

# Starbucks global issues

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



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Introduction Globalisation referred by Hill (2009) is the shift towards a more integrated world. It is the process of economies, societies and cultures integrated through a global network.

One of those networks is trade network. This means that there is a movement of materials and goods between national boundaries. Globalisation also involves movement of labour and causes a variety of effects: political, ethical, cultural, social, etc. More importantly, the effects brought by it can cause issues that require further investigation. The purpose of this report is to center around a major organisation - Starbucks Coffee Company and to carry out a depth investigation into its position in global market and issues related to it.

The report will firstly present the research methods used to get the information and justify that. Secondly, will discuss globalisation and its position in Starbucks Company including criticism that exists. Later on, the report will discuss ethical issues raised by the globalisation of the company, including employment practices, human rights, environmental pollution and moral obligations. Finally, the conclusion will be drawn. Methodology In order to investigate the company and its operations, the research has to be carried out so that issues could be addressed.

As described by University of Oxford, research “ comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications” (2010). The stock of knowledge in this case refers to the information of the company. Research is carried out to define a series of problems or issues. The context of research has to be described in order to specify why it is important to understand and learn about raised questions.

Also, particular research methods have to be chosen, described and justification on why they were chosen and what impact it has on the discussion has to be given. To start with, two topics to investigate were chosen for the research. The definition of issues was given to understand what information is needed. Then, the research was carried out. There are different methods the research can be carried out, however for this case study the research was based on the collection of qualitative data that already exists.

Brassington & Pettit (2003) describe it as a secondary data that was collected by someone else for one purpose and is later used by someone else for the same or other purposes. It can include newspapers, magazines, books, websites, memos, transcripts of conversations, annual reports, etc. This type of research allows one to understand existing theories and look for examples which then may lead to drawing the conclusions about relevant issues. In this case study, numerous sources of secondary data was used: books, journal articles, web-sites.

Also, statistical and numerical data presented by Power Point presentations was acquired in order to justify theories and identify company's positions. "Case study" term has to be brought in this context as the research is focusing only on one specific objective - Starbucks Coffee Company. Colorado State University (2010) defines case study as a collection and presentation of information of a specific agent and drawing a conclusion only about that specific agent. It is a form of qualitative research. Researchers investigating a case study do not look for discoveries but focus on exploration and description.

All in all, the methodology used to conduct a research helped to build a case study centering around Starbucks Coffee Company, which provided a depth-description of it, raised questions and provided justifications. Finally, after emphasizing the importance of issues and the importance caused to the company, the research allowed drawing the conclusions and giving recommendations. Company's profile Starbucks, first opened in Seattle in 1971 and now operates in over 16,000 locations in 50 countries.

The mission of the company is to nurture the human spirit - "one person, one cup, and one neighbourhood at a time" (Starbucks 2010). The company emphasizes the fact how important it is to Starbucks to deliver the best coffee to its customers. Therefore it aims to serve coffee grown under best conditions, also including ethical and healthy standards. The organisation sees its employees as the heart of the company and treats them with respect and dignity. It even offers the percentage of the equity to its employees also called "partners" by the company.

The company aims to be known not only for the quality of the coffees it offers but also for being a responsible business. It wants to be respected by customers, partners and suppliers. Therefore Starbucks has established ethical policies to follow: “ we have identified three areas of focus: ethical sourcing, environmental stewardship and community involvement” (Starbucks 2010). The company is constantly expanding by adapting international strategy - joint ventures or providing licenses to other companies to own and operate Starbucks stores.

This is the impact of globalisation which will be discussed further. It is still look for countries to set up in (Jung 2003). Globalisation As mentioned before, globalisation is a shift towards integration of economy, cultures and societies. Hill (2009) identifies two sectors of globalisation: globalisation of markets and globalisation of production. Globalisation of markets Hill (2009) defines globalisation of markets as the merging of very distinctive from the historical point of view and separate national markets into one global unit.

