

The Economic Club of New York

465<sup>th</sup> Meeting  
110<sup>th</sup> Year

---

Howard Schultz,  
Executive Chairman, Starbucks

---

May 24, 2017  
New York City

Interviewer: Terry J. Lundgren  
Chairman, Economic Club of New York  
Executive Chairman, Macy's, Inc.

Introduction

Chairman Terry J. Lundgren

Welcome everybody, can I ask you to take your seats please. Thank you very much, and welcome to the 465<sup>th</sup> meeting of the Economic Club of New York in our 110<sup>th</sup> year of operation. I'm Terry Lundgren, Executive Chairman of Macy's, Inc. and Chairman of the Economic Club. The Economic Club of New York is the nation's leading nonpartisan forum for speeches and conversations on economic, social, and political issues. More than 1,000 prominent guest speakers have appeared before this Club and before our members over the last century and have established a very strong tradition of excellence. I'd like to take a moment to recognize the now 248 members of the Centennial Society, each of whom have made a one-time contribution to the club of more than \$10,000. We thank you for that. They're seated at the front tables here in this room.

We also have with us today five of our 20 members of the 2017 Economic Club of New York Fellows Program – our pilot class which we are launching this year which was funded by the support of that Centennial Society. Through this program, we hope to introduce the next generation of forward-thinking business leaders to the Economic Club. I'd also like to welcome the three tables of students who are here in attendance today from Fordham University, Columbia University, and the Economic Society of Baruch College. And that's also thanks to the generous support of our members.

It is a great pleasure to welcome my friend – Howard and I said we had this conversation maybe

a year, year and a half ago or so – to bring him here to New York and to today’s session with the Economic Club of New York, and we’re glad today is that day. Howard has a new title called the Executive Chairman of Starbucks. We’ll talk about that. As Howard likes to say, it all started with a cup of coffee. He built Starbucks coffee company into one of the world’s most recognized and respected brands and businesses, a company committed to strengthening communities through human connection and social innovation.

Howard grew up in public housing here in New York and was the first of his family to graduate college. As a young entrepreneur, he set out to build a different kind of a company, one that delivers business excellence through a culture of compassion. Under his leadership, Starbucks has delivered approximately 18,000% in shareholder returns since its initial public offering in 1992, while pioneering programs like comprehensive healthcare, stock ownership, and free college tuition to eligible employees. Today, Starbucks has 26,000 stores in 75 countries and ranks third on *Fortune*’s list of most admired companies.

Howard’s groundbreaking initiatives through Starbucks and the Schultz Family Foundation have extended employment and education opportunities to hundreds of thousands of partners which are the Starbucks employees as well as people outside of the company. In 2014, Howard developed the Starbucks College Achievement Plan in alliance with Arizona State University, enabling partners to pursue their college education tuition-free through ASU online. After more than three decades at Starbucks, as Chairman and CEO, Howard has redefined the role and

responsibility of a for-profit, public company proving that business can indeed exceed expectations by sharing success with its people and the communities that it serves.

Howard's Starbucks journey began in 1981 when he walked into the first Starbucks store in Seattle's Park Place Market and discovered a local business there that was passionate about roasting at the highest possible level and brewing great, great coffee. He moved from his native New York and joined Starbucks in 1982 as Director of Operations and Marketing. At that time, there were only four Starbucks stores. I think there's four within about 35 feet of this building. (Laughter) One year later on a business trip to Italy, Howard was captivated by the romance of the Italian coffee bar. He returned to Seattle with the vision of bringing that Italian coffee house tradition to the United States, creating a unique place for human connection and a sense of community. After leaving Starbucks for a short period of time to start his own coffee house, he purchased Starbucks' six stores and their roasting facilities in 1987, and with the help of local investors, began a global expansion that would change how the world consumes coffee.

Chairman since 2000, Howard resumed his role as President and CEO in January of 2008 and just seven weeks ago Howard transitioned from CEO to Executive Chairman, shifting his full-time focus to social impact initiatives as well as innovation and global development of Starbucks Reserves Roasteries, and retail store formats. Along with his wife Sheri, Howard is co-founder of the Starbucks Family Foundation. He is also the author of best-selling books. He's got three books. The most recent is *For Love of Country: What Our Veterans Can Us Teach About*

*Citizenship, Heroism, and Sacrifice*. Howard holds a Bachelors Degree of Arts from Northern Michigan University. And I'm delighted to welcome him to the stage. Welcome Howard Schultz.

