

Starbucks case study sample

[Business](#), [Company](#)



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Starbucks is the world's leading coffee house chain. Ever since its inception in Seattle, Washington, over 40 years ago, the company has managed to expand its operations to over 60 countries, managing a total of more than 18, 000 outlets (Starbucks, 2014). According to Forbes, Starbucks is the 76th most valuable brand in the world due to its robust business performance and incredible brand recognition globally (Forbes, 2014).

Dunkin Donuts, on the other hand, is Starbuck's major competitor and perhaps the biggest one. The company specializes in serving an elaborate variety of donuts and coffees along with other breakfast items. Dunkin Donuts also has a phenomenal worldwide presence with over 10, 500 stores that manage to serve customers in excess of 3 million daily (Dunkin' Donuts, 2011).

Both the companies have been competing with each other internationally for a number of years. However, Starbucks has more than often managed to outperform Dunkin Donuts across most performance metrics, be it financial as share prices, market share, or others such as the number of outlets (Taylor, 2013). Starbucks' sustainable performance and success over the

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years has stemmed from various factors, Human Resource Management being one of the chief ones. Hence, it is worth unearthing how such effective human resource policies can benefit a franchise such as Starbucks, and how it fares against the ones of its fiercest rivals such as Dunkin Donuts.

Starbucks carries out a rigorous recruitment program to ensure that it gets the best people on board. There is great emphasis on getting the right people as employees are seen as part of the long term structure of the company. Therefore, the company conducts an online test or assessment featuring basic questions. These questions help the recruiters to identify and short-list the most suitable candidates. While the interview stage arrives, employers are provided with strict guidelines to analyze the qualities and skills that the company is looking for each position. This approach potentially leaves out a large pool of talented individuals who can be snapped up by rival companies such as Dunkin Donuts, only because their traits are not consistent with the rigid criteria specified by Starbucks.

Dunkin Donut's hiring approach, however, strikes a complete contrast with that of Starbucks. Forbes magazine recently conducted an interview with Nigel Travis, CEO of Dunkin' Brands, which is the holding company managing Dunkin Donuts itself. Travis says that his approach selecting candidates are a bit arbitrary (Adams, 2013). Nigel Travis wishes to hire only people that can perform well on a regular basis. He also wants people who have the ability to speak up and challenge their superiors, whilst at the same time challenge their colleagues to keep up with their own performance levels (Adams, 2013). Travis values honesty of employees as a significant strength. He further stated that he asks employees in interviews about their strengths

and weaknesses. The main idea of asking their strengths and weaknesses is to analyze ability to criticize themselves as well as to know their skills and limitations (Adams, 2013). Hence, as opposed to Starbucks, Dunkin Donuts utilizes a relatively far more uniform approach to hiring people. Its staff is expected to manifest similar traits, such as honesty, diligence and confidence, rather than display varying traits according to the department they are part of or the vacancy they have filled.

Starbucks HR approach aims to create a positive working environment for employees as well as instilling in them a passion for working for the company. It wants its employees to feel a genuine desire work for the betterment of the company and promote its objectives. For this reason, Starbucks is on the lookout for people who are adaptable, dependable and have teamwork ethic. As the organization is very people centered; therefore, all the employees must share their views, regardless of their job titles and pay bands. Moreover, the organization encourages collaboration with one another when implementing the strategy.

In this respect, Dunkin Donuts approach is somewhat similar to Starbucks. Travis explicitly states in his interview that he does not believe in a top-down hierarchical management system (Adams, 2013). He encourages his staff, all of whom are his subordinates, to contribute to key issues concerning policy making, even if their opinion is different from his own (Adams, 2013). He encourages autonomy and diversity in opinion, giving his directors and managers some space to make their own decisions in their respective areas rather than constantly dictating their actions.

The two companies are extremely distinct from one another in other aspects.

