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Howard Schultz

with Joanne Gordon

Onward

How Starbucks Fought for Its Life without Losing Its Soul

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HOWARD SCHULTZ

WITH JOANNE GORDON

WILEY

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To my wife, Sheri, and my children, Jordan and Addison,
whose love and understanding has made all of this possible.

Yes, I want to tempt you to swim against the tide. I want to pass on to others, to younger folk, the taste of hard work, for improvement, for investing savings in the opening of a shop or workshop, and then to extend and enlarge it, not just for the sake of making money out of it but to give root to an idea, the idea of the vitality of things that are well made and being sold well.

If a man loses his workshop, his shop, his business, he loses his way, too.

Aldo Lorenzi
Proprietor, Coltelleria G. Lorenzi
Author, *That Shop in Via Montenapoleone*

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INTRODUCTION

"This date is very special to me," I said to the baristas and their store manager, who were seated around me in a small restaurant. "Exactly 28 years ago, on September 7, 1982, I began working at the first Starbucks store, your store, here in the Pike Place Market."

I reached into my pocket and pulled out a key. "I still have mine to the front door." It was not something they expected Starbucks' chief executive officer to be carrying around, but I kept it on my key chain as a constant reminder of the responsibility I have to honor the heritage of the company and all of the people who had come before me. Since it opened in 1971, the Pike Place store's front interior had remained unchanged, including the original logo.

A few weeks earlier, the store's manager, Chad Moore, had e-mailed me to praise his team for achieving eight straight weeks of record sales. Extremely impressed, I asked to take the entire team to dinner. So everyone could attend, baristas from other locations and several district managers offered to work at the Pike Place store while we celebrated. Now, on this warm Seattle evening, 27 of us had the restaurant to ourselves.

Throughout the meal, I sat and visited with people at each table. The group ranged in age from 28 to 40, and the conversations were easy and lively. At one point someone asked me to talk a bit about my own history. I could not help but smile.

★★★

I grew up in the poor projects of Brooklyn, New York, paid my way through college, and moved to Seattle, Washington, with my wife, Sheri, to take a job as head of marketing for a small coffee company called Starbucks. I spent my first weeks working at the Pike Place store, learning all about coffee, scooping fresh beans for customers and sealing them in small bags. But it was on a business trip to Italy that I unexpectedly discovered my true passion.

As I visited small espresso bars throughout Milan and Verona, I was taken by the power that savoring a simple cup of coffee can have to connect people and create community among them, and from that moment on I was determined to bring world-class coffee and the romance of Italian espresso bars to the United States. It was an experience I fervently believed could enrich people's lives. But many people did not believe in my vision—back then Starbucks stores did not sell beverages, only whole-bean and ground coffee. So I left Starbucks and started my own coffee company, Il Giornale. We opened two espresso bars in Seattle and one in Vancouver, Canada.

Then, in 1987, I found myself in a position, but without enough money, to buy my former employers' six stores and roasting plant. With the support of a few investors, I merged the two companies and chose to keep the name Starbucks Coffee Company. By the end of that year, we had 11 stores, 100 employees, and a dream to create a national brand.

In the fall of 2010, Starbucks posted its best financial performance in its almost 40-year history—despite critics' past predictions that our best days were behind us. Yet never has Starbucks' business been so healthy, primed to profitably grow not just by opening new stores around the world, but also through having deeper customer relationships, innovative offerings, and more places selling our products. Today, Starbucks has more than $10 billion in annual revenue and serves nearly 60 million visitors a week in 16,000 stores in 54 countries. More than 200,000 people, whom we call partners, represent Starbucks.

While these numbers are one measure of our company's success, they are not what make Starbucks truly successful, at least not by my definition.

As a business leader, my quest has never been just about winning or making money; it has also been about building a great, enduring company, which has always meant trying to strike a balance between profit and social conscience. No business can do well for its shareholders without first doing well by all the people its business touches. For us, that means doing our best to treat everyone with respect and dignity, from coffee farmers and baristas to customers and neighbors. I understand that striving to achieve profitability without sacrificing humanity sounds lofty. But I have always refused to abandon that purpose—even when Starbucks and I lost our way.