(Applause)

Howard Schultz

Executive Chairman, Starbucks

Thank you. You just gave my entire biography. There's probably nothing more to say, but...

TERRY J. LUNDGREN: All right, let's go then. No, there's, actually I've got quite a few things to dig into, so let's get right in. So, first of all, you've just changed roles from CEO to Executive Chairman, but I've seen this movie before. You changed roles, gave up the CEO title, and then you came back and did it again. That was in 2007 to 2008. You were in this role but then you came right back and decided to be the Chairman and CEO again. So, why is it going to be different this time?

HOWARD SCHULTZ: Well, I'm following your lead as you know. I think Starbucks has gotten to a stage right now where the scale, the geography, the complexity of the company, I think, requires a new generation of leadership. And I've had the good fortune of having someone by my side for eight years who was a CEO, who is very, very technically savvy, and I think under his leadership and my stewardship in helping him and coaching him, the company will be in

great hands. In addition to that, we're building a new super-premium brand inside Starbucks called the Starbucks Reserve Roastery. These are 20, 30, 40,000 square foot experiential facilities. One is in Seattle. The next one opens in Shanghai. We're under construction on Ninth and Fifteenth, opening in a year and a half, in Milan, in Tokyo. And I think what we're trying to do is really take Starbucks to the next level, and I'm focusing my creativity on those areas. In addition to that, as we've talked this afternoon and any time before that, is, you know, I have significant concerns about the direction of the country and trying to understand how we, as a company, can use our scale for good and leverage the fact that Starbucks is in almost every community in America and what can we do to try and elevate the national discourse, the national conversation on things that would create a more compassionate society and a more compassionate government.

TERRY J. LUNDGREN: So, there's a lot there we can dig into. Before we do, I want to back up one and dig a little bit deeper. You and I have a board member that sits on your board and has sat on mine for many years and I picked his brain a little bit about this conversation today. And I said, well, what's different, you know, about this time, you know, Howard stepping away, from the last time? And this board member said, you know, he picked the right guy. And what is it about this, you know, experience that you've gone through versus the first time? Because succession is such a critical role for, you know, retiring CEOs, exiting CEOs, and boards of directors. And since my successor is sitting in the room over here, I want to make sure he listens to this.

HOWARD SCHULTZ: Well, I think for us the success of Starbucks over many, many years has literally been defined by the culture, values, and guiding principles of the company, and the currency of trust that exists within Starbucks. And I got succession wrong the first time, not because I hired a bad person, but I didn't plan in advance enough to try and create the successor from within the company. And the culture of Starbucks is so strong and so unique that the successor to me had to come from within. And so I started planning this about three years ago and Kevin and I started talking about it, and we just had to be culturally aligned about the values, the direction of the company. And, you know, everything we've been able to do is about creating servant leadership within Starbucks. And I would define that by this: that we as a company – managers and leaders – have to exceed the expectations of our own people so they can exceed the expectations of our customers. And metaphorically, every meeting that I've ever been in of our leadership team and our board, I've had two empty seats in that room. One seat emptied and occupied by a customer and the other by a Starbucks person. And I've always asked myself whether or not the key decision and strategic direction the company was going to make, was it going to make the customer and our people proud? And if the answer to that question was yes, full board, let's go. And if it was no, we're not going to do it. And I'd also say culturally, we've imprinted into the management of Starbucks over many years, that not every business decision is an economic decision. And you mentioned our financial success as a company. There's no doubt that the price of admission for how we see the world and how we operate our businesses, as a fiduciary we have to perform. And we have. But we've always believed, and I've believed, that

success in business is about the fragile balance between profit and conscience. And that, to me, has never been more important and more true than it is today. We have a government that is dysfunctional and polarized, and we have an administration – regardless of whether you voted for the President or not – we are going to go down a path right now in which many, many people are going to be left behind in this country. And what that means to me is that business and business leaders are going to have to do a lot more for their people and the communities we serve going forward. And I think if you look at our success, defined by our culture, our financial success in large part is due to the social impact agenda that we have had for many years. And I would define that by saying that the consumer today, in your business, in my business, in all of our businesses, has tremendous choices and there's so much competition. The consumer wants to make the choice of buying and selecting a product, a service, or a relationship with a company whose values are compatible with their own. And that's going to become more and more important as we go forward, mainly as a result of the transparency that exists as a result of social media. You can't hide, and you shouldn't hide. So, the short answer to your question is succession at Starbucks has been defined by the cultural alignment that we need to have in the future leadership of the company.

