

# **Pour Your Heart Into It Study Guide**

**Pour Your Heart Into It by Howard Schultz**

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# Plot Summary

The book is a business biography written by Howard Schultz, the man who started the Starbucks Corporation. The book covers the period from Howard's early childhood days up to 1997. Beginning with Howard's emotional retelling of his relationship with his beleaguered father and a childhood spent in near poverty in the projects in Brooklyn, the book establishes the fundamental principles and core personality characteristics of this dreamer with the initiative to build an international business phenomenon.

As a young boy Howard feels the anguish experienced by his father who works at a long line of low paying jobs which provide the bare essentials for a growing family. As Howard grows up he feels conflicted by his feelings of love and respect for his father while at the same time being angry that his father is not more ambitious to provide a better life for his family. Howard dares to dream bigger dreams and pushes down any feelings of insecurity with his hopes of one day escaping his limiting circumstances.

Howard's escape comes in the form of a football scholarship to Northern Michigan University where he graduates with a degree in marketing and communications. Howard seems destined for a career in international sales until he explores a small coffee company in Seattle called Starbucks which places large orders of coffee makers sold by Howard's company. A visit to Starbucks in Seattle is a fateful journey when Howard falls in love with the product and idea of selling the robust coffees from all over the world.

Although Howard succeeds at Starbucks he has bigger dreams of a national network of coffee shops which is counter to the philosophy of the Starbucks owners. Fueled by the coffee shops he has experienced in Milan, Italy, Howard leaves Starbucks to open his open coffee shop called Il Giornale. Moderately successful with his store concept, Howard's fate changes dramatically once again when the opportunity to buy Starbucks is presented. Howard manages to raise the funds for the purchase and becomes the President and CEO of the company for which he worked just a short time before.

Howard expands the Seattle coffee shops to a network of Starbucks stores all over the world and admits that his success is based not only on his vision but the hiring of people who have skill sets he does not possess but are necessary for driving a company forward. Howard remains open to possibilities and hope and runs the enterprise with integrity, vision, romance and style. Howard also shares his philosophies for staying true to your personal and professional code of conduct which is the only way to gain loyalty and trust among customers, employees and shareholders.



# **Part 1, Imagination, Dreams and Humble Origins; and A Strong Legacy Makes You Sustainable for the Future**

## **Part 1, Imagination, Dreams and Humble Origins; and A Strong Legacy Makes You Sustainable for the Future Summary and Analysis**

The book is a business biography written by Howard Schultz, the man who started the Starbucks Corporation. The book covers the period from Howard's early childhood days up to 1997. Beginning with Howard's emotional retelling of his relationship with his beleaguered father and a childhood spent in near poverty in the projects in Brooklyn, the book establishes the fundamental principles and core personality characteristics of this dreamer with the initiative to build an international business phenomenon.

The author, Howard Schultz, Chairman and CEO of Starbucks, explains that the Starbucks Coffee business is a blend of an original coffee company called Starbucks as well as the author's vision and values. The original Starbucks has been in business in Seattle ten years before Howard hears of the company. Howard's characteristics of being a romantic dreamer are born out of the hardships of a childhood spent in the Bayview Housing Projects in the Canarsie neighborhood of Brooklyn, New York, in the 1960's.

Howard has conflicting feelings about his father whom Howard admires for his character but finds lacking in ambition. Although Howard's father takes care of his family, the jobs are always low-paying, resulting in a hard life for both the parents and the children. Howard's mother does not work outside the home and cares for Howard and his sister and brother in their apartment in the Projects.

Howard tries to escape his limited surroundings by playing football and dreaming about leaving the projects someday. Sports are important to the Schultz family and Howard's father takes his children to see the New York Yankees play at many home games. Howard takes odd jobs as a teenager to have some spending money and his dreams of leaving this challenging life are ever present. Howard's escape comes in the form of a football scholarship at Northern Michigan University in Marquette, Michigan.

Howard succeeds at his marketing and communications courses but does not play much football during his college years. Upon graduation with a communications degree in 1975, Howard does not find a job in his field but remains in Michigan to work at a ski lodge. Eventually Howard returns to New York and enters the training program at Xerox Corporation. Before long, Howard achieves a full sales position with the company and is able to pay his college loans and get an apartment with a friend. During a Fourth of July



weekend in the Hamptons in 1978, Howard meets Sheri Kersch, the woman who will become his wife.

In 1979 Howard leaves Xerox to take a sales position with Hammarplast, the U.S. division of the Swedish company Perstorp. Howard lives in Sweden for three months for a training period and falls in love with Europe. Howard returns to the U.S. and works in several locations but does not like the job and threatens to quit out of boredom. The company promotes Howard to vice president and general manager and moves him back to New York. In this new position Howard gains a sales team and benefits financially. Howard is finally happy with his life and with the product for which he is responsible: kitchen equipment and housewares.

Three years later Howard and Sheri buy a Manhattan apartment with Howard successfully managing his burgeoning career and Sheri happy in her career as an interior designer. Although their lives seem perfect to the outside world, Howard feels dissatisfied by not being in charge of his own destiny.

During his employment with Hammarplast, Howard takes note of a small company in Seattle called Starbucks Coffee, Tea and Spice. This company buys large quantities of a drip coffeemaker from Hammarplast and, intrigued, Howard makes the trip to Seattle to meet the company's owners. Howard is immediately attracted to the company's coffeehouse located in Pike Place Market. Howard watches attentively as the employees sell bags of coffee beans as well as strong cups of coffee to what appears to be a loyal clientele.

Howard's first sip of the dark roasted coffee is a revelation of what true, rich coffee can be, as opposed to what he has grown up drinking. Howard also visits the company's roasting plant in Seattle and meets the company owners, Gordon Bowker and Jerry Baldwin. Howard is enthralled with the roasting process and delights in the pleasant assault on his senses as the warehouse fills with the scent of the roasting beans.

Howard strikes up an easy friendship with Jerry Baldwin, Starbucks president, whose main purpose in the Starbucks stores is to educate people on the fine coffees available from all over the world. At this point, the Starbucks Coffee, Tea and Spice Company is ten years old, built from Gordon and Jerry's passion for fine coffee. Jerry learned about great coffee by living in San Francisco and drinking the coffee from Peet's Coffee and Tea store in Berkeley in the 1960's.

Howard learns that Alfred Peet, the owner of Peet's Coffee and Tea, first introduced the taste of dark, rich, European-roasted coffee to America. Alfred traveled the world and wanted to share his coffee finds and his passion with Americans who had never experienced such intense coffee drinks.

Jerry and Gordon, weary of traveling to Berkeley or Vancouver to buy Peet's coffee beans, open their own coffee company, Starbucks Coffee, Tea and Spice, with another partner, Zev Siegl, in Seattle in 1971. Despite the economic downturn of the city at the



time, Starbucks appeals to the culture of Seattle whose residents prefer fresh foods and fresh coffee beans.

The owners want a name that reflects the company's Northwest heritage and decide on Starbucks, after the character Starbuck, the first mate on the ship Pequod in the book Moby Dick. The Starbucks logo is then developed from an old woodcut drawing of a two-tailed mermaid found in a book of marine art. The store opens with an old nautical interior design and the people of Seattle embrace the rich coffee.

Within a year, Starbucks is able to purchase a coffee roaster and no longer purchases coffee beans from Peet's. Starbucks continues to roast its coffee beans dark for rich flavor as opposed to lighter roasts most often sold commercially. Overall, the owners of Starbucks feel their mission is to educate people to the sophisticated taste of dark roasted coffee. Howard is swept up in the Starbucks product and the culture of excellence developed by its owners and returns to New York with high hopes of being part of the Starbucks experience one day.

In the opening of the book, the author establishes the principles of his youth including the disappointment in his father's lack of ambition as well as the author's own abilities to transport himself to a better life through his dreams and perseverance. The author has great respect for his father as a man but shares his disappointment that his father could never transcend his own boundaries and limitations in order to create a better life for his family. These limitations affect the author greatly and he vows to lead an entirely different life than the one lived by his parents. The author does acknowledge that he has been fortunate to have the gifts of dreaming and communication, both qualities that will serve him well in his entrepreneurial ventures.



