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[BUSINESS](#), [MANAGEMENT](#)

# Starbucks Coffee's Organizational Structure & Its Characteristics

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A Starbucks café at the Shinbashi Yurikamome train station in Tokyo. Starbucks Corporation's (Starbucks Coffee Company) organizational structure evolves to support business growth in the global coffee and coffeehouse industry. (Photo: Public Domain) Starbucks Corporation (Starbucks Coffee Company) uses its organizational structure to facilitate business development in the global coffee industry. As the largest coffeehouse chain in the world, the company maintains its industry leadership partly through the appropriateness of its corporate structure. A company's organizational or corporate structure influences all areas of the business, including management and leadership, communication, change strategies and management, and other variables critical to business success. Starbucks evolves to ensure that its organizational structure matches current business needs. For example, the company adjusted its corporate structure upon expanding its business through the acquisition of other firms, such as Ethos Water and Seattle's Best Coffee. Such adjustment makes Starbucks Corporation's organizational structure specific to the needs of the business. This structure fits within conventional typologies of organizational structures. Similar to the case of other multinational organizations, the company employs its structural characteristics to ensure that its operations are streamlined and properly managed.

Starbucks Coffee Company supports its competitive advantages through the characteristics of its corporate structure. These competitive advantages are essential in interacting with the industry environment, which involves the strong force of competition shown in the [Porter's Five Forces analysis of Starbucks Corporation](#). The company competes against large and small coffeehouse businesses, as well as food service firms like [McDonald's](#), Dunkin' Donuts, [Wendy's](#), and [Burger King](#). Through the effective

design and development of its organizational structure, Starbucks Corporation keeps growing despite competitive pressure from these firms in the international market.

## Starbucks Corporation's Organizational Structure Type and Characteristics

Starbucks has a **matrix organizational structure**, which is a hybrid mixture of different features from the basic types of organizational structure. In this case, the structural design involves intersections among various components of the business. For example, the company's product-based divisions intersect with functional groups and geographic divisions, which in turn intersect with other parts of the organization. The following are the main features of Starbucks Coffee's corporate structure:

1. Functional hierarchy
2. Geographic divisions
3. Product-based divisions
4. Teams

**Functional Hierarchy.** The functional hierarchy feature of Starbucks Coffee's organizational structure refers to grouping based on business function. For example, the company has an HR department, a finance department and a marketing department. These departments are most pronounced at the top levels of Starbucks's corporate structure, such as at the corporate headquarters. This characteristic is hierarchical. For example, the corporate HR department implements policies applicable to all of the company's cafés. The functional hierarchy of the corporate structure facilitates top-down monitoring and control, with the CEO at the top. Functional groups are responsible for the organization-wide development and implementation of [Starbucks Corporation's generic competitive strategy and intensive growth strategies](#).

**Geographic Divisions.** Starbucks Coffee's corporate structure involves geographic divisions, which are based on physical location of operations. The company has three regional divisions for the global market: (1) Americas, (2) China and Asia-Pacific, (3) Europe, Middle East, and Africa. Also, in the U.S. market, Starbucks Coffee's organizational structure involves further geographic divisions: (a) Western, (b) Northwest, (c) Southeast, and (d) Northeast. Each geographic division has a senior executive. In this way, each local manager reports to at least two superiors: the geographic head (e.g. President of Europe, Middle East, and Africa Operations) and the functional head (e.g. Corporate HR Manager). This feature of Starbucks's corporate structure enables closer managerial support for geographic needs. Each division head is given flexibility in adjusting strategies and policies to suit specific market conditions.

**Product-based Divisions.** Starbucks has product-based divisions in its organizational structure. These divisions address product lines. For example, the company has a division for coffee and related products, another division for baked goods, and another

division for merchandise like mugs. This feature of the corporate structure enables Starbucks to focus on product development. In this way, the company develops and innovates its products with support through its organizational structure. Such development provides competitiveness that the business needs, especially in considering the threats identified in the [SWOT analysis of Starbucks Corporation](#).

**Teams.** Teams are used in different parts of Starbucks Coffee's organizational structure. However, teams are most visible at the lowest organizational levels, particularly at the coffeehouses. For example, in each café, the company has teams organized to deliver goods and service to customers. This feature of Starbucks's corporate structure enables the business to provide effective and efficient service to consumers. Team effectiveness is a major determinant of the financial performance of franchised locations and company-owned coffeehouses. [Starbucks's corporate culture](#) influences how such team effectiveness is achieved. The company's development depends on team-based factors and associated human resource management strategies.

Starbucks Corporation's organizational structure has many characteristics. However, the ones enumerated above are the most significant in shaping strategic management decisions in the business. Also, different levels of the organization are responsible for maintaining the integrity of the corporate structure. The structural characteristics identified are the ones that matter most at the corporate level, involving Starbucks's headquarters and executive direction.

## **Starbucks Coffee's Corporate Structure Development**

Starbucks Corporation reforms its organizational structure over time. By 2007, the company was expanding rapidly, such that it shifted focus away from customers and toward strategic global expansion. However, the business experienced significant decline in sales in that year. This decline was worsened because of the lack of focus on customer experience. When Howard Schultz resumed the CEO position in 2008, he changed Starbucks Coffee's corporate structure to bring focus back onto customer experience. New regional divisions were created and teams at the company's cafés were given better training.

The current corporate structure of Starbucks is a result of reform to improve customer experience and business financial performance. The company recognizes the importance of strategic alignment involving various facets of the business. In this case, for example, aligning the corporate structure with trends in the coffee and coffeehouse industries stabilizes Starbucks's market presence and market share. It is expected that the company's future organizational structure will involve additional product-based divisions to account for further diversification. Its development history suggests that the company will continue acquiring more firms in the future to support its growth strategies.

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