TERRY J. LUNDGREN: So, you've gotten into multiple subjects off of that first question. And you're well known within your organization and outside of your organization as being a very transparent leader. It's on your mind, it's coming out, right? So you speak about these things. Does that get you in trouble sometimes when you speak on these subjects and you've got – some



of your employees agree with you, some of your employees may not, some of your customers agree with you, some of your customers may not – does that get you into trouble when you're a publicly-traded CEO of a big company?

HOWARD SCHULTZ: Well, I would say that leadership and moral courage is not a passive act. I think it's very easy to lead and be courageous when the wind is at your back and very difficult when it's inconvenient. I want to be thoughtful. I want to be disciplined. But I want to be honest, and I think probably one of the undervalued characteristics of leadership is being vulnerable. And I want to demonstrate vulnerability through transparency to our people. But, you know, Starbucks has been accused at times of being a political arm of either myself or some role that we want to have in our society. We don't view it that way. We view it, we have a purpose, and I think every organization represented in this room has to be defined by its core purpose and reason for being. We view our core purpose and reason for being beyond our stock price and making money. And we believe that we have a social agenda and a social responsibility and at times we've taken on issues, whether it's been race, guns, obviously you mentioned what we've done, what we've tried to do about veterans, Opportunity Youth. I mean there's some very significant structural problems in the country, and I don't need to tell this audience that we are all assembled here today, and whether you are Republican or Democrat or voted for the President or not, we probably all can agree on one thing – that the country is drifting in a direction that we all need to be concerned about. And in the interest of being transparent and saying something that might be controversial, I would say that the country is in need of an economic, a cultural, and a

moral transformation.

TERRY J. LUNDGREN: So, some of the subjects you've touched on, let's talk about some of those. So, open carry was one of those. And I recall at that time you taking a stand on that subject and having some push-back in states like Texas who wanted to push back. And it may have created a problem for some of your employees.

HOWARD SCHULTZ: Well, so Starbucks is not against the Second Amendment and neither am I. But we have a law on the books in 46 out of 50 states in the country, which has been labeled as open carry. I don't know if many of you are familiar with the fact that in 46 out of 50 states you can walk anywhere in any public space with a gun on your person, and walk into a Starbucks store with it. And we found ourselves in a situation where after Sandy Hook people were beginning to literally walk into our stores with guns. And one day in San Antonio somebody walked in with a AK-47. And I just felt, I think this is a time where we need to have a little bit of common sense and sensibility about this is not the appropriate issue to try and challenge. We're not challenging the Second Amendment or open carry. We just don't think it's the right place. And so we tried and we were successful in being able to raise the national conversation around that, and that turned out well for us. But, you know, I think what we're really talking about is being principled and sometimes being principled is not convenient.

TERRY J. LUNDGREN: And just the last one issue you touched on too was race relations and

you took a stand on that subject.

HOWARD SCHULTZ: Yes, you're just going to bring up every controversial issue that...Folks, off stage, Terry said this was going to be so easy, you know. Well, the issue of race, let's see, we had a situation at Starbucks at the time that Ferguson and Oakland and Staten Island and Cleveland was going on where – and this had never happened before in the history of the company – where a white customer in a southern state refused to be served by a black barista. And when that was brought to my attention, I decided that this was an opportunity to try and elevate the conversation inside our company. And so, Starbucks, every single quarter has town hall meetings and I scheduled an unscheduled town hall meeting. No one knew what the subject would be, and we talked about race. And in that conversation it was clear to me that we had a lot to learn from each other and that there was a lot of pain, a lot of shame, and a lot of unconscious bias that we all have. And as a result of that, we went around the country and we had open forums in about 12 markets, including Ferguson. In Ferguson, a young man, African-American, stood up and he said, I'm 18 years old and I don't think I'm going to make it to 19. And, you know, when you're in these meetings and you're in front of people and you hear something like that, the question for all of us would be, well, what should I do once I'm exposed to this kind of language and concern? And we decided that we should not be a bystander, that we should try and elevate the national conversation. So, we created the Race Together Campaign. And unfortunately within hours of launching that – and we learned a valuable lesson – it was basically hijacked on social media and we lost the narrative. If you ask me today, in my almost 40 years of