# Part 1, To Italians, Espresso Is Like an Aria and Luck is the Residue of Design

## Part 1, To Italians, Espresso Is Like an Aria and Luck is the Residue of Design Summary and Analysis

Howard pursues the idea of joining Starbucks and approaches Jerry Baldwin on the idea of incorporating Howard into the company. After a year of discussions including merchandising and expansion ideas, Jerry hires Howard despite the apprehensions of others in the company who are not sure that an outsider from New York is the right fit. Howard takes a large cut in salary and moves to Seattle in order to be part of growing an organization for which he has respect and passion.

Before taking the job, Howard takes Sheri to Seattle and she soon relinquishes her interior design business in New York in order to move to the Northwest. Howard acknowledges that it is Sheri's unfailing support and willingness to take risks that are the foundation of his own success.

Prior to leaving for Seattle to live, Howard learns that his father has lung cancer. This news deeply conflicts Howard who wants to be with his father but who also knows that the opportunity for a great career is imminent. Howard visits his father who convinces Howard to make the move to Seattle. The family soon learns that Howard's father's prognosis is more favorable than originally thought and Howard is able to fully delve into his new career.

Howard learns the Starbucks business from roasting coffee to working behind the coffee counter in the store and falls in love with the business. Howard works hard to overcome the preconceived notions from other Starbucks employees that Howard will be a negative hire for the company. Howard also notices that the service in the Starbucks stores tends to be arrogant, a trait that makes many first time customers feel ill at ease, so Howard works with Starbucks employees to incorporate friendlier, more approachable styles.

In the spring of 1983, Howard has been working at Starbucks for a year and takes his first international trip for the company to Milan, Italy, to attend a housewares show. While in Milan, Howard witnesses the passion and enthusiasm the Italians experience over their food and coffee preparation. Howard takes particular note of the many espresso bars which dot the city's neighborhoods. Of particular note, Howard sees that the espresso bars seem to be comfortable gathering places for people who enjoy meeting friends and watching the expertise of the baristas.

Howard feels that this is a major distinction from American coffeehouses and hopes to incorporate this same feeling of camaraderie in Starbucks locations. Since Starbucks sells coffee only in loose bean form and not brewed coffee to be enjoyed in a café





setting, this idea will have to be sold not only to the customers but also to the management team at Starbucks.

Howard's dream of creating Starbucks cafés is dashed upon his return from Seattle where the Starbucks executives remain fixed on their concept of Starbucks as a retailer, not a restaurant. Howard soon learns that Jerry Baldwin has purchased Peet's Coffee and Tea, a real coup for Jerry who considers Peet's coffees to be the best in the world. The acquisition burdens Starbucks with debt and poses a challenge of merging the cultures of the two companies.

Howard witnesses a decrease in loyalty of the original Starbucks employees who see most of management's energy diverted to the former Peet's locations. Howard learns valuable lessons during this time about the need for building and maintaining employee trust and confidence. Harold also learns the burden of taking on debt in order to grow a company and learns firsthand the pitfalls of that business model.

It takes Howard a year to convince Jerry to try the concept of serving espresso in a new Starbucks store designed for both retail and café sales. Even though the space dedicated to espresso sales is small, the reception for the product is very positive. The espresso sales continue to soar yet Howard is once again disappointed when Jerry refuses to go forward with the venture, preferring instead to keep Starbucks as a coffee retailer. Howard manages to keep his disappointment at bay until he meets a Seattle lawyer named Scott Greenburg who convinces Howard that Howard can probably find investors who would support Howard's idea of espresso cafés.

Howard makes the decision to leave Starbucks in order to open his own espresso cafés. Once more, Howard is conflicted in his feelings because his meager upbringing taught him to never leave a good job yet Howard's passionate entrepreneurial spirit will not be quiet. In 1985, Howard follows his heart and hopes that success will follow.

The author uses the literary technique of flashbacks in the book. A flashback means that the author inserts a scene from the past so that the reader may understand the circumstances leading up to the current situation. In this book, the author begins each chapter with a small introduction to a situation, dilemma or philosophical stance and then uses flashbacks to build the chapters. In this way, the reader has both the sequence of events as recalled by the author as well as his feelings and emotions surrounding the events provided with some perspective.



# Part 1, Naysayers Never Built a Great Enterprise and The Imprinting of the Company's Values

## Part 1, Naysayers Never Built a Great Enterprise and The Imprinting of the Company's Values Summary and Analysis

In a surprising move, Jerry Baldwin invests \$150,000 in Howard's new coffeehouse business, cementing the personal and professional relationship the two men share. Gordon offers design help and even suggests the name for Howard's new business: Il Giornale. Gordon even accompanies Howard to Milan to seek more investors, beginning with an espresso machine manufacturer called Faema. Howard's initial venture into raising capital is not successful and he returns to the United States determined to find a way to raise the \$1.7 million necessary to launch his business.

A Seattle obstetrician, Ron Margolis, becomes Il Giornale's first investor with the sum of \$100,000, based primarily on Howard's vision and passion, not financial projections. Howard also finds an important investor in Arnie Prentice, co-chairman of a Seattle financial services firm. Before long, Howard has \$400,000, enough to build one store and hopefully convince Seattle of the appeal of Italian style coffeehouses.

The first Il Giornale store opens in April 1986 and Howard balances his time between making the store a success and attempting to raise the \$1.25 million necessary for the full Il Giornale plan. Howard balances his self confidence and his self doubt when he is repeatedly turned down by potential investors who do not believe that Il Giornale is a distinctive concept. Howard's contention is that he can reinvent the tired concept of a cup of coffee by interjecting the romance and style of an Italian espresso bar in major cities across America. Howard pulls in \$750,000 from a group of Seattle businessmen and finally has the full amount necessary to launch the Il Giornale expansion plan.

Prior to the Il Giornale store launch, Howard meets Dave Olsen, a man who will become an important business colleague throughout Howard's career. Dave had run a university coffeehouse and aligns with Howard to expand the ideas both men have for the potential for this type of business. Dave's penchant for the operations of a coffeehouse business is the perfect complement to Howard's visionary dreams and the two launch Il Giornale together.

By the time Il Giornale has been in business for six months, the café serves over 1,000 people each day, an amazing success which propels Howard into opening another Il Giornale store in downtown Seattle, followed soon by a store opening in Vancouver in



April 1987. By the middle of that year Howard is pleased that his initial idea is taking root and is being accepted by the people of the Northwest.

At the same time, Howard learns that Jerry and Gordon want to sell their Starbucks business and Howard must raise \$4 million to make the purchase. With the help of some of the initial Il Giornale investors, Howard manages to raise the necessary amount and knows that his life will be forever changed with this business acquisition. The Starbucks Corporation of today is actually the Il Giornale coffeehouse concept with the name acquired as a result of the purchase.

In this portion of Howard's story he relates the nerve wracking process of making his entrepreneurial dream come true. With a combination of vision and naiveté, Howard is fearless in the pursuit of his goal and advises the reader to never stop pursuing a dream in spite of roadblocks, especially from those who claim to have the dreamer's best interests at heart. This section is also important because it removes Harold even further from his childhood paradigm of not taking risks in favor of holding on to secure employment. Harold violates all his father's patterns and ways of thinking in this area and is poised for great success as a result.



# **Part 2, Act Your Dreams with Open Eyes and If It Captures Your Imagination, It Will Captivate Others**

## **Part 2, Act Your Dreams with Open Eyes and If It Captures Your Imagination, It Will Captivate Others Summary and Analysis**

The modern day Starbucks is born on August 18, 1987, when Howard returns as the new owner and CEO of the company for which he once worked. Despite the joy of many employees to see Howard return, Howard realizes there will be some Starbucks employees who will be apprehensive about their jobs and futures. Howard reassures the employees that he loves the company and that his plans for taking Starbucks to a national level will require the talents of everyone in the company. Howard has the advantage of knowing the company intimately but does not count on the low morale which has infiltrated the company during the months he has been gone. Trust of management and loyalty are major issues to address and Howard promises honesty and openness in order to re-gain employee trust.

