Learning to See the Perfect Latte

The circle of faces around me leaned in as I lifted the pitcher of cold milk closer to a metal wand pumping out 190-degree steam. The perfect latte requires precisely steamed milk. I said, "See, the tip of the steaming wand needs to skim just below the surface of the milk, making a shushing noise. Just like a piece of paper being ripped in two."

I held my breath and brought the milk closer. The wand skated under the milky surface once, twice, and then my nerves betrayed me. My hand holding the metal pitcher bounced. The wand sunk deep into the milk and hit the interior side of the pitcher, and the milk screamed like a newborn calf.

"OK," I said, trying to grin. "That's how *not* to do it."

One of my district managers, David, smiled encouragingly. But I'm pretty sure that a smirk crossed the face of a store manager in this downtown Hartford, Connecticut, café. Most of the people here had actually been Starbucks baristas. They were more experienced with a steam wand. Who was I to give this training?

On this February evening in 2008, I was a regional director for Starbucks, responsible for about 110 stores in the Northeast. It had been six years since I had (briefly) made lattes in my original training. So, I was rusty. But I was here, leading this retraining, so that we would all be making beverages the right way, I explained. I shook my hand where the steam had burned it and tried again.

We were relearning how to spot a bad shot of espresso, how to avoid screaming milk, because Howard Shultz had just returned as CEO of Starbucks and announced that we needed to get back to our roots. On one day, we shut down operations in about 8,000 stores across the United States for sessions such as this. Some people called it a publicity stunt. But it was the beginning of a profound shift in the way we worked.

It was not clear to me then, but what we were really learning was to see the work together—to create a common understanding about what was right and what was not right. This would eventually lead to solving problems in a new way. I was also learning how to be vulnerable in front of a team, to admit that I did not always know what I was doing and that other people might have better solutions.

Over the next five years, my fellow executives, managers, baristas, and I would learn the basic principles of lean thinking and how to apply Toyota Production System techniques to some of our operations. We created islands of excellence that often wobbled and fell. Then, we implemented a management system to support frontline standardization and witnessed the power of an interdependent operating system—one that was reliant on all of its parts, which stabilized and balanced the work while exposing problems for us to address. Together we created work with a steady cadence built on standardized routines that was able to absorb the busiest hours at Starbucks. Steady work was the true revelation of our experiments, and, on the worst week of our lives, it saved us.

During those years, I discovered the profound and maddeningly elusive power of standardization in a service industry. I saw what is required to keep standardized operations running and how the discipline could change us if we allowed it.

But first, we all had to learn how to pull the perfect shot of espresso that would coat the back of a spoon like honey. After all, this was the work.

* * *

It is easier now, in hindsight, to see what a pivotal moment February of 2008 was for Starbucks. Opened in 1971 in Seattle as a seller of freshly roasted coffee, Starbucks changed owners and morphed into a seller of coffee beverages in 1987. Over the next 20 years, it expanded into the daily lives of millions of people.

Café lattes in paper cups were suddenly everywhere. All over the country, people embraced the coffeehouse culture, setting up their laptops and settling in for hours. Starbucks began talking about its stores as a third place in American life—like a church or a library, a place outside of home and work where communities gathered. They emphasized human connections.

And the company grew. The Frappuccino and the Pumpkin Spice Latte arrived. In the decade of 1998–2008, Starbucks opened an average of four new stores every single day and expanded its market from Japan and Brazil to Saudi Arabia and Russia, all while emphasizing fair-trade coffee and sustainable farming practices. The company went public in 1992, and as the stock price soared, stocks split and split again in the first four years.

In the Northeast, where I managed ten districts of 10–15 stores each, we saw 12%–18% sales growth year over year. In my Brookline, Massachusetts district, which covered the area between Fenway Park and Boston College, sales grew by 15% year over year without adding a single store. In the rest of my districts, we were adding at least one store every month.