being at Starbucks, what am I most proud of, I would put that almost at the top of the list that we had the courage to raise the issue and discuss race in our country. And I think we all need to recognize that there are things going on in America today that if Martin Luther King and Bobby Kennedy and LBJ, when he signed the Civil Rights Bill, if they all saw and witnessed what's happening, and if you read the book, *Just Mercy*, by Bryan Stevenson, there's a lot of issues here that I think are not being discussed at the national level. And again this goes back to what is our collective responsibility as citizens, as businesses, and business leaders, to elevate these conversations and not ignore them. Because we certainly have a problem in America that is as significant today, in my view, as it was in 1968 with regard to race relations.

TERRY J. LUNDGREN: Well, I credit you for taking it as public as you did. I think many companies in this room had these sessions internally with their employees and we did raise the conversation and it was uncomfortable, but it was an education process that we all needed. But I give you credit for taking it to a much broader scale. Talk about the third place, tell me about, that's an easy one for you.

HOWARD SCHULTZ: Sure. Okay, now we're getting into it. Well, I think, you know we discovered something in building Starbucks. And that was that in addition to the quality of coffee and the design and the operations of the company, we created a third place between home and work. We were not that smart to really understand what it meant. But over the years, what it's come to mean is a sense of community, and I think people all over the world, and now in 75

countries, are longing for human connection. I would even go as far as to say that there's a growing concern, not an epidemic but a concern, in the country around loneliness, about isolation. And, you know, one of the benefits of your business and our business is that we do bring people together. And the third place, a sense of community and the sense of humanity, has been a major source of the development of the company and why Starbucks has succeeded. People said we would never succeed in China, in Japan, in India, all these places, and yet there's universal acceptance to the Starbucks experience because basically we all want the same thing. We want to be respected and dignified as customers, as employees, and we've tried to elevate a deep sense of humanity in everything we do.

TERRY J. LUNDGREN: You know I've seen it take place in my own Starbucks and watch, you know when you go out to dinner in New York City, you don't, you rarely see a person sitting by themselves, but when you go to Starbucks, you often see individuals sitting by themselves. And over time, those individuals get to know one another because they're coming at the same approximate time and so you're creating a new community.

HOWARD SCHULTZ: Yes, exactly right.

TERRY J. LUNDGREN: So, could you imagine 35 years ago that you'd be in 75 countries and that you would have 26,000 stores and that you'd have four Starbucks within 45 feet of this building?

HOWARD SCHULTZ: Ah...no. So, I told a story last week at the Microsoft CEO Summit, but the short version is our original business plan was for 100 stores and we could not raise the money. And so I crossed out 100 and said 75. We didn't even have enough money to reprint the business plan at the time. But there's a great story here in us going to Japan in 1996, our first market outside of North America. So, the board – in their divine wisdom at the time – decided that we needed to hire a blue chip consulting firm to help us understand whether or not we could succeed in Japan. I'm not a consulting type person myself, but nevertheless, we went out and we hired a consulting firm. And they came back and did a lot of research and presented this big book and gave us this big bill (Laughter) and said Starbucks would never succeed in Japan, that no Japanese person in 1996 would ever, ever walk in the street carrying a cup of coffee or food because you would lose face, and your no smoking policy is a disaster and you can't afford the rent based on the volumes that we predict. So, we had a decision to make. One, do we pay this consultant...(Laughter)...which we did, but we dismissed them, and notice I'm not mentioning any names. But we went to Japan and we changed the culture in Japan. And, you know, there's 1,200 stores now throughout Japan. There's almost 3,000 in China. And it's not that we changed the issue of people walking in the street with a cup of coffee, what we brought to these markets was, as you described, a sense of community, a sense of place, and a set of values, a set of guiding principles. I was in Japan, I was in China just recently where we announced something that was groundbreaking. And what we announced was that in the U.S. we provided health insurance 30 years before the Affordable Care Act for every employee at Starbucks, primarily

because I grew up in a family without health insurance and I wanted to do something from my family. In any event, we went to China and we made an announcement – no American company and no China company had ever done it before, and that is providing health insurance for the parents of our employees in China. And, you know, this is a huge announcement in China and this is not because we're issuing a press release. This is not marketing. This is the conscience and soul of our company because we recognize that the equity of the Starbucks brand in every country that we're in, from 1971 to today, is not the place, not the coffee – all those things are the price of admission and what we have to do really well, but the equity of the brand is the person wearing the green apron, the Starbucks partner. We call them a partner because everyone's an owner. So we have to do everything we can as a company to exceed the expectations of the customer and our people. And in terms of innovation and all the things we have to do to reinvent the company, which is mostly customer facing, we have to do the same thing for our people every single day. We are in the people business with 350,000 employees.