Merging Il Giornale and Starbucks presents Howard with obstacles that he and his management team had not anticipated. These obstacles, coupled with the fact that neither Howard nor his managers had ever managed a large company before, places the new Starbucks team in a vulnerable position. Each of the management team pitches in to conquer tasks and objectives outside their areas of expertise in order to keep the company moving forward. Eventually Howard hires Lawrence Maltz as executive vice president in charge of operations, finance and human resources.

As Howard shares growth plans with shareholders he also establishes criteria of creativity and respect as the foundation on which the company will grow. These guiding principles will extend to employees, vendors, customers and everyone who has any contact with the Starbucks Company.

During the transition period, Howard and his team make the decision to keep the Starbucks name due to some brand equity and replace the Il Giornale logo on the old stores with the Starbucks name. The Starbucks logo is redesigned slightly to incorporate the personality of both companies by retaining the Starbucks mermaid but rendering it in the green used in the old Il Giornale logo.

In October 1987 Howard makes his first entrée into the national market by opening a Starbucks store in Chicago. Because this store is 2,000 miles from Seattle, management and operations is a logistical challenge as well as the preconceived notion that people in the Midwest will not gravitate from their familiar coffee brands to the dark



roasted Starbucks flavors. Howard pushes forward in spite of the possibility of consumer resistance. Starbucks is not overwhelmingly popular in the windy city yet Howard opens up three more stores in the Chicago area just to prove that the concept can catch on.

The lackluster response to Starbucks in Chicago dampens any further investor opinions of Howard's national rollout plan but eventually Starbucks does find acceptance in Chicago mostly due to the efforts of Howard Behar, hired to run Starbucks' retail operations. Today Starbucks is so firmly entrenched in the Chicago landscape that many people believe the company to be locally owned.

Acceptance of the Starbucks concept and products emboldens Howard to roll out stores in Chicago and the Northwest on an accelerated scale: 30 stores in 1990, 32 stores in 1991 and 53 stores in 1992. Howard is adamant that each store will be company-owned and not open to franchising so that quality control can be monitored and managed easily. In spite of Howard's increasing success, he is always cognizant of the possibility of competitive threats. Howard's strategy on this front is to stay focused on providing the best product and customer service in an inviting environment.

In 1991 Starbucks opens stores in California beginning with Los Angeles, hoping to capitalize on the growth potential of the public upon acceptance of the product in the entertainment world. Stores in San Francisco follow in 1992 while people in the coffee industry predict that Starbucks will falter from national expansion as the store openings move further and further away from the Seattle roasting plant. The solution to this dilemma comes with the development of a FlavorLock bag allowing harmful carbon dioxide to escape while preventing the entry of air and moisture which would harm the coffee beans.

The rapid adoption of Starbucks outside the Seattle area prompts Howard to deduce that the Starbucks experience provides attractive qualities beyond the actual product. These characteristics include a taste of romance, an affordable luxury, an oasis and casual social interaction. These qualities fill America's need for what is called "a third place," which is one other place for people to go in addition to work and home.

"People need informal public places where they can gather, put aside the concerns of work and home, relax and talk. Germany's beer gardens, England's pubs, and French and Viennese cafés created this outlet in people's lives, providing a neutral ground where all are equal and conversation is the main activity. America once had such spots, in its taverns, barber shops, and beauty parlors. But with suburbanization, they are vanishing, replaced by the self-containment of suburban homes," Chapter 8, p. 120.

Although Starbucks at this time is still a place for people to get coffee on the run, Howard is committed to creating store atmospheres where people can meet socially without the threat of violence, alcohol or age inappropriate activities.

Howard's experiences up to this point are a blend of serendipity and potential disaster, yet he perseveres and conquers each challenge. For example, the day the first



Starbucks store opens is the day the stock market crashes in October of 1987. The original Starbucks stores open during a major recession in the Seattle area yet manage to survive. Howard's good fortune could be attributed to luck and bright light as Howard's brother sees it or perhaps it is the result of unadulterated refusal to acknowledge failure. Either way, Howard's timing is fortuitous with the entrée of the Internet into American life when people need an important third place to connect and find Starbucks the perfect setting.



# **Part 2, People Are Not a Line Item and A Hundred Story Building First Needs a Strong Foundation**

## **Part 2, People Are Not a Line Item and A Hundred Story Building First Needs a Strong Foundation Summary and Analysis**

In January 1988 Howard receives word that his father's cancer has worsened and Howard arrives in New York in time to speak to his father the day before his father dies. Howard is once again conflicted by his father's inability to achieve much in his life just as Howard is on the threshold of major business success. Eventually Howard reconciles his emotions and accepts his father for the man he was instead of focusing on the man his father was not.

Back at work Howard focuses on improving the pay and benefits of Starbucks employees. Howard's goal is to become a company that many people aspire to work in and knows that generous paychecks and benefit options are a major part of that equation. In the 1980's when healthcare costs rise exorbitantly, Howard institutes health care benefits for all Starbucks employees, even those who work as little as twenty hours a week. Starbucks board members are less than happy with Howard's healthcare initiative but Howard reasons that people who are cared for will show loyalty in return, thus reducing employee turnover.

Another one of Howard's internal initiatives is the development of a Mission Statement so that everyone inside Starbucks will know inherently what the company stands for. The creation of a Mission Review team consisting of people from all areas of the company who meet regularly to discuss employee and company issues is a unifying element in the rapidly expanding Starbucks organization.

In October, 1990, Howard is able to report the first profitable year for Starbucks and in May, 1991, launches an employee stock option plan called Bean Stock. Howard's plan is to provide the opportunity for employees to share in the growth of the company that they are helping to grow every day. The program is overwhelmingly received and from this time forward Starbucks workers are called partners, not employees.

In 1988, Howard must report a major financial loss to the Starbucks board and wonders if this will be the end of his tenure as head of the corporation. Howard is able to fend off the verbal blows about his inability to direct the organization and proposes that Starbucks needs three things in order to get into the black: a management team befitting the expansion plans, a world-class roasting facility and an information technology system to track sales in all the stores.



Fortunately the board supports Howard's vision and he forges ahead with his plan and hires executives who have the skill sets to direct a company with Starbucks' growth objectives. The second initiative Howard completes is the installation of a high-speed coffee bean roaster and packaging equipment to better serve the needs of the company's expanding operations. In 1991 Starbucks installs an integrated computerized point-of-sale system to link all Starbucks stores and help track sales, growth, and inventory.

While Howard thrives on the fast-paced world he has created, he realizes that perhaps his dream is getting too big to manage without some help from someone who has done something similar. Howard finds his mentor in Jeff Brotman, the founder of Costco Wholesale stores. Although Costco is a much larger organization than Starbucks, Howard benefits from Jeff's strong retail experience and aptitude for growth strategies.

Even though Howard's father is not physically present during the time period when Howard makes his push for national growth, his father is present in Howard's thoughts and sensibilities. Howard's father's death makes it even more critical to Howard to create a good, responsible company, one in which Howard wishes his father had had the chance to work. The lack of respect and low compensation that plagued Howard's father for his entire life is something that Howard wants no one else to experience. To that end, Howard creates generous pay levels and healthcare benefits for all Starbucks employees and tries to run the business with respect for those who are on the front lines each day. Ironically, Howard's father does not live to see the success of the plans set in motion by a son driven to meet the needs of his father by treating other people with dignity.