My job in those years—from 2002–2008—was consumed with the logistics of opening new stores. I worked with the in-house real estate team and my crew of about 10 district managers to select new sites, hire new partners, and add a dozen or more new stores a year. When a district manager had more than 10 stores, we created a new district and (usually) elevated a store manager to lead it. When I had more than 10 districts, we split off part of my region and promoted a district manager to regional director. We were creating approximately one new district every year. Still, we grew.

Starbucks added dozens of new seasonal flavored beverages, breakfast sandwiches, CDs, and books. Our store managers received a 300-page glossy promotional book every eight weeks that introduced new drinks, new coffee roasts, new music compilations, and movie promotions. We had drive-through stores, mall stores, community coffee houses; we opened licensed stores in airports, grocery stores, and universities.

And then in 2007, along with the rest of the world's economy, Starbucks stumbled. A new store in Connecticut opened to surprisingly laconic sales. We failed to hit revenue targets in a number of locations. Along with the district managers, I went into stores and talked to baristas, asking whether they were doing the usual community outreach, whether they were offering free samples. They were doing everything the same way it had always been done.

Our instinct was to extend store hours, create new outreach initiatives, offer more samples. Nothing seemed to work. Memos from executives at Starbucks headquarters in Seattle warned of ominous signs in the national economy.

By the fall of 2007, when the nation's bankers were being questioned in front of congressional committees on live television, the damage to our economy was already clear to us. As the Great Recession took hold and neighborhoods were suddenly peppered with foreclosed homes, people cut back on their three-cup-a-day habit or gave up the daily luxury of a perfect single-shot vanilla latte. The company that could do nothing but win was suffering a sharp correction.

In coffeehouses around the Northeast, our employees were worried. They saw neighbors losing their homes. Jobs in formerly stable industries were being eliminated. For many people, a part-time job at Starbucks had been a reliable source of healthcare benefits, the little extra needed to fill out a family's income or to help a student through college. For others, it was a full-time career. If their neighbors could not afford a latte, how would we survive?

We responded, in part, by relearning the craft of making a perfect espresso beverage. To do this, Starbucks shut down thousands of stores across the country in February 2008 and asked leaders like me—newly retrained—to lead the training. Journalists responded with a collective gasp. Businesses were supposed to cut costs and headcounts in recessions rather than spend money on developing employees.

To understand how unique Starbucks' reaction to the Great Recession was, you need to know a little about the quick-serve restaurant (QSR) industry. While Starbucks held itself out as anything but fast food, this was the category we belonged to, and it was where I had been working for 20 years before Starbucks.

* * *

Starting out in high school restocking the salad bar at my local Bonanza Steakhouse in central Connecticut, I went on to work my way through the many layers of management at Burger King and Wendy's restaurants and then franchise groups. Working for franchise owners who had 15–25 restaurants, I was accustomed to a hard-numbers, no-nonsense approach to management. In QSR, labor costs were considered fat that should be trimmed as tight as possible.

In fact, all costs were considered bad. Once, when I was on vacation, a franchise owner—let's call him Mr. Brown—called me, furious. He had been in one of his New Hampshire stores and noticed that there were paper cups in the kitchen trash cans, indicating that employees had been consuming beverages on the job.

Now, this particular store was high performing. It made a lot of money for Mr. Brown. On weekday afternoons it was mostly staffed by local moms who were making extra money while their kids were in school. These women were good workers, organized and thoughtful. Sometimes, they were thirsty. When Mr. Brown visited and saw those paper cups in the trash, he proceeded to dump out all the trash cans in the kitchen and count the cups. He made a big scene. Then he called me with an extrapolated cost of those cups over a year and shouted something like, "There's $100 in there. What do you propose to do about that?"

I proposed to find another job; this time as director of operations for a start-up that mined point-of-sale (POS) data from QSR cash registers and made useful software. That's where my education in the quick-serve sector really expanded. I was working with big-name fast-food chains all over the East Coast and Midwest, talking with everyone from executives to frontline employees to understand their work in detail, then training them on software and testing results.