TERRY J. LUNDGREN: So, let's talk about China because most people, most board members, most people would say very difficult country to succeed in, to make money in, long-term investments, not everybody, in fact most are not getting a return on those investments. You were actually going to sell the business at one point in time, right?

HOWARD SCHULTZ: So, we entered China 18 years ago. We lost money in China for nine consecutive years. We have some members in the street here, they were calling for us to get out.

And, you know, this is again, I think, you've got to believe. You've got to believe that the staying power and your business model and what you have to offer is going to cross over and you're going to win over the consumer, and we believed it. Today, China is the most profitable market in the world for Starbucks at the store level.

TERRY J. LUNDGREN: Which is an amazing statement.

HOWARD SCHULTZ: We're opening a store a day and I think over time it will be the largest market in the world for Starbucks. But here's a very interesting story. We were having trouble, not attracting, but retaining our employees in China. Eighty-seven percent of everyone who works at Starbucks is a college graduate. And the parents of our employees, our partners, felt that they didn't send their kids to these great universities to pour coffee. They should be working for Facebook and Google and Microsoft and not Starbucks. And the attrition rate was really hurting us. So we had this idea, and people thought we were crazy, and the idea was we've got to get the parents to understand who we are as a company. So let's have an annual meeting of the parents of our employees. Now I don't know how many parents of our employees would come to an annual meeting in New York (Laughter), but we just had our fifth annual meeting when I was last there. I'm talking about thousands, thousands of parents, thousands of grandparents coming and all we're doing at those meetings is to celebrate the family, celebrate their children. And we've never had a problem in attracting and retaining our people since then. And once again, it's these innovative things that are, these are not things that are accounted for on the balance sheet,



they're not on the income statement, but these are the values of our company.

TERRY J. LUNDGREN: And another piece of that is I'm aware that you personally spent a lot of time in China. So you made it your priority to make sure that this was going to work and you were there.

HOWARD SCHULTZ: I think I probably have traveled to China as much as any public CEO in the last ten years, almost once a quarter. And primarily to build relationships at the government level, at the local level, so people would really understand that we want to be the kind of company that brings something to China and doesn't take it. And I think we've been voted consecutively now as the Employer of the Year. And these are things that we believe are, is our responsibility.

TERRY J. LUNDGREN: Shift to technology inside of Starbucks...and so your new role, you're going to take on some of the Starbucks Reserve work. Talk about what a Starbucks store looks like in five years or three years and what role technology plays.

HOWARD SCHULTZ: Well, starting with technology, I think regardless of whatever business is represented here today, everyone needs to recognize that we need to be a technology company. And we were fortunate to invest ahead of the growth curve five years ago in developing a mobile ecosystem for Starbucks in which we had the idea that we could create a mobile ecosystem in

which people would pay on their phone and we would create a reward system. About 30% of all tender now is on people's phones at Starbucks. The last holiday, \$2 billion was pre-loaded on people's phones or a Starbucks card in advance of the holiday season. We introduced mobile order and pay. Within a year we'll be in the content business where on your phone we'll be pushing personalized content to you. Not ad-based, but things that will entertain and be of value to you. And in China, in a partnership with Tencent, we're now into the social gifting program where literally millions of Chinese are sending a latte to their friend or their family in a form of a social gift. And we'll be bringing that to the US shortly. I'd say there's no way Starbucks can succeed today without recognizing that the investments in technology have to be as significant as anything we're doing and because things are changing so fast, we have to be at the cutting edge. And that also means that we've got to be very, very smart because of the currency of now with regard to social media. In terms of the Starbucks of the future, it has to be very experiential. The Starbucks Reserve Roastery is really, the catalyst for that was Willie Wonka. We said we're going to build the Willie Wonka of coffee and we have built something in Seattle and will build it in New York with Steve Ross, something that the people of New York have never seen before. Think about Disney, it's a theme-park of coffee in 30, 40,000 square feet. The next one opens December 5 in Shanghai. And I think for all of us in retail today, the people are not going to stop shopping, but we have a responsibility now to deliver something in which we are exceeding their expectations that is a multi-sensory experience. And so the theater, the romance, the drama, I mean we have to be in the seduction business. And that is what it means to be a merchant, as you know so well.