For decades Starbucks' shareholders and partners prospered. We were the first US company to offer both comprehensive health-care coverage as well as equity in the form of stock options to part-time workers, and we were routinely heralded as a great place to work. In 2000 I stepped down as ceo (since Starbucks' earliest days, we have lowercased all job titles) and became chairman, moving away from day-to-day operations to focus on global strategy and expansion. In the years that followed, we accelerated our store growth and our confidence, and our stock price soared as our sales and profits increased quarter after quarter after quarter.

Until the quarter they didn't.

By 2007 Starbucks had begun to fail itself. Obsessed with growth, we took our eye off operations and became distracted from the core of our business. No single bad decision or tactic or person was to blame. The damage was slow and quiet, incremental, like a single loose thread that unravels a sweater inch by inch. Decision by decision, store by store, customer by customer, Starbucks was losing some of the signature traits it had been founded on. Worse, our company's self-induced problems were being compounded by external circumstances as the world went through unprecedented change on several fronts.

Most significantly, the economy was hurtling toward a cataclysmic financial crisis that would destroy trillions of dollars in personal wealth; spur a credit crunch, a housing bust, and high unemployment; and, eventually, topple into a full-blown global recession.

At the same time, a seismic shift in consumer behavior was under way, and people became not just more cost conscious, but also more environmentally aware, health minded, and ethically driven. Customers were holding the companies they did business with—including Starbucks—to higher standards.

And then there was the digital revolution and the sea change in how information flows—the proliferation of online media and social networks, as well as the rise of the blogosphere. Too often, the real-time, worldwide exchange of opinions and news seemed to follow Starbucks' every move.

Finally, an onslaught of new coffee and espresso competitors—from multinational corporations to independent coffeehouses—swept into the marketplace and targeted Starbucks, often with unapologetic vitriol.

These would be daunting challenges for any company. And when it comes to Starbucks, I take every threat very personally. Starbucks is in my blood. It is such a part of me that letting it unravel simply was not an option. Too many people had worked too hard to create a company that rewarded its employees and investors and that, for years, had delivered a superior product and experience.

As chairman, I held myself responsible for the problems we ourselves had created. And although I did not know exactly how to address the variety of external pressures bearing down on us, I knew that, without daily control of the business, I was essentially powerless to stop Starbucks from sinking.

So in January 2008, I surprised many people by returning as ceo.

Onward is the story of what happened next.

PART ONE

LOVE

★ 1 ★

A BEVERAGE OF TRUTH

One Tuesday afternoon in February 2008, Starbucks closed all of its US stores. A note posted on 7,100 locked doors explained the reason:

> ***"We're taking time to perfect our espresso.***
> ***Great espresso requires practice.***
> ***That's why we're dedicating ourselves to honing our craft."***

Only weeks earlier, I'd sat in my Seattle office holding back-to-back meetings about how to quickly fix myriad problems that were beginning to surface inside the company. One team had to figure out how we could, in short order, retrain 135,000 baristas to pour the perfect shot of espresso.

Pouring espresso is an art, one that requires the barista to care about the quality of the beverage. If the barista only goes through the motions, if he or she does not care and produces an inferior espresso that is too weak or too bitter, then Starbucks has lost the essence of what we set out to do 40 years ago: inspire the human spirit. I realize this is a lofty mission for a cup of coffee, but this is what merchants do. We take the ordinary—a shoe, a knife—and give it new life, believing that what we create has the potential to touch others' lives because it touched ours.

Starbucks has always been about so much more than coffee. But without great coffee, we have no reason to exist.

"We looked at all the options," the team seated around me said. "The only way to retrain everyone by March is to close our stores, all at once."

I sat back in my chair. It would be a powerful statement, but no retailer had ever done such a thing. "That's a big idea," I replied, considering the risks. Starbucks would lose several million dollars in sales and labor costs. That would be unavoidable. Competitors would capitalize on our absence and try to lure away our customers. Critics would gloat, cynics would smirk, and the always-unpredictable media scrutiny could be humiliating. On Wall Street, our stock could sink even lower. Most dangerous of all, such a massive retraining event would be perceived as our own admission that Starbucks was no longer good enough. But if I was honest with myself, I knew that that was the truth.

I pursed my lips and looked at the team. "Let's do it."

