STARBUCKS - RISK MAT. AT BUSINESS PROCESS LEVEL

For Each Process:

(1) Identify Top 4 Process Risks
(2) Plot Risks (Prob x Impact)
(3) Determine Risk Response For Each Risk (consider cost effectiveness)
(4) Use Arrows to Represent Impact of Reduced/Transferred Risks
Alliance Management

1. Top 4 risks
   - compromised Quality
   - reputation
   - Different values/decentralization
   - failure of alliance partner/bankrup

2. Plot Risks

3. Risk Response
   Compromised Quality: minimum quality requirements for alliance partners
   Reputation: choosing reputable alliance partners
   Diff. Values/Decentralization: control training process/close relationships
   Failure: accept
Supply Chain Management

**Risks**

1. Quality
2. Supplier Geographic areas
3. Logistical Risk
4. Overreliance/ability to maintain relationship

**Quality**
- Funding, direct relationship with farmers, fair trade, research better growing techniques.

**Geographic**
- Supplier selection process reviewed annually, diversify grower location

**Logistical**
- Executives from Walmart, Pepsi, Dell w/supply chain expertise

**Relationships**
- Selection process, strategic review with many members, picking reputable partners, fair trade
H.R. Mgmt.

1. Risk: Employee Turnover

Risk Response
- health benefits
- stock options
- empower employees
- employees have a voice
- put employees on salary
- give employees extra discounts around holidays

2. Not enough outside input, may have a narrow minded approach

Risk Response
- use consultants
- encourage rotation of employees so they stay "fresh" and current
- hold focus groups

*= our great ideas
3. Employee Loyalty

Risk Response
- Stock options
- Benefits
- Culture training
- Empowerment
- Employee discounts

4. Employees are the brand (the face of Starbucks)

Risk Response
- Employee training on quality's consistency
- Culture training
- Hiring practices
- Customer Service Training
- Think of more creative advertising sources
1. brand recognition (no slogan)
2. expanding globally - hostility towards American brands
3. PR/employee satisfaction (employee - customer relationship)
4. alliances
Risk Responses

1. bring in a slogan change "Starbucks Coffee" on label into language of country
   adapt logo to different cultures
2. same as above
3. maintain training programs; employee benefits
   keep a good relationship w/ suppliers
4. continue to choose alliances w/ established, reputable companies
RISK RESPONSE

1. Increased product testing in the market.
2. Intensified market research (Spies)
3. Spot introduction (regional locations)
4. Marketing - strengthen the brand
**PRODUCT DEVELOPMENT**

**Process Risks**

1. New Product Failure
2. Missed opportunity for new product
3. Unable to recover costs (R&D)
4. Damage to Reputation.

![Probability vs. Impact Diagram](image)
Starbucks Facilities Mgt.

Risks

*1. Congruence of store designs
*2. Drive-thru
*3. Wide demographics
*4. Geopolitical risk for location
*5. Upkeep of stores

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Frequency

Magnitude

Accept
Risk Response

1. Accept risk
2. Test in selected locations
3. Monitor political environments
   + pull out as necessary
4. Training programs, regular cleaning
   Facilities