TERRY J. LUNDGREN: It's absolutely required. And I think the way you're describing it is really trying to step out of the box and create something different, something new. What's your favorite coffee?

HOWARD SCHULTZ: Aged Sumatra, which is a coffee that's pre-aged for about three to five years and produces a very earthy taste.

TERRY J. LUNDGREN: Where do I get that? (Laughter)

HOWARD SCHULTZ: I'll send you some. (Laughter)

TERRY J. LUNDGREN: You also recently went into South Africa.

HOWARD SCHULTZ: Yes, so I had never been to South Africa. I've been to Africa before. I did not know what to expect. We opened in Johannesburg and the short version is we have lines out the door and we're all very excited, but the real story is what happened before we opened. I wanted to see the townships where the employees that we were hiring were living, and I walked through those townships, and for a kid who grew up in public housing I know what it means to be poor, I had never seen anything quite like this before. Yet the people I met were so joyful and they had real gratitude despite having nothing. The 50 kids that we hired who live in these

townships, I sat down with them days before we opened, and I wanted to hear their story. I wanted to talk to them. I found out a few things. One, every one of these kids, all 50 kids, had never had a job before. All unemployed. When they put on the Starbucks green apron, it was if they were putting on a suit of...

TERRY J. LUNDGREN: Cap and gown...

HOWARD SCHULTZ: Yes, it was just the self-esteem, their body language, it was really something to see. And while they were telling me their stories, I kept hearing a word that I had never heard before. And I finally asked, what is, what word are you saying and what does it mean? And the word was ubuntu, u-b-u-n-t-u. It's a word that Mandela used many, many times. And when I asked what it meant, they couldn't wait, almost in unison to say it means I am because of you. I am because of you. So here's these young kids who were teaching me a lesson about humanity. And I gave the commencement address to, as I said, about 30,000 people last week in Arizona, at Arizona State University, and I talked about ubuntu. This is a time in the world where I am because of you needs to be kind of threaded to we need to be for each other. And I think the world really needs to hear that word and understand that message. And I think it's unfortunate that we've lost someone like Mandela who could spread that word to the world today.

TERRY J. LUNDGREN: Great give-back for those individuals in the townships that Starbucks

was giving jobs. Talk about activist investors. You like them?

HOWARD SCHULTZ: Oh, I love them. (Laughter) I don't want to invite anyone in, but, you know, we have the good fortune of never really have had an activist investor. Although whenever I see, when I've seen Carl, I always kind of look the other way.. (Laughter)...just to make sure he doesn't know who I am. But again, what are we talking about? We're talking about, you know, there are bad actors and companies whose governance leaves a lot to be desired, that needs transformation and probably needs someone to come in and make things right. But the majority of companies, companies like Macy's, like Starbucks, and many companies that are represented here, are the good guys. They do the things the right way. And so, you know, I witnessed something two years ago where one of my closest friends, someone you know, Mike Ullman, who ran J.C. Penney for many years, found himself in a situation where very unfairly, very unjustly, he was being accused of something that was not right. And J.C. Penney lost millions, billions of dollars of market share and tens of thousands of families were fractured as a result of activism that produced nothing. And so I think what we're really talking about is the need for common sense and balance and I think, again, it goes back to performance and doing things the right way.

TERRY J. LUNDGREN: Well said. Let me just move to this book, *For Love of Country: What Our Veterans Can Teach Us About Citizenship, Heroism, and Sacrifice*. What motivated you to write this book?

