

It's founder's day for Starbucks

Last week Starbucks went back to the future. In response to declining sales growth and a share price that halved in 2007, it fired chief executive Jim Donald and asked Howard Schultz, its chairman and former chief executive, to take control.

It is remarkable to put the founder of a company back in charge, but it is an appealing and successful strategy for many major organisations. Big brands such as Charles Schwab and Callaway Golf have benefited from sitting their founder back in the big chair. More recently and notably, both Dell and Apple have enjoyed resurgent fortunes after their founders were restored to the chief executive position.

This is not surprising. The verb 'brand' means to burn the mark of the founder or creator onto the product being offered. Who better, therefore, to run the company than the person who created it in the first place? Founders have an implicit grasp of a brand's equity in their bones. Better still, they tend to be natural leaders and, despite appreciating the importance of financial growth, rarely put short-term fiscal performance ahead of the long-term interests of the brand. In contrast to the generic accountants who normally vie for the top role, founders can use their genuine knowledge of what a brand stands for to rescue it from trouble and bring it back to health.

Schultz, who was Starbucks' chief executive from 1987 to 2000, is a perfect example of a brand-centric leader. On the day he resumed control last week, Schultz left a voice-mail for the coffee corporation's partners, outlining his agenda.

He was quick to acknowledge that Starbucks had grown too quickly in recent years and neglected the fundamentals. He portrayed the multinational as the 'victim of its own tremendous success'. This success, he said, had led Starbucks to create a bureaucracy that had slowed the company down and allowed it to lose its way. While it was not the most complex analysis of the reasons for Starbucks' recent



Founders have an implicit grasp of a brand's equity. Better still, they tend to be natural leaders

troubles, the speed of the diagnosis was notable. Schultz, like all founders, knows his company so well that he does not need six months or an army of management consultants to pinpoint its problems.

Schultz continued: 'We will be re-focusing our entire organisation on the Starbucks experience, by going back to our heritage and what made us so

successful in the first place.' Again, this strategy is a classic founder's idea and a great lesson for all marketers in brand-building. The first move in any brand strategy is always a step back: understand what made the brand great in the first place in order to make it great again. Too many brand managers are keen to ignore heritage and build brands around current market needs. Schultz knows that history and heritage are great teachers.

He went on: 'We are going to play to our strengths... ethically sourcing and roasting the highest-quality coffee in the world; the relentless focus on our customers; the trust we have built with our people; and the smart, entrepreneurial risk-taking, innovation and creativity that are the hallmarks of our company.' No need for projective research or brand-tracking to identify the co-ordinates of Starbucks' brand. It is also no coincidence that Schultz spoke of a 'relentless focus' on consumers, because, unlike accountants, who often assume that revenues appear as if by magic on a balance sheet, founders are usually customer-oriented.

But perhaps the most impressive element of Schultz's return was the quiet announcement that the chief executive will receive no additional compensation or bonuses. Schultz isn't doing it for the money. He is doing it for the brand. His brand.



30 seconds on... returning founders

■ Apple co-founder **Steve Jobs resigned** after a power struggle in **1985**. After getting involved in computer animation – he bought Graphics Group, which would become **Pixar Animation Studios**, in **1986** – he returned to Apple in **1996** when it acquired the influential **NeXT Computer**, which he had founded in 1986. He became Apple's interim chief executive, the role becoming permanent in **2000**.

■ Jobs is listed in the Guinness Book of Records as the **lowest-paid** chief executive, with an **annual salary of \$1**.
 ■ **Ely Callaway** took over golf-club maker Hickory Sticks in **1984**, renaming it **Callaway Golf** in **1988**. He took the brand public in 1992, resigned as president in **1996**, then returned in **1998**, remaining in the role until his death in 2001.

■ In **2004**, **Charles Schwab** was re-appointed chief executive of the brokerage he had founded in **1971**. Chairman and a director of the firm since its incorporation in 1986, he was chief executive from **1986-97** and co-chief executive from **1998-2003**.