# **Part 2, Don't Be Threatened by People Smarter Than You and the Value of Dogmatism and Flexibility**

## **Part 2, Don't Be Threatened by People Smarter Than You and the Value of Dogmatism and Flexibility Summary and Analysis**

In 1990, Howard realizes that he must hire executives with different skills from his own in order to grow the company. The company hires Orin Smith, a man ten years Howard's senior, to serve as Starbucks chief financial officer. Howard, Orin, and Howard Behar, head of retail operations, become known as "H2O" within the Starbucks organization for their synergistic roles. Howard Schultz is critical for the vision of the company; Orin is charged with financial responsibility; and Howard Behar tends to the company's soul.

During this period of rapid growth, Howard knows that although he must leave processes to those with skills in those areas, he has two tenets which are to remain intact regardless of other changes. Howard firmly believes that a business must stand for something and have at its core a product that is better than people even realize they want. It is also important for Starbucks to do anything within its power to honor customer requests. Howard Behar eventually advises Howard on this last point because of the possibility of losing sales if a company is too restrictive in its code of operations. Starbucks now caters to customer needs such as low fat or skim milk in drinks and also offers flavored syrups to add to coffee drinks although the company does not roast its beans with additional flavors added.

Because there is potential for disaster at every step in the coffee roasting, brewing and serving process, Howard remains adamantly opposed to franchising the Starbucks concept so that standards can be controlled by the company and not fragmented by a network of independent store owners. Howard does enter into agreements with some companies such as airlines whose employees are trained to properly serve Starbucks coffee on their flights.

One of Howard's strengths is his ability to see the core capabilities of people and how those capabilities can best serve Starbucks. This laser vision is also directed on himself periodically as Howard projects into the future to determine what the company will need. Howard is well aware of his own strengths and weaknesses and is able to confidently integrate people with the best skill sets into necessary positions. While the company grows, there is no question that Howard is at the helm but he also encourages input and ideas other than his own, a quality which makes people feel valued and inclined to stay, an important factor in the business world.



# **Part 3, Wall Street Measures a Company's Price, Not Its Value and As Long As You're Reinventing, How About Reinventing Yourself?**

## **Part 3, Wall Street Measures a Company's Price, Not Its Value and As Long As You're Reinventing, How About Reinventing Yourself? Summary and Analysis**

When the decision is made to take Starbucks public, the company is courted by many huge investment banks but Howard feels as if the bank representatives do not understand the importance of Starbucks' intangible value as well as its financials. Howard will not settle until he finds a bank which understands that Starbucks is much more than just another café. After interviewing a string of bankers, Howard is delighted to find Dan Levitan from the firm of Wertheim Schroder whom Starbucks eventually hires to take them from a private to a public company in 1991.

Finally on June 26, 1992, Starbucks goes public and is listed on the NASDAQ stock exchange in New York City as SBUX. The Starbucks stock is one of the most successful Initial Public Offerings (IPO) of the year and its continuing success validates the brand in public perception and positions the company for solid growth.

One of the drawbacks of having a public company is the scrutiny of personal and professional lives as well as the unending job of meeting Wall Street expectations. Starbucks sales are now scrutinized by outsiders on a daily business and Howard finds the adjustment to this to be daunting. Howard takes the philosophical position that the company will stay true to its mission and will continue to offer high quality products in an elegant environment and weather the storms of the volatile stock market.

In April, 1993, Starbucks opens its first store on the East Coast in Washington, D.C., mostly for the large number of Europeans and former West Coast residents living there. The Starbucks mail order business also has a strong showing in the Washington, D.C. area which also helps to cement the decision.

In that same year, Howard turns forty and his picture appears on the cover of Fortune magazine for a story about the fastest growing companies in America. Always a little apprehensive about the outward trappings of success, Howard wonders how long the Starbucks phenomenon can survive, especially in light of the wave of competitors attempting to emulate the Starbucks business model. Howard does not hesitate and opens stores in Boston and New York City in 1994. By the end of that year there are Starbucks stores in Minneapolis, Atlanta, Dallas, Fort Worth and Houston. In 1995

stores are opened in Philadelphia, Las Vegas, Austin, San Antonio, Baltimore, Cincinnati and Pittsburgh.

The company launches an aggressive barista training program to keep up with the rapid growth and the real estate and store planning group in Seattle develops a system to facilitate each store opening. In order to keep up with the growing list of stores, Starbucks opens another roasting plant in Kent, Washington. In 1993, the executive offices are moved to a nearby warehouse to accommodate the burgeoning corporate staff.

The seemingly unending string of store openings begins to take its toll on Howard's emotions because he cannot devote as much time as he would like to his family or to his own personal pursuits. Howard rationalizes that this is just one more time that he must reinvent himself just as he has done before. Starting out as a dreamer, Howard moved to entrepreneur, then on to professional manager and now as company visionary. In 1994, Howard promotes Orin to President and Chief Operating Officer while Howard will remain Chairman and Chief Executive Officer so that Howard can step away from daily responsibilities and focus on creative ideas.

Through all the growing pains and struggles to improve the company, Howard amazingly stays focused on the objectives he has set for the company and for himself. From the very beginning, Howard has known what he wants the company to be and he will not be distracted from that for any reason other than those that better serve the customers. Likewise, Howard knows his core capabilities and strengths and steps aside to let others do what he is not capable of doing. This is the mark of true leadership and of someone who has the best interests of the company, employees and shareholders at heart.



# **Part 3, Don't Let the Entrepreneur Get in the Way of the Enterprising Spirit and Seek to Renew Yourself Even When You're Hitting Home Runs**

## **Part 3, Don't Let the Entrepreneur Get in the Way of the Enterprising Spirit and Seek to Renew Yourself Even When You're Hitting Home Runs Summary and Analysis**

Howard finds that sometimes his entrepreneurial way of thinking prevents other people in the company from exploring their own ideas or having ideas that are not allowed to be fully developed before being judged. One instance of this happening is the creation of the now popular Frappuccino drink. The Starbucks stores in the Santa Monica, California area are frustrated because of the lack of cold drinks to offer customers and request a blended beverage. Howard denies the request because it is counter to the nature of their coffee offerings.

When two local store managers develop a prototype for a blended icy drink, the reaction is positive but the drink has an uneven consistency. The test drink recipe is presented to the Starbucks food and beverage department which develops a product that is worse than the first one. Soon another store manager in the Santa Monica area experiments with the coffee and ingredients and develops a blended drink that gets rave reviews from local customers. Eventually the new drink recipe is refined at the Starbucks food and beverage department and the Frappuccino is born and rolled out nationwide with great success.

Soon after, Starbucks enters the music business when one of the store managers, who has received positive feedback about the music selections in his store, approaches Howard with the idea to create CDs of Starbucks compilations. Starbucks strikes a deal with AEI Music to develop CDs of jazz music from the famous Blue Note label which are to be sold exclusively in Starbucks stores.

Howard's newfound openness to different ideas is proving to be successful and validates his claim that any business person must continually evaluate his or her position and focus regardless of whether circumstances are good or unfavorable. Howard now feels comfortable moving the coffee business into other untried areas in order to reinvigorate a product which up until now has had limitations.

One great new idea for Starbucks products comes from an unexpected source, a California biologist named Don Valencia. On a whim one day, Don applies some of his



biological tests to coffee and develops a concentrated coffee extract that people cannot differentiate from real brewed coffee. Later that year Don visits his in-laws in Seattle for Christmas and takes a sample of his extract to the Starbucks store at Pike Place Market. The baristas mix the extract with water and admit that the brew has potential.

Howard soon learns about Don's extract and wants to enter into a partnership with Don but the Starbucks board blocks the move. After three years of meetings, ideas and rationales presented, Howard hires Don as head of research and development for Starbucks. The extract that Don made now serves as the base for many Starbucks products including beer, ice cream and bottled beverages.

In 1992, Howard meets with the Pepsi Company for preliminary discussions on the possibilities of partnering. Howard is intrigued with the idea of selling bottled coffee drinks but needs the help of a huge distribution company like Pepsi. The two companies eventually form the North American Coffee Partnership to develop coffee-based products for mass distribution. After struggling through the differences in each other's businesses and after one failed product launch, the partnership ultimately develops the successful bottled version of the Frappuccino.

