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Back to Starbucks: The board's role in shaping strategy

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> Obviously, we're always focused on ensuring that our directors bring unique skills, experience, tenure, and diversity, and that they're able to contribute, frankly, to the effectiveness of our board and committees. As you're probably aware, we're always working to improve our board to ensure our directors are capable, prepared, and equipped to oversee the success of our business both today and in the future.

This was how Brian Niccol, recently appointed CEO of Starbucks, responded to a question about the composition of the board of directors at the company's annual shareholders' meeting in March 2025.[1] Niccol had replaced Laxman Narasimhan, who had served less than two years in the role due to continued declines in revenue and earnings. Known for turning around Chipotle Mexican Grill, Niccol was seen as the leader capable of restoring Starbucks's former luster.

When Niccol took the helm in September 2024, Starbucks once again found itself at a crossroads. There was intense debate—both inside and outside the company—about what its strategic priorities should be. Narasimhan had not succeeded in delivering on the Starbucks Reinvention strategy that founder Howard Schultz unveiled at the 2022 Investor Day in Seattle, Washington.

Niccol quickly laid out a new vision to restore Starbucks's original model and dubbed his strategy "Back to Starbucks." The key to his plan was to boost the business by improving service and refurbishing the chain's coffeehouses.

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However, in September 2025, Niccol remained under heavy pressure. The company had posted six consecutive quarters of declines in comparable store sales, and the stock was trading below its level a year earlier. Earnings had fallen much more than expected in the most recent quarter as restructuring costs became more apparent. The company had been hiring additional baristas and implementing new service standards in an effort to draw customers back into its stores. While the press and market analysts debated, Niccol once again faced a pivotal decision: Should he stick with his "Back to Starbucks" plan or come up with a new one?

Niccol also wondered how to best engage the Starbucks board in this decision. Unlike his predecessor, Narasimhan, who had served as CEO under a non-executive chair, Niccol had requested a return to a combined CEO–chair structure specifically to enable a faster transformation of the company under his unified leadership, as he had done at Chipotle. In addition, two new women directors had recently joined the board, and he was confident that their experience would bring meaningful value. Niccol knew that time was running out if he wanted to avoid his predecessor's fate. Before deciding how to proceed, it seemed prudent to take stock of what had brought Starbucks to its current situation.

Starbucks's early years (1971–2002): The third place

Starbucks began in Seattle in 1971 as a whole-bean coffee store catering to coffee lovers. Both the name—taken from a character in the novel *Moby-Dick*[2]—and the siren logo were nods to the city's seafaring tradition and maritime coffee trade.[3] In the early days, the board consisted of the founders: Jerry Baldwin, Zev Siegl, and Gordon Bowker.

Over the following years, the business grew and several stores were in operation by the 1980s. In 1982, the company hired Schultz as director of retail operations and marketing. In addition, business consultant Steve Donovan joined the board of directors to advise the founders on expansion.[4]

A year later, Schultz traveled to Italy, where he was captivated by the local café culture and by the way it was woven into people's daily routines. He quickly decided to bring that concept to Seattle and persuaded Starbucks's owners to open a small coffeehouse in one of their stores. In 1987, he ended up acquiring the company from its founders with help from Bill Gates Sr. (the father of Microsoft's founder).[5] Schultz joined the board and appointed additional directors with experience in retail and brand expansion who could support his vision for the company.

When Starbucks started out, its competitors were traditional US coffee shops, with much lower prices and a fairly limited range of coffees. Most were independent shops; only a few were part of larger, typically regional chains.

Three elements contributed to Starbucks's success in the early years. The first was the coffee itself. To uphold its quality standards, the company sought to control its supply chain as far as possible. Starbucks was vertically integrated in part: It sourced the highest-quality beans from suppliers in coffee-producing countries and roasted them in company-owned facilities that it also operated. In addition to beverages (which customers could customize in a variety of ways) and a selection of snacks (such as pastries and sandwiches), customers could also buy whole-bean coffee. Part of the menu was refreshed regularly to feature limited-time, exclusive offerings.

The second element was excellent customer service. Most Starbucks beverages were prepared to order by baristas, who were encouraged to be friendly, maintain eye contact, and address customers by name.

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The third was the positioning of its stores as a "third place"—a term coined by sociologist Ray Oldenburg—for customers, midway between home and work. Schultz conceived this positioning on his trip to Italy.

In 1990, James Shennan Jr.—a partner at the venture capital firm Trinity Ventures[6] and previously CEO of an international marketing consultancy—joined the board. Shennan remained a director until his retirement in 2017 and, over nearly three decades, provided strategic guidance on international expansion and globalizing the brand.[7]

Starbucks soon began expanding beyond the Seattle area, opening stores in cities such as Chicago and Vancouver. The chain steadily grew from 17 coffeehouses in 1987 to 165 in 1992, the year the company went public. This development led to significant changes to the board in the years that followed. The governing body was expanded to include independent directors with experience at publicly traded consumer-goods companies, such as Craig Weatherup, CEO of PepsiCo. This was crucial for supporting Starbucks's rapid growth and meeting the heightened regulatory and capital market requirements it faced as a public company.

At that time, the company had already announced an initial version of its mission statement: "Establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow."[8]

In 1995, there was an important development: Starbucks began serving cold beverages and soon trademarked Frappuccino, which became one of its signature products. In fact, the following year, it partnered with PepsiCo to begin selling bottled Frappuccino in the United States. The company continued to explore opportunities to sell its products outside its coffeehouses and, in 1998, signed an agreement with Kraft Foods to market packaged coffee and other products in grocery stores.

The company also launched an international expansion. In 1996, Starbucks opened coffeehouses in Japan and Singapore—its first outside North America—and by 1999 the chain had 2,498 stores worldwide. In January 2000, Schultz decided to step down as CEO and hand the role over to the company's president and chief operating officer (COO), Orin Smith, who also served on the board. However, Schultz maintained his position as chief global strategist, overseeing the company's successful international growth.[9]

By 2002, Starbucks had become the world's leading coffeehouse chain, with more than 5,000 stores and over $3 billion in sales[10] (see **Exhibit 1** for the company's historical financial results).

Continued growth (2002–2007)

By 2002, the company had recorded 12 consecutive years of comparable store sales growth over 5%.[11] However, based on numerous customer satisfaction indicators, senior executives became concerned that Starbucks was failing to meet consumers' expectations, particularly with regard to the speed of service.[12] The expanding beverage assortment—including favorites like Pumpkin Spice Latte, which required more complex preparation—was slowing the pace at which baristas could fill orders. The menu also began to include hot sandwiches, which likewise required more preparation than the usual cold snacks.

Ultimately, the company approved a plan to invest an additional $40 million annually in staffing at its 4,500 US stores, equivalent to adding 20 labor hours per week at each location. Starbucks also began replacing its semi-automatic La Marzocco espresso machines with Verismo 801

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