★ ★ ★

There is a word that comes to my mind when I think about our company and our people. That word is "love." I love Starbucks because everything we've tried to do is steeped in humanity.

Respect and dignity.

Passion and laughter.

Compassion, community, and responsibility.

Authenticity.

These are Starbucks' touchstones, the source of our pride.

Valuing personal connections at a time when so many people sit alone in front of screens; aspiring to build human relationships in an age when so many issues polarize so many; and acting ethically, even if it costs more, when corners are routinely cut—these are honorable pursuits, at the core of what we set out to be.

For more than three decades, coffee has captured my imagination because it is a beverage about individuals as well as community. A Rwandan farmer. Eighty roast masters at six Starbucks plants on two continents. Thousands of baristas in 54 countries. Like a symphony, coffee's power rests in the hands of a few individuals who orchestrate its appeal. So much can go wrong during the journey from soil to cup that when everything goes right, it is nothing short of brilliant! After all, coffee doesn't lie. It can't. Every sip is proof of the artistry—technical as well as human—that went into its creation.

In the beginning of 2008 I deeply wanted people to fall back in love with Starbucks, which is why, even when bombarded by warnings against it, I decided to close all of our stores across America. I did not feel fear as much as a sense of the unknown, like I was flipping over a playing card. All I had was my belief that, even more than perfecting our coffee, we had to restore the passion and the commitment that everyone at Starbucks needed to have for our customers. Doing so meant taking a step back before we could take many steps forward.

★★★

When clocks struck 5:30 p.m. in cities across the United States, our customers were gently asked to leave our stores and the doors were locked behind them. Inside, our green-aproned baristas watched a short film our coffee experts had produced in a matter of days back in Seattle and shipped to all 7,100 stores, along with 7,100 DVD players. What our people heard that afternoon was pure and true:

> *If poured too fast from the spout into a shot glass, like water flowing from a faucet, the espresso's flavor will be weak and the body will be thin. A shot poured too slow means the grind is too fine, and the flavor will be bitter. The perfect shot looks like honey pouring from a spoon. It is dense and tastes caramely sweet.*

If the espresso was not good enough, I told everyone at the end of the video, they had my permission to pour it out and begin again.

And then there was the milk.

For our espresso beverages, steaming milk to create a creamy, sweet consistency is crucial. Unfortunately, in the name of efficiency, our company had created some bad habits among our baristas. Not only had we not trained many of them to steam milk correctly—the process requires aerating and heating the milk in just the right fashion—but some had also been steaming large pitchers of milk prior to customers' orders, letting the pitcher sit, and then *resteaming* the milk as needed. But once steamed, milk begins to break down and lose some of its sweetness. We had to correct these behaviors and return to higher standards.

Speaking to our people via the video, I had no script, just a heartfelt plea. “It is not about the company or about the brand,” I said. “It is not about anyone but you. You decide whether or not it is good enough, and you have my complete support and, most importantly, my faith and belief in you. Let’s measure our actions by that perfect shot of espresso.”

Meanwhile, in city after city, news crews pointed their cameras at our closed stores as reporters interviewed baffled customers. “A World without Starbucks?” asked a headline in *The Baltimore Sun*. In New York City: “Starbucks Shutdown a Grande Pain for NYers.” Online, opinions pro and con streamed in throughout the day, and on television, CNN, ABC, NBC, CBS, Fox News, and others covered the closings with an odd sense of wonder, as if it had snowed in summer. Late-night comedians also roasted us. At my home in Seattle, I watched Stephen Colbert’s mock news report about his three tortuous hours without a caffeinated drink, which climaxed as he doused himself in the shower with coffee, foam, and cinnamon. I went to sleep laughing for the first time in months.

Not everything went well that day. As predicted, Starbucks lost money. Approximately $6 million. One competitor tried to poach our customers by promoting 99-cent cups of espresso-based beverages. Some critics were brutal, insisting that by admitting we were broken we had forever dented the Starbucks brand. But I was confident that we had done the right thing. How could it be wrong to invest in our people?