1995 brings even more Starbucks-based products, including the popular Double Black Stout developed with a Seattle company called Redhook Ale Brewery. Later that year Starbucks partners with Dreyer's Grand Ice Cream to develop Starbucks coffee flavored ice creams. In July 1996, Starbucks rolls out the national distribution of its ice cream flavors: Italian Roast Coffee, Dark Roast Espresso Swirl, Javachip, Caffe Almond Fudge and Vanilla Mocha Swirl with Low Fat Latte following the next year. These new products are overwhelmingly received by the national consumers and Starbucks has more success to add to its roster.

Throughout the book the author consistently provides examples that support his business objectives and code of conduct and it is interesting to watch the evolution of his thinking as the company grows. Initially Howard is an absolute purist in his product, allowing no variations on how it is delivered. However, as Starbucks grows, as with any growing company, it is necessary to look into other areas from which to garner profits. After all, a cup of coffee seems to have limited growth potential. Howard realizes this and expands the product offerings to include ice cream and bottled beverages. What makes these ventures successful is not only the great taste of the products but the integrity of the flavor and quality which is maintained, just as Howard demands the quality in the coffee products sold in Starbucks stores.



# **Part 3, Crisis of Prices, Crisis of Values and The Best Way to Build a Brand is One Person at a Time**

## **Part 3, Crisis of Prices, Crisis of Values and The Best Way to Build a Brand is One Person at a Time Summary and Analysis**

In June 1994 Starbucks faces a crisis when the price of coffee beans soars due to a severe frost in Brazil. Even though Starbucks does not buy beans from Brazil there are many companies that do and the shortage will drive up the price of beans grown all over the world. Over the span of several weeks Starbucks attempts to manage the crisis with the severely fluctuating coffee prices. Fortunately Starbucks has some raw coffee beans in inventory to manage the short term but as the crisis extends, Howard and his executives are faced with the major question of whether or not to raise prices and risk losing customers.

While other coffee companies raise their prices, Starbucks stays fixed until a short time later when news comes that Brazil has suffered yet another freeze even worse than the first one. To complicate the issue of daily operations during the crisis, the executives at Starbucks are bombarded with calls from media and stock analysts wondering how Starbucks will proceed. While the other major coffee companies raise their prices considerably, Starbucks raises their prices to just under ten percent, about five or ten cents on each beverage.

Although coffee prices continue to rise, Starbucks decides to buy a huge quantity of Colombian coffee in order to guarantee that they will have product in stock. Soon after the coffee prices come down to almost normal prices and Starbucks must increase its prices slightly in order to accommodate the inventory purchased in quantity. Although it is difficult to charge increased prices, Starbucks executives know that they have done the right thing by buying the huge quantity of beans because there was no way of predicting whether or not coffee prices would climb or drop to normal. Throughout the crisis, the executives remain committed to being able to provide not only coffee, but the best quality available to their customers.

In 1996, Starbucks opens its first store in Tokyo, Japan, and Howard watches amazed at the crowd of people lining up to gain entry into the store. There had been no advertising or promotion yet people know the Starbucks brand and what it represents and are willing to wait for the experience. Starbucks had clearly crossed the international barrier to brand awareness.



Although Howard's background is in marketing, he used minimal marketing tactics, relying instead on word of mouth exposure from satisfied customers. Howard is quite satisfied that the Starbucks brand has grown one customer at a time and feels that the company's competitive advantage is the personal communication provided by store employees as opposed to other coffee companies whose sales are generated in supermarkets. Howard's contention is that customers will stay loyal to a brand if they gain trust and shared values with a company which is the Starbucks model.

As Starbucks continues to grow, Howard realizes the need for a person to champion the Starbucks brand for integrity and consistency. Howard hires Scott Bedbury, former director of advertising for Nike, whose goal is to position Starbucks as a continually evolving company on the cutting edge of trends, information and services that people want.

By this point in the book, the reader understands that the story is not told in chronological order. The author presents his story by topic which allows him to explore subjects in more detail than if he had chosen to give more of a timeline view. This technique is more interesting for the reader overall but the reader must understand that the author goes back and forth in time when relaying his concepts and know that the story is not a continually evolving progression.





# **Part 3, Twenty Million New Customers Are Worth Taking a Risk For and You Can Grow Big and Stay Small**

## **Part 3, Twenty Million New Customers Are Worth Taking a Risk For and You Can Grow Big and Stay Small Summary and Analysis**

In January 1996 United Airlines begins serving Starbucks coffee on its flights and Howard receives news that the quality is not up to Starbucks standards. Howard had known that allowing someone else to brew and serve Starbucks coffee was a risk but the opportunity to reach thousands of people who had never tried Starbucks had been an alluring idea. Upon hearing the disturbing news about the lowered quality on the flights, Howard immediately puts a team in place to investigate the situation.

The result is stricter controls on the water and containers used for brewing as well as training classes for United employees who are responsible for providing in-flight coffee. Valuable lessons learned, Howard feels that the partnership with United is one of the best moves Starbucks has ever made.

As Starbucks continues to grow, Howard grapples with the issue of retaining small company values in a huge corporation. Again, Howard returns to the core values and principles of the company to provide the best quality product in an interesting environment and makes all his decisions accordingly. Since the company is expanding at an amazing rate, it is held up for scrutiny and in some cases, derision for its practices. Although Howard is bothered by false claims, he is undeterred in his vision for Starbucks growth by maintaining authenticity in the products and the way they are delivered.

At this point in the book, the author has become more philosophical in his tone. Having delivered the foundation for the mechanics of establishing and building the Starbucks Company, the author is now faced with moral and ethical challenges that are inherent with the growth and exposure of an international company. The evolution of a company is consistent with the evolution of a person who can expand his thinking and take risks after basic human needs are met. The author has realized not only the impact that his dream has had on him but also the impact on the world, both good and bad.





# **Part 3, How Socially Responsible Can a Company Be? and How Not to Be a Cookie-Cutter Chain**

## **Part 3, How Socially Responsible Can a Company Be? and How Not to Be a Cookie-Cutter Chain Summary and Analysis**

With corporate growth comes exposure and Howard is amazed at the individual and group detractors rising up with claims that Starbucks has other than positive intentions in the markets in which it opens stores and in its commitment to worthy global causes. One such situation is a defamatory campaign launched by a group of Guatemalan labor activists in Chicago, claiming that Starbucks pays Guatemalan workers two cents a pound for beans which Starbucks will sell for nine dollars a pound. Starbucks employs no coffee pickers and has no control over how much their coffee growers pay their workers, facts of which the general public has no knowledge.

After this unfortunate public relations incident Starbucks develops a code of conduct with guidelines for interactions with coffee producers and steps up its philanthropic activities in those countries.

Another global issue Starbucks faces is the paper cup in which their coffee is served for customers who want their coffee to go. Employees begin to serve the very hot coffee in a cup nested inside another cup so that the customer may comfortably hold the beverage. Obviously this doubles the cost and the amount of waste created—a burden on the environment. The switch to a polystyrene cup would be more cost effective for the company, but the recycling of the cups creates an impossible dilemma. Eventually Starbucks develops a recycled corrugated cardboard band to slip on the paper cup to prevent customer burns and also cut down on waste material.

One of the most critical issues to Starbucks' continuing success is Howard's commitment to elegant style in design. This obsession extends not only to store design but also to packaging and promotional materials. By keeping the level of visual design at a sophisticated level Starbucks is able to maintain its client base of discriminating customers who appreciate quality and style. Today Starbucks has an interior design department that utilizes both a template for store design as well as local acquisition of furniture and materials to make the stores relevant for their areas.

In this section the author shares the breadth of the areas to which he must attend on a daily basis—international labor issues, environmental causes and graphic design—all compete for his attention. While the author continues to tout his focus on the core values and guiding principles of the business to guide his decisions, it is clear that he

enjoys the variety of situations and applications on which he advise his leadership team. The qualities of integrity, innovation and style are pervasive in the Starbucks brand as exhibited by the author who embodies the very same personal qualities.



