks programs or facts. *The Weekly Buzz* also includes links to stories on Starbucks Partner Portal so that partners can read more if they are interested in a particular topic.

Starbucks News

This weekly publication contains new hire, promotional and organizational announcements. New hire and promotional announcements highlight a partner's new duties, past work experience, leadership achievements and personal interests. The information is distributed via email to field partners and available on the portal for all partners.

Receiving Information: Partners Know Our Leaders Will Listen

Yes, it's important to keep our partners informed about what's going on with their company. We're equally committed to listening to them, learning from them and making sure they have a voice to help us improve life for them and for the company, and to be sure they remain engaged in the Starbucks experience. Partners care enough to voice their concerns, because they know they will be listened to. Here are some of the ways management at Starbucks listens to its partners.

Partner Insights Program

Our Partner Insights program includes processes that help Starbucks to understand and act on partner engagement, workgroup effectiveness and performance. Partner research is conducted on a regular basis through Partner View surveys and "touch point" surveys. Research results are shared throughout the organization and involve action planning as a key follow-up phase.

Results from Starbucks 2003 Partner View Survey revealed that our partners have a high level of engagement – they are emotionally and intellectually committed to Starbucks success. Engaged partners are more likely to say good things about the company, they often go beyond what is requested of them, and they indicate a desire to stay with Starbucks longer.

Our Leaders Adopt a Store

President and ceo Orin Smith asks the members of our senior management team to each "Adopt a Store" in the communities in which they live. They are scheduled for store shifts and do the same work that our baristas do every day. After getting back to the office, senior leaders summarize their store findings and offer suggestions to Howard and Orin on ways to improve the way we do things and how to provide better support to our partners.

Holiday Helpers

The busiest time of year in our stores is during the winter. We host community gatherings, stock increased inventory, serve more coffee than ever and have customers who need additional assistance putting together gifts and packages. In response, our Starbucks Support Center partners volunteer to help out in the stores where they live.

This puts our support partners (the administrative side of Starbucks) directly in touch with the people

who really make us what we are – our retail partners and our customers.

This program gives Starbucks Support Center partners, many of whom are project managers, direct feedback in the field about programs and initiatives that they may have created or supported – while providing our stores with much-needed assistance during the busy holiday season..

Mission Review

Mission Review is the eyes, ears and voice of our partners who touch the products and the people that come into our stores everyday. For a full illustration and history of Mission Review, please see our response to Question Two, about how we express our belief in the role that people play at Starbucks.

From their first day of orientation at Starbucks, partners receive cards to submit if they feel an action or decision has taken place – or will take place – that doesn't make sense when it's put up against our Mission Statement or Guiding Principles.

A partner fills out the card and submits it to the Mission Review Team. Partners with access to Starbucks Partner Portal, our company intranet system, can submit their concerns electronically. All submitted issues are reviewed and responded to by the appropriate executive or manager relative to the issue within 15 days, on average.

Lists of reported issues are made available to Starbucks leadership to help them keep informed of issues our partners are concerned about, providing one more way for partners to provide input to management.