In the weeks following the closures, our coffee quality scores went up and stayed there as stories made their way to me, like this one from a barista in Philadelphia:

> *A gentleman came into my store this morning and told me he would like to try espresso but was afraid it would be too bitter. So I told him that I would pull some perfect shots for him and also make him an Americano. Together we talked about espresso, its origins, and how to enjoy the perfect shot. He enjoyed it immensely and said he would be back for more. . . . I think I now have a customer for life.*

That was proof enough for me that we had done the right thing.

★★★

There are moments in our lives when we summon the courage to make choices that go against reason, against common sense and the wise counsel of people we trust. But we lean forward nonetheless because, despite all risks and rational argument, we *believe* that the path we are choosing is the right and best thing to do. We refuse to be bystanders, even if we do not know exactly where our actions will lead.

This is the kind of passionate conviction that sparks romances, wins battles, and drives people to pursue dreams others wouldn't dare. Belief in ourselves and in what is right catapults us over hurdles, and our lives unfold.

"Life is a sum of all your choices," wrote Albert Camus. Large or small, our actions forge our futures, hopefully inspiring others along the way.

Ultimately, closing our stores was most powerful in its symbolism. It was a galvanizing event for Starbucks' partners—the term we use for our employees—a stake in the ground that helped reestablish some of the emotional attachment and trust we had squandered during our years of focusing on hypergrowth. A bold move that I stand by today, it sent a message that decisiveness was back at Starbucks. No doubt, after that Tuesday, thousands of Starbucks espresso shots were poured like honey. But a symbolic act and three hours of education would not solve our mounting problems. We had a long, long way to go—further than I had imagined when I returned as ceo. In the winter of 2008, the fight began for our survival. What we faced was nothing less than a crucible, and I had spent the past year preparing for it.

★ 2 ★

A LOVE STORY

When we love something, emotion often drives our actions. This is the gift and the challenge entrepreneurs face every day. The companies we dream of and build from scratch are part of us and intensely personal. They are our families. Our lives.

But the entrepreneurial journey is not for everyone. Yes, the highs are high and the rewards can be thrilling. But the lows can break your heart. Entrepreneurs must love what they do to such a degree that doing it is worth sacrifice and, at times, pain. But doing anything else, we think, would be unimaginable.

So it was with a heavy heart that, early one morning in February 2007, I sat at my long kitchen table, alone, and handwrote a memo to Starbucks' most senior leaders.

Outside, the morning would be dark for another two hours as rain drizzled down our kitchen windows. Sheri and I had been living in Seattle going on 25 years. Friends in New York had warned us about the foul weather before we moved. Their forecasts were not only overblown, but also overshadowed by the Pacific Northwest's rugged beauty and saner lifestyle. I actually enjoyed Seattle winters, which in truth were more gray than wet. Rainy winter mornings like this one were ideal for contemplation. I began to write.

"I want to share some of my thoughts with you."

Candidly expressing my business philosophies, feelings, and plans in writing to coworkers has been a habit of mine since 1986 . . . but I am getting ahead of myself.

The journey that brought me to that table, on that day, to write the memo that would trigger heated public debate and alter Starbucks' future as well as my own began many years ago.

★ ★ ★

My love of coffee developed when I first went to work as head of marketing for the four stores of a small coffee company named Starbucks. That was in 1982. I didn't truly discover coffee's magic, however, until one year later on a business trip to Italy. That visit was the seed of what blossomed into today's Starbucks Coffee Company.

Early one day in Milan, I was strolling from my hotel to a trade show when I popped into a small coffee bar. "*Buon giorno!*" an older, thin man behind the counter greeted me, as if I were a regular. Moving gracefully and with precision, he seemed to be doing a delicate dance as he ground coffee beans, steamed milk, pulled shots of espresso, made cappuccinos, and chatted with customers standing side by side at the coffee bar. Everyone in the tiny shop seemed to know each other, and I sensed that I was witnessing a daily ritual.

"Espresso?" he asked me.

I nodded and watched as he repeated the ritual for me, looking up to smile as the espresso machine hissed and whirred with purpose. *This is not his job*, I thought, *it's his passion*.

For a tall guy who grew up playing football in the schoolyards of Brooklyn, being handed a tiny white porcelain demitasse filled with dark coffee crafted just for me by a gracious Italian gentleman called a barista was nothing less than transcendent.

This was so much more than a coffee break; this was theater. An experience in and of itself.