# **Part 3, When They Tell You to Focus, Don't Get Myopic and Lead With Your Heart**

## **Part 3, When They Tell You to Focus, Don't Get Myopic and Lead With Your Heart Summary and Analysis**

The Christmas season of 1995 is the worst holiday season ever experienced in Starbucks history. Bad weather keeps shoppers away from stores in many regions; traditional packaging is changed to a design that is not as acceptable to customers, both in design and size options; and the stores are stocked with expensive espresso machines instead of more affordable gift options. For the first time in Starbucks history, Howard gathers the Seattle team and shares his concerns rather than disguising his angst about not making the sales goals for the company.

Howard's honesty receives mixed reviews from employees and managers but he feels it is time for his role to transition from that of cheerleader to more of a colleague dealing with obstacles that can be solved by everyone involved. The disappointing Christmas season of 1995 impacts other major national retailers too but Howard is determined to encourage his team to anticipate trends and to develop blockbuster products that will eclipse any retailing downturns.

Howard examines his leadership role at Starbucks and remains committed to driving products that provide the best customer experiences all over the world. Howard is also unforgiving in his pursuit of excellence in all aspects of Starbucks operations as well as interactions with employees and customers and Howard feels that providing a sense of hope and aspiration to excellence are the principles that will continue to drive Starbucks' success.

The author closes the book with a reference to a crystal ball he has received from a local youth organization for his ability to lead and envision a bright future. This comes full circle from the reference to a crystal ball the author imagines with dread as a young boy, one with no apparent hope for a promising future. Although many years have passed since the initial thoughts of a crystal ball, the author's message of hope, perseverance and integrity offer encouragement to anyone willing to risk the commonplace for an extraordinary life.



# Characters

## Howard Schultz

Howard Schultz is the founder, Chairman and Chief Executive Officer of the Starbucks Corporation. Born in Brooklyn, New York, Howard is one of three children in a poor family headed by a father with unrealized potential and a loving mother who lives day-to-day yet maintains high hopes for her children. Howard possesses amazing internal strength and drive coupled with a magnetic personality which propel him out of the limiting circumstances of his youth into an international sales career. Howard's interest and intrigue in many issues introduces him to a small coffee shop in Seattle called Starbucks and Howard is caught up in the passion and enthusiasm of the company. Howard works for Starbucks for a short time but leaves to pursue a more authentic concept of an Italian espresso café and opens up his own shops called Il Giornale. Eventually Howard purchases the original Starbucks Company and develops it into an international business phenomenon. Driven by his childhood ghosts of deprivation, the support of his wife and his own internal energies and passions, Howard transcends the life his father knew and Howard is both pleased with his success and melancholy that his father did not live to see Howard's success.

## Mr. Schultz (Howard's father)

Howard's father is not an active person in the timeline of the Starbucks story but he is the driving force behind Howard's behavior and is always present in Howard's mind as Howard makes decisions for Starbucks. Howard's father is a good man but has no advanced education or training and works in a long line of unskilled jobs barely able to provide for his wife and three children. Even as a child Howard does not understand his father's dilemma which keeps the family mired in their desolate circumstances and Howard wishes his father could be more aggressive in order to change their lives for the better. Howard's father does the typical things with his children that most fathers do in the 1950's and 1960's such as taking the children to New York Yankees baseball games and introducing them to the concept of loyalty to baseball players through good times and bad. When Howard's father is diagnosed with lung cancer Howard is once again reminded of his father's lifetime struggles and how unfair this terminal illness is to strike a man so deserving of some good fortune. It speaks highly of Howard's father that he encourages Howard to continue with his life plan to move to Seattle for the big opportunity with Starbucks instead of remaining in New York while Howard's father battles the cancer. After his father's death, Howard makes many decisions with his father in mind, hoping to build a company that would have been a good employer for people like his father and that would have also made his father proud of his accomplishments.



## **Mrs. Schultz (Howard's mother)**

Howard's mother does not figure into the action of the story but she is noted for her unflinching love for her family and her hopes for better lives for her children. Howard's mother does not work outside the home and dedicates her life to her family. The close financial circumstances constricting the family rule Howard's mother's perspective on life and she struggles with the risks that Howard takes when he eschews regular employment for entrepreneurial risks. Eventually Howard's mother relaxes her fears for Howard when she witnesses his huge business success.

## **Sheri Kersch Schultz**

Sheri Kersch Schultz is Howard's wife, a woman he meets at a Fourth of July outing in the Hamptons in 1978. Sheri is an interior designer who relinquishes her promising career in New York City when Howard's enthusiasm for working for a company called Starbucks convinces her that this will make Howard happy. Although she enjoys the life afforded by the eventual wealth provided by Starbucks success, Sheri endures cancelled family vacations and pre-empted times with her husband when critical business issues arise. Howard credits Sheri's unflinching support of him and his dreams for foundation of his success.

## **Gordon Bowker**

Gordon Bowker is one of the original owners of the Starbucks Coffee, Tea and Spice Company in Seattle, Washington.

## **Jerry Baldwin**

Jerry Baldwin is one of the original owners of the Starbucks Coffee, Tea and Spice Company in Seattle, Washington.

## **Zev Siegl**

Zev Siegl is one of the original owners of the Starbucks Coffee, Tea and Spice Company in Seattle, Washington.

## **Scott Greenburg**

Scott Greenburg is a Seattle attorney who guides Howard into the process of acquiring investors to open up his own espresso cafés.



## **Kenny G**

Kenny G is a celebrity saxophonist and a personal friend of Howard's and supports Starbucks by playing at store openings and other events.

## **Ron Margolis**

Ron Margolis is the Seattle obstetrician who invests \$100,000 in Howard's Il Giornale venture.

## **Arnie Prentice**

Arnie Prentice is the co-chairman of a Seattle financial services company who invests in Howard's Il Giornale venture.

## **Dave Olsen**

Dave Olsen is a coffeehouse proprietor in Seattle who partners with Howard to establish Il Giornale and becomes an executive in Starbucks Corporation.

## **Lawrence Maltz**

Howard hires Lawrence Maltz in November 1987 to be Starbucks' executive vice president of operations, finance and human resources.

## **Howard Behar**

Howard Behar is hired in 1990 to head up the Starbucks retail operations.

## **Jeff Brotman**

Jeff Brotman is the founder of Costco Wholesale stores and becomes Howard's trusted friend and business mentor.

## **Orin Smith**

Howard hires Orin Smith in 1990 to become Starbucks' chief financial officer.



## **Dan Levitan**

Howard hires investment banker Dan Levitan from the firm Wertheim Schroder to take Starbucks from a private to a public company in 1991.

## **Don Valencia**

Don Valencia is a biologist from California who, in a whimsical experiment, develops coffee extract which extends the options for the Starbucks product line.

## **Scott Bedbury**

Howard hires Scott Bedbury, former director of advertising for Nike, to head the Starbucks branding initiative in 1995.



## **Objects/Places**

### **Bayview Housing Projects, Canarsie, Brooklyn, New York**

Howard grows up as an underprivileged child in the Bayview Housing Projects in the Canarsie neighborhood of Brooklyn, New York, in the 1960's.

### **Northern Michigan University**

Howard attends Northern Michigan University in Marquette, Michigan, on a football scholarship.

### **Xerox Corporation**

Howard takes his first professional job in sales at Xerox Corporation in New York.

### **The Hamptons**

The Hamptons is a group of small towns and beach areas located in Eastern Long Island, New York. Howard meets his wife while spending a holiday weekend there and eventually buys his own Hamptons property after achieving his wealth.

### **Manhattan**

Howard and Sheri live in Manhattan during Howard's employment with Perstorp.

### **Seattle, Washington**

Seattle, Washington, is the original location of the first Starbucks Coffee stores and remains home of the Starbucks Corporation today.

### **Pike Place Market**

Pike Place Market is a well-known open market in Seattle and one of the city's main tourist attractions.