For these restaurants, high turnover was a fact of life. Kitchens can be dirty and dangerous places to work. Store managers were often absent; positions went unfilled, or managers ran two stores at once, mostly because their jobs were high pressure and did not pay well enough for the amount of daily firefighting that was required. Without good oversight, I saw food handlers pouring hot grease into paper receptacles—filtering the oil to clean and reuse it—and working in conditions that gave me indigestion.

This was not the overt disrespect of Mr. Brown—turning over trash cans in the kitchen or throwing a head of lettuce across the room to make a point. But poor training and disorganized, highly pressured work environments are just as disrespectful as shouting.

Maybe it is human nature for owners to focus obsessively on shrinking the biggest numbers on their accounts-payable sheets, such as labor. But in the fast-food industry there is a tendency to forget that these are people on the front line—people with families and dreams and needs.

Managers were sometimes told to focus on employee retention and offered bonuses if their stores stayed fully staffed. But they were given no direction on *how* to do this. They were just told to stop losing people. At the same time, owners were implementing new labor-scheduling software that kept people working shorter, more frequent, and unpredictable shifts.

New schedules came out every week. People were asked to work three hours one night and then four hours the next morning, closing the restaurant at 11 p.m. only to return at 4 a.m. for their next shift, without thought to their transportation, sleep needs, or childcare challenges. In this sector, employees were units of labor, not people. I knew there had to be a better way; I just had not seen it yet.

Then I found Starbucks, which had turned that model on its head. The coffee chain that I joined in 2002 was in the business to make money, of course. But not at the expense of people. As a regional director, a big part of my job was to make sure that people who worked for us were respected.

At Starbucks, everyone who worked at least 20 hours a week was offered healthcare benefits and help with college tuition. We received bonuses and stock options that made all of us partners in the company. That's how we referred to Starbucks employees: *partners*. We were expected to know the personal concerns of our partners. Managers were judged on the strength and depth of our relationships with our direct reports. Forcing a partner to work a last-minute shift under threat of job loss was unthinkable.

With a commitment to opening every new Starbucks store with 70% experienced baristas, we needed to move people around a lot. A new store in southern Massachusetts, for instance, might open with baristas commuting short-term from Rhode Island and Connecticut. Around 70% of partners hired for the new store, meanwhile, worked through their training periods at more established stores nearby. When we opened a more remote store, in the Berkshires of Western Massachusetts or in Vermont, we put together a “star team” of baristas and put them up in a local hotel while they worked and trained new partners.

We were always hiring, developing, training, and promoting people in those early years. My goal was to have a talent bench that was two-deep on all levels. That meant I was mentoring two possible replacements for myself and that all of my district managers had identified two store managers that they were coaching toward becoming a district manager. Store managers were training their two shift supervisors to lead a store, and the best baristas were being trained as supervisors.

Our focus on people was external, as well. We made community connections to market the brand. We brought coffee and snacks to walk-a-thons, festivals, school functions, and service groups. If partners believed in a nonprofit organization enough to donate a lot of hours, the company donated money. In those days before Starbucks began advertising, in fact, this was our growth strategy: being active, visible community members.

Every good company knows that it is selling more than just a product. Companies sell assurances of quality, ideas about lifestyle, and a sense of belonging. At Starbucks, we focused on connecting with people. We developed relationships with regular customers. Baristas were not judged solely on their ability to make a Venti extra-dry cappuccino. Greeting repeat customers by name, and remembering favorite beverages and families were part of the job because our real business was people.

Howard Behar, a former president of Starbucks, used to say that we were not a coffee business serving people; we were a people business serving coffee. It was a philosophy that made a very large chain of QSRs seem like neighborhood businesses, and it made Starbucks wildly successful.