After the espresso's rich flavors had warmed me, I thanked the barista and cashier and continued toward the trade show exhibit hall, stopping along the way at more coffee bars. There seemed to be at least one on every block! Inside, there was always a similar scene: a skilled barista or two behind a bar creating espressos, cappuccinos—and other drinks I had yet to taste—for people who seemed more like friends than customers. In every bar I felt the hum of community and a sense that, over a demitasse of espresso, life slowed down.

The blend of craftsmanship and human connection, combined with the warm aroma and energizing flavors of fresh coffee, struck an emotional chord. My mind raced. It was as if I envisioned my own future and the future of Starbucks, which at the time sold only whole-bean and ground coffee in bags for home consumption. No beverages.

After Milan I flew back to the United States, excited to share what I had experienced. But my bosses, the first founders of Starbucks, for whom I had tremendous respect, did not share my dream of re-creating the coffee bar experience in Seattle. I was crushed, but my belief was so powerful that, in April 1986, I left Starbucks and raised money from local investors to found my own retail coffee company. I named it Il Giornale, after Milan's daily newspaper.

That year, Il Giornale opened its first store in the lobby of Seattle's newest, highest office tower, Columbia Center. The store was 710 square feet, and I had to personally guarantee the lease, even though I had no assets at the time. To keep our labor costs down, my two colleagues and I—our chief coffee buyer Dave Olsen and Jennifer Ames-Karreman—sometimes worked behind the counter with the baristas. Pouring shots. Steaming milk. Blending beverages.

I also wrote my very first memo to employees. In it, I outlined the company's mission and the goals I expected us to achieve, as well as how we should achieve them. I was confident, especially because my passion was backed by conviction. I *believed*. The memo's tone captured the ambition and enthusiasm of the young entrepreneur I was:

> *Il Giornale will strive to be the best coffee bar company on earth. We will offer superior coffee and related products that will help our customers start and continue their work day. We are genuinely interested in educating our customers and will not compromise our ethics or integrity in the name of profit. . . . Our coffee bars will change the way people perceive the beverage, and we will build into each Il Giornale coffee bar a level of quality, performance and value that will earn the respect and loyalty of our customers.*

At the end, above my signature and in lieu of a traditional "Thank you" or "Sincerely," I wrote "Onward."

To this day, I am not sure if I had used the word prior to writing that memo. But at that moment the word struck me. It felt right, a call to arms that seemed to fit the daunting yet exciting adventure our little company was embarking on. Forward leaning. Nimble. Scrappy. An unquenchable desire to succeed, but always with heads held high.

It would, indeed, be quite a journey.

Sixteen months later, I found myself in a position to purchase my former employers' company. Starbucks' owners, Jerry Baldwin and Gordon Bowker, had decided to sell their Seattle stores and roasting plant, as well as the wonderful name. Buying the company that I had so much respect for seemed, to me, destiny, but I almost lost it in an emotional, contentious battle with another potential buyer. Had I not been able to quickly raise almost $3.8 million from investors who believed in me, Starbucks would have slipped through my fingers.

But it did not, and almost overnight the coffee company I founded went from five stores to 11.

Among our first big decisions was whether to keep the name Il Giornale, whose business model we would follow, or to adopt the Starbucks name and logo. Although I felt somewhat attached to the Il Giornale moniker, I knew that I had to let it go. Starbucks had established a respected reputation for high-quality, unique coffee. The name itself—after the first mate of the whale ship *Pequod* in Herman Melville's classic *Moby Dick*, Starbuck—harbored a familiar yet mystical quality, reflecting the essence of the products and services as well as the promise that we would be introducing to customers. We went with our gut, and from that point on the company that had started as Il Giornale would be known as Starbucks.

At 34 years old, I had 100 employees and a dream to create a national brand around coffee and what I came to call the "Starbucks Experience." I wanted to elevate the quality of coffee in America. Yet I also believed that Starbucks would thrive not just because of our coffee, but also because of our guiding principles. I was determined to create a different kind of company—one that would be committed to building shareholder value and to the fiscal responsibility of making a profit, yet all the while recognizing that, in order to do so and to do it well, we had to act through a lens of social consciousness.