## **Peet's Coffee and Tea**

Peet's Coffee and Tea is founded by Dutch coffee roaster, Alfred Peet, whose stores are located in California.

## **Milan, Italy**

Howard travels to Milan to attend a housewares show and learns about Italian coffeehouses and espresso drinks.

## **Espresso**

Espresso is a very rich, dark coffee drink that can be enjoyed straight or as the base for other coffee beverages.

## **Caffè latte**

Caffè latte is an Italian coffee drink made from espresso and hot foamed milk.

## **FlavorLock Bags**

Starbucks begins to use FlavorLock bags in 1989 so that coffee beans can be shipped nationally without losing their flavor integrity and quality.

## **Third Place**

A Third Place is a nonthreatening gathering spot for people to go for social interaction in addition to work and home.

## **Bean Stock**

Bean Stock is the Starbucks employee stock option program initiated in May of 1991.

## **Mission Statement**

The Starbucks Mission Statement outlines the core values and guiding principles for the company.

## **NASDAQ**

NASDAQ is an American stock exchange located in New York City. The acronym stands for National Association of Securities Dealers Automated Quotation System.

## **SBUX**

SBUX is the Starbucks name as listed on the NASDAQ.

## **IPO**

IPO is an acronym for Initial Public Offering which means the first sale of a stock by a public company.

## **Frappuccino**

A Frappuccino is a blended drink consisting of dark-roasted coffee, ice and milk.



# Themes

## Dreams

Howard is a self-proclaimed dreamer, a characteristic of his personality he realizes even at a very young age. It is Howard's ability to dream that catapults him out of a severely restricted life and future in Brooklyn to become an international business success. Howard is able to dream bigger than the owners of the original Starbucks who are limited to their original business model and miss out on huge success. Howard's visit to Milan to experience the espresso cafés sets even more dreams in motion when he envisions his own network of Italian coffee shops in the U.S. Not everyone can see Howard's dreams but he reaches a moderate level of success on his own. When the opportunity to buy the original Starbucks store presents itself, Howard's dreaming mechanism kicks into high gear and he is able to convince investors that they too can have a piece of this potentially profitable venture. Harold never strays far from his original dream for his coffee houses which provide only the best products and services to his customers and that serves as the foundation of his huge success. Howard is very generous with sharing the dream and extends benefits and proceeds to employees and shareholders as well as through philanthropic activities. Ultimately, the Starbucks Corporation is a dream realized by a boy unwilling to be limited by a restrictive past which had stifled the dreams of so many other and Howard realizes his good fortune by not only his ability to dream but also the wherewithal to make those dreams a reality.

## Integrity

Even as a small boy, Howard senses the value of integrity as he watches his father live a challenging life without complaint. Howard's parents live good lives and care for their children in spite of daunting circumstances, providing an invaluable foundation and behavior model for Howard. Howard's passionate personality is able to take the core of his own integrity and translate it to a very focused business model uncompromising in its principles and code of conduct. Every decision Howard makes is based on whether or not the issue or decision will violate the personal or professional integrity of the business or products. Howard even integrates integrity into the employee issues he develops such as generous pay, healthcare benefits and stock options. Always cognizant of the integrity instilled in him by his father, Howard guides his life and the business by a compass made of authenticity, honesty and trust. Integrity is such a major factor for Howard that he makes every hire—from investment banks to baristas—based on his feeling of whether or not the person has a good heart and is a person of principle. Howard is also a fanatic about the integrity of the stores and refuses to let the concept be franchised to eliminate the possibility of someone diminishing the brand he has worked so hard to build. During the turbulent times of the development of the Starbucks expansion, there were times when it would have been cheaper or easier to take shortcuts in operations or product quality but Howard never wavers in his focus on quality and principle for the short and long term.



## Socialization

Part of Starbucks' huge success can be attributed to its ability to provide socialization during a time when the people of the world are being more fragmented and less inclined to interact. The advent of the Internet at the same time as Starbucks is growing lets people reach around the world electronically yet limits personal interactions as people stay home and sit at their computers. Starbucks provides a safe place for people to gather in many communities and has become an icon for a relaxed, yet sophisticated place to meet for business or social purposes. Starbucks also appeals to a more upscale clientele more likely to conduct business on laptops while combining the ritual of socializing and networking. Every business phenomenon throughout history has had a popular culture or historical element associated with its success and being able to provide human interaction during an escalating impersonal world is the element on which Starbucks has capitalized and prospered. There are many places to buy a cup of coffee in any city in the world but it is hard to imagine a world today without Starbucks, not only for the quality products but the romance, drama and practicality of the socialization it provides.

# Style

## Perspective

This nonfiction book is written in the first person narrative perspective. This means that the person telling the story is the author himself and he delivers his views and relates events according to his own perception of them. The author does not supply any insight into the motives, feelings or actions of any other people and can only relate instances about these people from his own point of view. When there are conversations detailed, the author can simply relate what the other person says, and although the author may guess at the other person's thoughts, he cannot share them with the reader. Because the nature of the book is a nonfiction account of a person's philosophy on different topics, there is little room for any other points of view. This relaying of personal thoughts is punctuated at times by the retelling of events or incidents to add some dimension to the book, and everything is still from the author's own experiences and perspective. While this technique can be viewed as limiting, the author is able to provide much detail on his own thoughts and emotions which would not otherwise be available to the reader and is in complete alignment with the nature of the work.

## Tone

The tone of the book is very informal and engaging, almost as if the reader is having a one-on-one meeting with the author. The language is informal and casual, defining the author's personality and energy. There are a few slang usages of words but they are in context with the dialogue and appropriate for the work. The narrative is also very high energy with a sophisticated wit, belying the author's own personal style of speaking and managing his interactions with his business colleagues and customers. While the piece is very high energy, there is an undercurrent of authenticity and sincerity throughout the book which makes the story believable. This is important to note because a business biography can be a dry retelling of notable points on a timeline, but this book rushes in with enthusiasm and pulls in the reader who is anxious to share the Starbucks experience from the very first page. The book has the perfect mix of energy and excitement tempered with maturity and obligation to the business and the reader, which makes it a very engaging piece.

## Structure

The book contains a prologue of what the reader will come to understand as the author's personal philosophy: Care more than others think wise; Risk more than others think safe; Dream more than others think practical; Expect more than others think possible. The book is then divided into three parts: the years up to 1987, 1987-1992 and 1992-1997. These divisions are consistent with Howard's personal and professional evolution, with the first part describing his childhood and the events leading up to his



discovery of the original Starbucks Company. The second part covers the years that Howard grows Starbucks as a private company and the third details the issues and organizational challenges of taking Starbucks public. There are a total of 24 chapters, each of which has special structural elements including an inspirational quote at the beginning. These quotes are written by noted authors and philosophers and indicate the message in the upcoming chapters. Most of the chapters begin with a brief summary of the situation which is about to be explained in more detail in the chapter. Within each chapter there are also subheads to break up and provide graphic relief in what could be considered very long narrative. The narrative does not flow in a chronological timeline format but rather focuses on topics and main points of the company's growth, which accounts for some of the back-and-forth of dates within the story.

## Quotes

"I wanted to blend coffee with romance, to dare to achieve what others said was impossible, to defy the odds with innovative ideas, and to do all this with elegance and style," Chapter 1, p. 11.

"Fear of failure drove me at first, but as I tackled each challenge, my anxiety was replaced by a growing sense of optimism. Once you overcome seemingly insurmountable obstacles, other hurdles become less daunting. Most people can achieve beyond their dreams if they insist upon it. I'd encourage everyone to dream big, lay your foundations well, absorb information like a sponge, and not be afraid to defy conventional wisdom. Just because it hasn't been done before doesn't mean you shouldn't try," Chapter 1, p. 19.

"It wasn't until I discovered Starbucks that I realized what it means when your work truly captures your heart and your imagination," Chapter 1, p. 23.

"We can innovate, we can reinvent almost every aspect of the business except one: Starbucks will always sell the highest quality fresh-roasted whole-bean coffee. That's our legacy," Chapter 2, p. 36.