The respect for employees, community outreach, and all that delicious coffee added up to a kind of happiness that I did not know was possible at work. I spent my first few years at Starbucks waiting for the other shoe to drop. Was it possible for people to actually be this genuine and nice at work—to adopt kindness as a corporate policy? I loved my job. I wanted to protect the company and its mission. Therefore, it was impossible for me to ignore our problems.

In the years of rapid growth, too many stores had long lines of people waiting at the register or milling around in front of the espresso bar during the morning rush. Sometimes lines of people stretched outside the doors. Long waits meant unhappy customers. Brewed coffee sometimes sat for too long, even though our policy was to have coffee brewed fresh every 30 minutes. Coffee that sits even 10 minutes past its prime can taste burned or bitter. All the pastries and hip soundtracks in the world cannot cover for bad coffee.

Still, Starbucks grew and churned some incredible profits. Until, suddenly, it did not.

* * *

As the Great Recession kept worsening in 2008, we closed 10 stores in my Northeast region alone. This was a few months after the latte retraining. Partners in closing stores were all offered jobs in nearby locations, but some chose a severance package rather than move to a different location. A district manager and several support-staff members were laid off. Nobody was escorted immediately to the door. They were given time and space to process what was happening and say goodbye, plus assistance finding new employment.

Ten years after the fact, I can report these events as a series of abstract numbers and facts. But at the time, every day felt awful, and my confidence in the company I had grown to love was diminished. Decisions about where and how to cut were agonizing. I wondered, was this the proverbial other shoe dropping?

It was. But it turns out that the shoe did not look at all like I thought it would. In another restaurant chain, the dropping shoe would have been a boot. Benefits and hours would be cut. Higher-wage, experienced employees would be laid off. Training for new employees would be reduced, and, inevitably, the restaurants would become less organized, dirtier, and more frantic. I have seen restaurant chains react badly to small downturns in the stock market, to say nothing of the Great Recession.

Starbucks, however, began introducing us to lean thinking. In the fall of 2007, I was sent a PowerPoint presentation about the work of scooping ice cream—where value was added, where waste occurred. It was a little mysterious in that I was not sure what I was supposed to do with it.

Then in February of 2008, as we conducted retraining for all employees, it became clear that Starbucks' senior management was seriously thinking about how work was actually being done.

Consider the milk. Steamed milk is the heart of most coffee beverages. Espresso may be the soul, but people fall in love with specific attributes of steamed milk. The cappuccino drinker wants just a kiss of warm milk and a cloud of foam to slowly melt into the drink. The latte drinker wants more milk and a creamy dollop of foam on top. And everyone wants their skim or whole milk, almond milk or soy, to be just the right temperature to bring out the inherent sweetness. Steaming milk is the trickiest and most time-consuming task of making an espresso beverage.

Therefore, it made sense to many baristas, as we discovered, to steam a large pitcher full of whole milk, using a portion for the current drink and setting aside the rest for another order. If the next six orders were for drinks with skim milk, soy, or no milk at all, that pitcher would sit cooling on the counter.

If the milk was repeatedly re-steamed, it could taste a little like tin. If the barista dipped the wand too far into the milk and made that screaming noise, the milk would burn—even just a little—and lose much of its sweetness. If the milk was not re-steamed and a drink was a few degrees cooler than our best practice, the customer might not send it back, but they would not be happy either.

Steaming too much milk at once was not the right way, but some of the baristas who did it this way were like rock stars—able to muscle through a rush while chatting with repeat customers and remembering everyone's favorite drink. When star baristas showed new partners how they worked, their methods were copied. And that is how stores and then maybe a whole district fell away from the proper method of steaming just enough milk for one or two beverages, tops.

People who are accustomed to lean thinking will recognize this as backsliding from one-piece flow to batch processing. We know from long experience that making elements of the finished product, such as steamed milk, in batches might seem efficient, but it creates a lot of waste. Especially when it comes to making fresh food and drink, batch processing is a sure path to stale waste. (Just think of premade burgers sitting under a hot lamp.)