Dunkin does not place as much emphasis on training its staff and developing leadership talent as does Starbucks, which makes each employee undergo strict training regimes to meet work standards, such training schemes include “ First Impression” and “ New Corporate Employees Immersion Training”, as well as external programs and seminars where employees are sent to learn new techniques. This approach of Starbucks is significant as it offers more chances for growth and personal development for employees. On the other hand, Dunkin Donuts do not offer such growth chances. Therefore, this attracts the cream of the recruitment crop as individuals will perceive it as valuable destination for their current and long term prospects. Moreover, Starbucks is currently offering better reimbursement packages than Dunkin Donuts, which is perhaps the most crucial incentive for most employees. Dunkin Donuts currently offers the minimum wage to the store staff, which though legal, might not sit well with a brand of Dunkin’s stature. It could have a negative effect on employees who might feel that the company does not value them enough, and this could affect their motivation levels and subsequent productivity. On the other hand, Starbucks is the only player in the industry to offer above minimum wages. Starbucks offers attractive reimbursement packages which feature insurance, savings plans, free merchandise, and tuition fees. These packages make the employees believe that the company values them, and this arouses passion from within them to strive to give the best to the company.

With regards to compensation packages, Dunkin Donuts also does not believe in using performance management techniques to adjust the pay of employees. While Starbucks offers additional benefits to retain employees,

Dunkin does not wish to distinguish between their good and not so good performers through rewards and benefits as it believes it could create issues of discontentment or rifts amongst employees. The actual impact of such a policy though does depend on the strength of this dogma as well as that of negative worker motivation for hard work.

It is clear from the above analysis that though similar in some spheres, Starbucks and Dunkin Donuts mostly take contrasting positions of human resource management. After analyzing both the companies, saying any company better is a tough call given both are internationally renowned and widely successful franchises. Given Starbucks market leadership and a historical dominance though, one could perhaps conclude that its HR approach is the way to go these days.

SWOT analysis

Strengths

One of the major strengths of Starbucks is its recruitment process. The company has implemented a strong recruitment process which allows the company to hire the best possible candidates for the positions. This recruitment process consists of different stages including online tests, assessment tests and interviews. Moreover, the company values its human resource and the employees at Starbucks are called as partners.

The working environment at Starbucks is motivating. This encourages employees to work in the best interest for the company. Starbucks encourages teamwork at the workplace. This allows employees to help each other out regardless of their designations.

Starbucks realizes the importance of training its employees. The company

invests in training and skill development of its employees. Different training programs are conducted to improve operations, and service quality of the company. This also helps employees to learn new skills and develop their career. The company not only focuses on internal trainers but also uses external trainers to train employees. Thus, it also increases the morale of the employees.

Salary and remuneration packages offered by the company are better than some of its competitors like Dunkin Donut. The company offers salaries more than the minimum wages to its employees, and therefore, it further helps in motivating the employees.

Weaknesses

Starbucks gives a lot of emphasize to its employees. However, there have been some instances where HR strategies of Starbucks have been found wanting. The company was highly criticized for firing of employees. Number of employees from the company protested in more than 50 countries including United States, United Kingdom, Australia, Canada, Germany and many other countries against the firing of five employees (Yue, 2006).

Moreover, there was another instance in 2005, when the company had to pay \$165, 000 at the roasting plant in Kent in order to settle the charges for retaliating against for being pro-union. There was another issue regarding the minimum wages at Auckland, New Zealand where the employees stopped working and went on a strike. The company at the end had to increase the pay as well as increase the security of hours along with improvements in the ratio of youth employees (Collins, 2005).

Opportunities

Starbucks focuses a lot on training its employees. With the advancement in technology, the company can further increase its use to train employees at a lower cost. The company can conduct training sessions and use technology to train employees at different stores and in different cities. Trainers can offer training at one place, and this session can be displayed at different locations for the employees of Starbucks. Therefore, this strategy would reduce the cost of training and at the same time it would help in training more employees.

Overall, the human resource practices of Starbucks are attractive, and this would be helpful for the company in attracting new talent for the future.

Therefore, the company can highlight its successful HR practices in order to attract new and talented employees.

Threats

The economic condition of the world is improving. Therefore, there would be more opportunities available for employees and employees would be willing to switch their jobs to get a better position and better salary and remuneration packages. Therefore, Starbucks should prepare some strategies to make sure that its employees are retained.

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