"In daily life, you get so much pressure from friends and family and colleagues, urging you to take the easy way, to follow the prevailing wisdom, that it can be difficult not to simply accept the status quo and do what's expected of you. But when you really believe—in yourself, in your dream—you just have to do everything you possibly can to take control and make your vision a reality," Chapter 3, p. 44.

"Serving espresso drinks the Italian way could be the differentiating factor for Starbucks. If we could re-create in America the authentic Italian coffee bar culture, it might resonate with other Americans the way it did with me. Starbucks could be a great experience, and not just a great retail store," Chapter 3, p. 52.

"In hindsight I can say it was fortunate that I learned those lessons when I did. In those days, I had no idea I would ever head any company, let alone Starbucks. But because I saw what happens when trust breaks down between management and employees, I understood how vitally important it is to maintain it. And because I saw the harmful effects of debt, I later made the right choice to raise equity instead. These two approaches became critical factors in the future success of Starbucks," Chapter 4, p. 57.

"Part of what constitutes success is timing and chance. But most of us have to create our own opportunities and be prepared to jump when we see a big one others can't see," Chapter 4, p. 64.



"It's those who follow the road less traveled who create new industries, invent new products, build long-lasting enterprises, and inspire those around them to push their abilities to the highest level of achievement," Chapter 5, p. 66.

"Whatever your culture, your values, your guiding principles, you have to take steps to inculcate them in the organization early in its life so that they can guide every decision, every hire, every strategic objective you set. Whether you are the CEO or a lower level employee, the single most important thing you do at work each day is communicate your values to others, especially new hires. Establishing the right tone at the inception of an enterprise, whatever its size, is vital to its long-term success," Chapter 6, p. 81.

"At thirty-four, I was at the beginning of a great adventure. What would keep me on track was not the size of my holdings but my heartfelt values and my commitment to building long-term value for our shareholders. Every step of the way, I made a point to underpromise and overdeliver. In the long run, that's the only way to ensure security in any job," Chapter 6, p. 95.

"The only way to win the confidence of Starbucks' employees was to be honest with them, to share my plans and excitement with them, and then to follow through and keep my word, delivering exactly what I promised—if not more. No one would follow me until I showed them with my own actions that my promises were not empty," Chapter 7, p. 103.

"If you want to build a great enterprise, you have to have the courage to dream great dreams. If you dream small dreams, you may succeed in building something small. For many people, that is enough. But if you want to achieve widespread impact and lasting value, be bold. Who wants a dream that's near-fetched?" Chapter 7, p. 106.

"For me, the thrill of business is in the climb. Everything we try to achieve is like climbing a steep slope, one that very few people have managed to scale. The more difficult the climb, the more gratifying the effort put into the ascent and the greater the satisfaction upon reaching the summit. But, like all dedicated mountain climbers, we're always seeking a higher peak," Chapter 8, p. 118.

"It was a strange but fitting coincidence that during my dad's final months, my major preoccupation at work was building trust with the employees of Starbucks. I saw on their faces the same doubts about the intentions of management that my father had expressed so often to me. People felt undervalued and uncertain about their future, and at times they directed their anger at me, as he had," Chapter 9, p. 124.

"You can't create a world-class enterprise without investing in it. In a growth company, you can't play catch-up. But you also can't just excuse losses in the early stage of the business without examining each expenditure. Growth covers up a lot of mistakes, and you have to be honest about what's right and what's wrong about your operations.





Fortunately, we realized this in the early years. And our investors had strong stomachs," Chapter 10, p. 146.

"Without romance and vision, a business has no soul, no spirit to motivate its people to achieve something great. But a successful company can't sustain itself on exhilarating ideas alone. Many business visionaries have failed as leaders because they could not execute. Processes and systems, discipline and efficiency are needed to create a foundation before creative ideas can be implemented and entrepreneurial vision can be realized," Chapter 11, p. 160.

"As long as we remain respectful of our core product, as long as our customers can come into any Starbucks and buy the greatest coffee in the world, as long as we bring the same pursuit of quality to our new products, then we can feel comfortable offering customers different ways of enjoying our coffee. Options like these help introduce a far wider range of people to Starbucks coffee. And that, after all, is our abiding mission," Chapter 12, p. 170.

"More than most managers, I rely heavily on my instincts about people. Whether I'm hiring a key executive, selecting an investment banker, or assessing a partner in a joint venture, I look for the same kind of qualities most look for in choosing a spouse: integrity and passion. To me, that's just as important as experience and abilities. I want to work with people who don't leave their values at home but bring them to work, people whose principles match my own. If I see a mismatch, or a vacuum where values should be, I prefer to keep looking," Chapter 13, p. 179.

"To stay vigorous, a company needs to provide a stimulating and challenging environment for all these types: the dreamer, the entrepreneur, the professional manager, and the leader. If it doesn't, it risks becoming yet another mediocre corporation. I'm determined that won't happen at Starbucks," Chapter 14, p. 204.

"Many entrepreneurs fall into a trap: They are so captivated by their own vision that when an employee comes up with an idea, especially one that doesn't seem to fit the original vision, they are tempted to quash it. I almost did the same for one of Starbucks' most successful products, the icy blend of dark-roasted coffee and milk that we call Frappuccino," Chapter 15, p. 205.

"Quite possibly, the most promising inspiration for Starbucks' future is unfolding now in the mind of someone who joined the company as a barista yesterday. I hope so," Chapter 15, p. 214.

"At Starbucks, we had always aimed to build a company healthy enough to sustain itself for many years to come. We discovered along the way that sustainability is directly linked to self-renewal. Even when life seems perfect, you have to take risks and jump to the next level, or you'll start spiraling downhill into complacency without even realizing it," Chapter 16, p. 215.



"Every business has a memory. The memory of sacrificing quality for profit would have been fixed in the minds of Starbucks people forever. It would have been an impossible price to pay," Chapter 17, p. 242.

"Mass advertising can help build brands, but authenticity is what makes them last. If people believe they share values with a company, they will stay loyal to a brand," Chapter 18, p. 248.

"However we approach our customers, we have to do so with respect, intelligence, humor, and energy. You can't hold the attention of people today unless you treat them as you would a respected friend of the family. In our case, these friends are our customers. The brand connects our partners, our customers, our products, and our core values the same way a family does," Chapter 18, p. 265.

"Whatever you do, don't play it safe. Don't do things the way they've always been done. Don't try to fit the system. If you do what's expected of you, you'll never accomplish more than others expect," Chapter 19, p. 274.

"One of Starbucks' greatest challenges is to try to break the mindset that big can't be good. If we don't, we'll lose the very values that attracted people to us in the first place," Chapter 20, p. 277.

"I would never allow Starbucks to sacrifice or downgrade its elegance and style for the sake of growth. In fact, we've been quietly heading in the opposite direction. As we grow bigger, we can afford to invest in the kind of creative, innovative design that pushes the envelope. That's how we'll maintain the edge of surprise and delight that has always been a hallmark of the Starbucks experience," Chapter 22, p. 307.

## Topics for Discussion

Think about your last visit to a Starbucks store. Are the principles shared in this book evident in your experience?

What qualities does the Starbucks Corporation have that make it a business phenomenon when there are similar companies that never reach that pinnacle of success?

Discuss the potential for success for a coffee business. Will Starbucks still be around in 20 years? In 50?

Howard's brother claims that Howard was born lucky and that success came easily to him. After reading the book, do you agree with Howard's brother or do you have other ideas about Howard's success?

Do you think Howard's father would be proud of him today? What other feelings might Howard's father experience observing Howard's success?

Many people take risks similar to those Howard took when starting his business. What differentiates Howard and the Starbucks experience from those who do not realize business success?

Has Howard done his job successfully in building a brand of integrity and quality as far as you are concerned? What are your opinions and perceptions of the company?

Howard runs his business and his life by a strong code of conduct. Discuss the role of values in today's world and the ease or difficulty of staying true to them.