We—the directors and district managers—needed to get close to the work to see important details, such as the fact that some baristas were using large metal pitchers for steaming milk instead of smaller two-drink-at-a-time pitchers. By getting so close to the work that we could teach it, we had conversations about how and why bad practices were adopted, giving us insight to the root cause of problems for baristas and customers.

At the end of 2008, we learned how to observe partners making brewed coffee and discovered a mountain of wasted coffee just in the bean-grinding practices. Then we examined all the work elements that went into making brewed coffee every 30 minutes and set about doing it better. Next, we examined how the pastry case was restocked. We were learning to apply lean thinking to individual processes, and it made sense, to a point.

By the end of 2009, we had examined the work of espresso drinks, brewed coffee, and restocking pastries and improved those processes. We were learning more about how to look at work and build good work sequences, but the improved work stood alone as islands of excellence. Unsupported by the rest of our habits, the improved processes were difficult to maintain.

Then in 2010 we began implementing a lean operating system called "Playbook" that was based on the Toyota Production System. This would knit our islands of excellence together with a new management system and daily problem solving. (I'll explain this in chapter 3.) From the beginning, I was a true believer. But that does not mean it was a perfect system.

In fact, the experience of implementing an integrated lean system in more than 100 stores across New England—and then coaching its implementation in another 500—raised some very interesting questions about standardized work and human beings in the service industry that leaders need to explore. In all industries, getting people to perform tasks in the same sequence and at the same rate every time—i.e., standard work—has been problematic. Humans just are not hardwired for repetition, it seems. And in service industries, quality human contact is central to the work. Human contact and standardization can seem like oil and water.

But here is the truly important discovery from our observations: when task standardization is adopted and steady work cadences are achieved, people are freer to do the satisfying work of making human connections. When work tasks are both repeatable and rote, managers, executives, and frontline baristas all have more space in their lives to chat a little, to ask questions, and to listen to others.

This became most evident to me during the worst week of our lives. When Newtown, Connecticut, became the epicenter of a horrific tragedy in December 2012, people needed our store to meet and mourn. This happens a lot to coffeehouses; they have become a town's public house. In this case, we went from serving something like 500 espresso beverages a day to 1,500.

In chapter 5, I will explain exactly how we accommodated the increased demand. But here, I should say that we did not change our menu offerings. We still made those labor-intensive, comforting lattes. We did increase the number of partners working but did not simply throw extra people into the mix. By this time, we understood the work well enough that we could divide tasks between the different roles—barista, cashier, store support, etc.—and change the mix quickly when needed.

Using techniques from the Playbook, we were able to ramp up operations and serve everyone who came into the store—from grieving families and townspeople to the international press—as well as carting out to-go urns of coffee to first responders and to memorials and other gatherings. With the help of standardization, we were able to provide the best comfort we could.

In similar situations, our stores have become overwhelmed. A café near the finish line of the 2013 Boston Marathon, which looked out on a scene of dozens of injuries from a terrorist bombing attack just a few months after the Newtown mass shooting, struggled to handle increased traffic. That store was shut down by the City of Boston for several days as part of the crime scene. It reopened to greater demand. Staff members were not yet trained in the way of the Playbook, however. Without the comfort of standardized work routines, and without the deeper understanding of how to respond to sudden swells in demand, our partners struggled with the work even as they were dealing with a lot of raw emotions.

While introducing the lean operating system in stores across New England, we saw people embrace this style of working wholeheartedly and others chafe at it. I learned a lot about how standardization succeeds and fails. I studied deploying best practices versus teaching best thinking and learned to train managers to think rather than automate management decisions through software. And I discovered some important things about happiness and work, too.

The first and most important thing for managers and partners is to understand the work itself—the precise tasks involved in creating value for customers.