HOWARD SCHULTZ: Well, my co-author, Rajiv Chandrasekaran, is right there from the *Washington Post*, who now works at Starbucks. So, Rajiv, thank you. But the motivation for that book came from Secretary Gates. Secretary Gates joined Starbucks board five years ago. And almost from the very beginning of him joining the Starbucks board, started educating me – I think he had something in mind – that 2.5 million extraordinary young men and women who are wearing the cloth of the nation and have been at war for the last 15, 16 years, are coming home. And they're coming home to a country in which 99% of America has not had any skin in the game. They're coming home without a parade. They're coming home without any understanding of the sacrifice that they and their families have made. So, Rajiv and I, my wife and I, started out on a journey of learning. We went to Walter Reed. We went to the Intrepid. We went to bases. And we sat down in a focus group and a young man says, as he was getting out, that he had more anxiety and trepidation about going on a job interview which he had never had, than he would have if he had to go back to Iraq. And these are the kinds of things that stick with you. And if you walk through Walter Reed and you see what people have really sacrificed, we decided that we had to do something. So we did two things. We went to HBO and we said in less than a year we want to produce a concert on the national mall. And you can't get a license to have a concert at the national mall, but we did. And we had 800,000 people, every celebrity we asked, HBO broadcast it, and Starbucks, Jamie Dimon, Richard Plepler and I produced something that was extraordinary. And then Rajiv and I wrote this best-selling book and again trying to raise, again, the national dialogue, national conversation on the awareness of what it means to wear the cloth

of the nation. And unfortunately, the majority of the American public did not have any engagement, did not have any knowledge of what these young people had done and what they had sacrificed. That's why we wrote the book.

TERRY J. LUNDGREN: There's a particular story that moved me about a gentleman by the name of Bill Krissoff who was a successful physician, lost his son, and decided to take it upon himself to leave his successful work and go serve the country.

HOWARD SCHULTZ: Well, Dr. Krissoff was younger than President Bush at the time and when he lost his son, asked President Bush to help him get a waiver because he was denied. President Bush helped him get the waiver and he went back in his early 60s as a surgeon to honor his son and saved thousands of lives. And that is one of the stories in the book and one of the extraordinary stories we heard, which were many, that Rajiv found along his way.

TERRY J. LUNDGREN: Last question. Any other lessons learned that you would like to share with us? Any do-overs that you would like to have if you could wind the clock back?

HOWARD SCHULTZ: I think there were many, many lessons. I think the most important lesson I'd say in building our company is to over-communicate. I think we tend, as men, as men, to not be vulnerable to kind of, not demonstrate a level of sensitivity sometimes as required for people to understand what's really going on in the company. And what I mean by that specifically is if

you're going to try and lead an organization, there has to be a very high degree of transparency. And many, many times as CEO you've got lots of information and I think we are conditioned sometimes not to share that information, that perhaps people won't understand, or perhaps it's a secret. And I think one of the great lessons is if you really want to transform an organization, the currency has to be trust and confidence, and the culture has to be a level of understanding that we're all in this together. We've got to be facing the same direction. We've got to lock arms. And we're going to all share this information so that we know what's at stake. I don't think you can ask people to take it personally if they don't have the same information you have. I think there have been many times along the way where we held information back, and I think over the last few years the culture of the company has been complete, 100%, transparency, where everybody understands what's going on, what's at stake, what we're trying to do. The other thing is you tend to chase a lot of rabbits, and what I mean by that is less is more. Focus your energies on what is really, really important and don't get intoxicated and seduced by the next shiny toy. Because it's very, very easy, especially when you're a marketer and you're creative and you're innovative, and there's lots of people bringing you things that you think could be the next big idea. Generally speaking, it's not one thing that gets you in trouble, and it's not one thing that makes you successful. It is an array of activities that all comes together like a symphony. And when companies are in trouble, they're looking for that silver bullet that's going to get them out of trouble. It's not one thing. And when you're successful, it's not one thing. And I would say the great lesson of Starbucks, in 2008, is that our great success up to then was extraordinary where everything we did turned to gold, but our success turned into hubris. And we weren't as



hungry and we weren't as challenged. And we became full of ourselves. We became undisciplined. And the company lost its way and almost lost everything as a result of a self-induced disease, which was hubris, and that will never happen again at Starbucks. But success can be a damaging force if it's not managed properly because people tend to believe that success, that you are entitled to it. And one of the great lessons is success is not an entitlement. It has to be earned and earned every single day.

TERRY J. LUNDGREN: Great talking with you, Howard. Thanks for all of your great...(Applause)

HOWARD SCHULTZ: Thank you. Thank you. (Applause)

TERRY J. LUNDGREN: Just to add that the next meeting of the Club will be June 1 when we'll host Federal Reserve Governor, Jerome Powell, for a breakfast, and we have Jeff Immelt later on in the month. Thank you everybody. Enjoy your lunch. Thanks Howard. (Applause)