★ ★ ★

With coffee, Starbucks inherited a grand tradition. For centuries the coffee bean has been at once poetic and highly political, romantic and, at times, rife with controversy. Coffee has survived, I believe, because of its inherent magic. A coffee cherry is a fruit born from some of the most exotic places on earth. Tremendous care must be taken to capture the rich, complex flavors of the beans beneath its skin.

By no stretch of the imagination did Starbucks introduce the world to coffee or espresso-based drinks, but I do think it's fair to say that Starbucks exposed many people to coffee's magic.

That, as I've said, is what merchants do. We take something ordinary and infuse it with emotion and meaning, and then we tell its story over and over and over again, often without saying a word.

If you are under the age of 30, you may not remember when coffee was only scooped out of a can, dripped from a vending machine or from a lukewarm stainless steel pot in an office break room, and served in a Styrofoam cup or a diner mug. Or when, at least in the United States, coffee was mostly inhaled for its caffeine jolt rather than savored for its exotic flavors, and the only customizations were cream and sugar.

Before the late 1980s, hardly anyone in the United States and dozens of other countries ordered an espresso or a non-fat latte with extra foam! Espresso was a treat most people indulged in only after dinner at four-star restaurants or on European vacations.

Harder to fathom is the fact that, in the 1980s and even into the mid-1990s, the only indoor public destinations where people in the United States went to read, catch up with friends, or relax after a harried day—assuming they even considered doing those activities outside their homes—were diners, a handful of local coffee shops, restaurants, and libraries.

The next time you walk by a coffee shop, peer inside. Take in the variety of people in line or seated. Men and women in business attire. Parents with strollers. College students studying. High school kids joking. Couples deep in conversation. Retired folks reading newspapers and talking politics. And, of course, scores of people sitting in front of laptops searching, downloading, listening, reading and writing books, blogs, business plans, résumés, letters, e-mails, instant messages, texts . . . whatever their hearts desire. Consider how many of those people furiously clicking away on keyboards and scribbling ideas on napkins might be working to create the next Google, Alibaba, or Facebook, or composing a novel or a piece of music. Maybe they're falling in love with someone sitting next to them. Or making a friend.

If home is the primary or "first" place where a person connects with others, and if work is a person's "second place," then a public space such as a coffeehouse—such as Starbucks—is what I have always referred to as the "third place." A social yet personal environment between one's house and job, where people can connect with others and reconnect with themselves. From the beginning, Starbucks set out to provide just such an invaluable opportunity.

So when some refer to Starbucks' coffee as an affordable luxury, I think to myself, *Maybe so*. But more accurate, I like to think, is that the Starbucks Experience—personal connection—is an affordable necessity. We are all hungry for community.

By 2000 Starbucks had achieved what I believed we could: We had evolved millions of people's relationships with coffee, from what they drank to where and when they drank it. We did so in a way that made me, as well as our partners and shareholders, proud. Even as we lost money in the early years, Starbucks established two partner benefits that, at the time, were unique: full health-care benefits and equity in the form of stock options for every employee. This was an anomaly. No company had ever extended these two benefits to part-time workers who worked at least 20 hours a week. To my knowledge, we were the only private company—and later the only public company—to do so. In addition to distinguishing us as a great place to work and helping us attract top talent, acting with this level of benevolence helped us build trust with our people and, as a result, long-term value for our shareholders.

Our intent to create a unique community inside the company as well as in our stores has, I think, separated us from most other retailers. Starbucks has always cared about what the customer can and cannot see.

★ 3 ★

SURFACING

Work should be personal. For all of us. Not just for the artist and the entrepreneur. Work should have meaning for the accountant, the construction worker, the technologist, the manager, and the clerk.

Infusing work with purpose and meaning, however, is a two-way street. Yes, love what you do, but your company should love you back. As a merchant, my desire has always been to inspire customers, exceed their high expectations, and establish and maintain their trust in us. As an employer, my duty has always been to also do the same for people on the other side of the counter. For our partners. This latter responsibility has driven me for many, many years.

