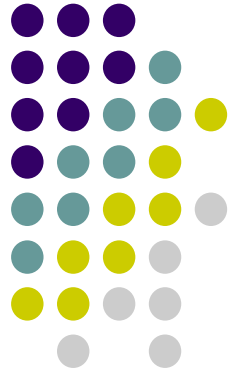




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Leadership at the Edge of Chaos

Adaptability and Connectivity at
Starbucks

Executive Summary

We need a new language of management and leadership if firms are to be successful at the edge of chaos. This report introduces three ideas based upon managing complexity:

- 1) Adaptability
- 2) Connectivity
- 3) Cognitive Capability.

The report reveals how these concepts were embodied in the strategic response of a global company to two global crises. The report also invites the reader to reflect on their own organisation and its strategic position.

Starbucks at the Edge of Chaos: Summary

As the 2010s opened Starbucks was facing a crisis of immense proportions. Customers were flocking to their competitors' cheaper, high quality, products and the investment community were questioning the future of the firm. Around this time their share price dropped by almost half.

Starbucks leadership understood that a fresh approach was needed if they were to turn the company around. Their strategic approach during the 2010s embodied key ideas from complex systems thinking: adaptation and connectivity.

Through a series of strategic cycles, they created a firm capable of adapting and intelligently configuring and growing connectivity with their customers. To achieve this Starbucks used a combination of organisation, management and technology, laying the foundations for a global, beverage sector behemoth which, by 2019, was achieving results unthinkable a few years earlier. This coherent capability at organisational level to adapt intelligently and learn quickly whilst creating and reconfiguring connections is called a "cognitive organisation".

Then, in 2020, covid-19 hit and a second, even worse, crisis was upon them.

In March 2020, to stop the spread of the virus, Starbucks began closing approximately half of their global retail footprint. They also closed important parts of their upstream supply chain. It became quickly clear that this second crisis required a rapid, intelligent, strategic response if they were to come through the pandemic.

This report details how Starbucks' capacity to intelligently, strategically and rapidly coordinate and adapt the business and successfully create new connections with their customers, was the key to navigating their way through the covid-19 crisis.

As we emerge from the pandemic, this "cognitive capability" has also placed the firm in an excellent position to roll-out what their CEO has called "The Great Reconnection", one cup of coffee at a time. However, due to increased costs and the ongoing pandemic-related restrictions in major markets, Starbucks earnings failed to meet expectations. In Q1 2022 Howard Schutz, long time CEO who had stepped down in 2017, was reappointed as interim CEO. The markets liked the move and the share price improved into Q2.

This report shows how complex systems thinking was a key component of the Starbucks strategic response to covid-19. It will be needed if they are to continue to lead the industry at the edge of chaos.

The strategic alignment between digital, values, vision and both operational and decision making processes meant Starbucks could deliver the brand message in more areas and through more channels than ever before. As they look to a future beyond covid 19 they will need to continue to pivot.

In July 2021 CEO Johnson reportedly called the next wave of the covid-19 pandemic “the Great Reconnection”. Starbucks is no longer just a coffee shop brand. It is a digitally-enabled global, socially-responsible, cognitive business driven by a vision to change the world, one cup of coffee at a time. One thing is for sure, Starbucks will need to continue to change and pivot as the world economy moves out of the pandemic into a new future.



Answer *yes or no* to the following questions—if you are not sure of the answer, the answer is “no”...

- 1) Instead of buying into digital hype, does our leadership team relentlessly and intensely focus on creating a new kind of organisation, one that is fit and able to navigate the complex world in which it finds itself?
- 2) Is our digital strategy linked to our knowledge strategy?
- 3) Is our knowledge strategy linked to our business vision?
- 4) When the leadership team talk about core values, do our staff believe us?
- 5) Does my firm set benchmarks for our industry instead of seeking out benchmarks others have established?
- 6) Does the knowledge of our people ensure that we are becoming more and more robust as a business?
- 7) Are we more focussed on people than technology? Do we get the most out of our people? Does our technology strategy deliver that edge?
- 8) How does the knowledge of our staff give us a competitive advantage?
- 9) Would my staff be trusting enough to share their knowledge with everyone in the firm in an entirely open way, including reporting problems, lapses and mistakes?
- 10) Do my staff believe that digital tech removes barriers to getting their job done?

How many times did you answer “no”?

If you would like to talk more about your answers to the above questions email

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