When I was 7 years old, I came home from school one winter day and saw my father sprawled on a couch with a cast from his hip to his ankle. My dad was an uneducated war veteran, and while he was very proud, he never really found his spot in the world. He held a series of really rough blue-collar jobs to support our family, never making more than $20,000 a year. He'd been a truck driver, a factory worker, and even a cab driver for a while, but his current job was the worst. He drove a truck picking up and delivering cloth diapers. That week Dad had fallen on a sheet of ice and broken his hip and his ankle, and for a blue-collar worker in 1960 there was no worker's compensation. No health-care coverage. No severance. My dad was simply sent home after his accident and dismissed by the company. I never imagined I would one day be in a position to run a company a different way. But I did believe, even then, that everyone deserved more respect than my parents had received. By the time my father passed away in 1988 from lung cancer, he had no savings or pension. Just as tragic, in my mind, was that he never found fulfillment or meaning in his work.

As a business leader, I wanted to build the kind of company that my dad never got a chance to work for. But like crafting the perfect cup of coffee, creating an engaging, respectful, trusting workplace culture is not the result of any one thing. It's a combination of intent, process, and heart, a trio that must constantly be fine-tuned. Sometimes we've gotten it very right. Other times, we've faltered. People at Starbucks, in our offices as well as our stores, work very, very hard. The jobs can be stressful because we set a high bar, but at the end of the day I want each person to go home feeling that he or she made a difference.

By the year 2000, I was the one ready to take on new challenges.

After running Starbucks' daily operations for almost 15 years, something inside me had shifted. The company was performing exceptionally well. With 2,600 stores in 13 countries, our revenue was just shy of $2 billion. Since 1992 we had achieved a compounded annual growth rate of 49 percent. Yet I was feeling down. At times, almost depressed. I talked with Sheri about my change in mood and, after much soul-searching, concluded that my job was not as challenging as it had been for so many years. I was still passionate about Starbucks, but also a bit bored.

Leaving, of course, was not an option. But with my engagement less than it needed to be for the health of the company, I decided the time was right to step away from overseeing day-to-day operations. To replace me as ceo, the board of directors and I appointed our president and chief operating officer at the time, Orin C. Smith.

Wise, thoughtful, and affable, Orin had joined Starbucks in 1990 as chief financial officer. He shared my vision, was well respected by partners and investors, and had an admirably measured approach to solving complex problems. I trusted him, he trusted me, and we had a decade-long history of making decisions together. He knew the company inside and out, and would continue to strengthen the core business and invest in growth.

Orin committed to spending five years as ceo. I turned my attention to expanding Starbucks around the world. Since opening our first store outside North America in Tokyo in 1996, we had been deluged with requests to open Starbucks locations in other countries. Then, as now, the opening of a Starbucks was often viewed as a sort of "coming of age," a sign of arrival for a city as well as its inhabitants. At the time, Starbucks had 525 stores outside the United States, in such far-flung places as New Zealand and China. Soon we would bring Starbucks into Spain, France, and Russia.

My new role as chairman and chief global strategist was, in large part, to help select local companies that would operate our stores in each region. We chose these international partners very carefully, selecting only organizations whose leaders shared our values. As the ambassador of the brand, it was also my job to imprint our mission on our local representatives, to ensure the brand's consistency across cultures.

I was ecstatic about the possibilities that the future held for me as well as for the company, and during the next several years I officiated at hundreds of store openings throughout the world. Traveling exposed me to more innovative retailers and other merchants whose love for their products and professions was obvious the minute I walked into their shops.

During my years as chairman, we opened US stores at a rapid rate and continued to expand around the world, pushing toward a target of 20,000 stores outside the United States. We opened in Dubai and in Hong Kong. In Saudi Arabia and Australia. And we continued to build and open stores in our most promising growth market: China. In 2003 our new Beijing store was Starbucks' 1,000th store in Asia Pacific. The next year we opened the first Starbucks in Paris, followed over the years by stores in the Bahamas, Brazil, Egypt, Ireland, Jordan, Northern Ireland, and Romania.

One of my most touching moments abroad occurred in 2001 in Japan, the country where we opened our very first store outside North America in 1996. Japan was also the first market outside the United States and Canada where we gave full- and part-time partners equity, and I will never forget the day we announced it at a regional company meeting. As I looked out over the audience, I saw that some of our partners were actually crying.

Owning a piece of the company gave not just our partners in Japan, but so many of our partners a tremendous sense of pride, demonstrating that we respected our people enough to share our success. After the