He continues explaining that markets converge as consumers' tastes and preferences from different countries are becoming more and more alike. Vrontis et al. (2009) confirms that the world is becoming similar in terms of consumers' needs and environmental factors no matter what geographical locations they are in. Moreover, globalisation also stimulates the movement of people from one country to another which means that it is easier for people to learn about different cultures more easily as well as adapt new lifestyles. As consumers have same demands, similar marketing strategies can be applied worldwide.

Starbucks is a facilitator and benefactor of globalisation of markets as it offers the same basic product worldwide. Although there are many proponents of standardisation used globally, there are also supporters of the view that markets cannot be standardized due to cultural influences upon the consumers. Despite that, firms operating internationally, bring their own assets to other countries - products, operating strategies, marketing strategies and brand names that can be amended later on. For instance, Starbucks operates in a number of countries with different tastes.

If we take UK and China, the coffee served is the same, the brand promotion is similar, the logo used is the same as a result of strengthening brand identity and image, while the food served in stores has the flavour of the culture the store is located (Simmons 2005). This brings up the standardisation vs. adaptation phenomenon which occurs in global markets. In this case Starbucks uses both approaches by standardizing products (coffees) and promotion campaigns (same image) and adapting to different cultures (different flavours).

Starbucks shows adaptation further by offering green tea frappuccino'es in Asia and separate men-only and family areas in Middle East. Due to globalisation and expansion, Starbucks has the largest market share in the industry. [pic] Picture1: Starbucks locations worldwide (www. pajamadeen.com 2008). Globalisation of production According to Hill (2009) globalisation of production refers to "sourcing goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (labour, energy, land, capital)". Outsourcing allows companies to compete more effectively and benefit from economies of scale.

Starbucks is the facilitator of globalisation of production as highest quality Arabica beans for coffees are produced in coffee farms in Latin America, Africa and Asia (Starbucks 2010). Although it might seem that globalisation of production can implement high costs on the organisation, in reality it doesn't. Hill (2009) explains that transportation costs have declined as well as costs of information processing due to technological development. These changes now allow Starbucks to achieve their goal to serve best quality coffees by dispersing production system.

In this way, the company also enjoys lower prices of production due to ability of the chosen locations to produce coffee beans better than let's say United Kingdom. Moreover, the benefits of globalisation of production can be seen not only by Starbucks but also by people living in production countries as new work places are created. Antiglobalisation protests Although business leaders and economists insist that international trade and investment is driving global markets towards a greater prosperity, stimulates economic growth and helps to create jobs, globalisation has its critics.

The actions of the critics are called globalisation protests (Hill 2009). Critics protest against issues raised by globalisation including job losses in the industries that are attacked from foreign competitors, unfair wages for unskilled workforce, environmental degradation and cultural imperialism (the use of power to spread the values and habits of foreign country under the costs of native country - The University of Florida Interactive Media Lab 2010). Starbucks is no exception in this case.

When it decided to cut 600 stores in the US and 61 in Australia cutting of up to 12, 000 jobs in America and 685 in the country, this, as said by British <https://assignbuster.com/starbucks-global-issues/>

journalist “ earned VIP status at the top table of brands that anti-globalisation activists love to hate (cited in O’Neill 2008). This was criticized as the company betrayed it’s view about employees seeing in the heart of the company by cutting job places during difficult economic times in order to save profits. The jobs were most important to immigrants and students to support themselves.

Another criticized factor was that the skills gained in the company by the workforce were hardly transferable (O’Neill 2008). Starbucks was perceived negatively in the UK and other European countries as well. These “ American bullies” (Bloomberg 2005) are blamed for devastating local cafes, treating staff badly and putting its suppliers to poverty. However, Starbucks is trying to reduce criticism by showing the awareness of the countries they get products from - Sumatra, Kenya, Guatemala, Costa Rica, Ethiopia, participating and supporting local charities and winning awards.

Starbucks leader Howard Schultz explains that the company is trying not to influence other countries and adapting to local cultures by serving the core product adding local tastes. Business ethics The criticism of anti-globalists has increased the number of ethical issues in the company. Hill (2009) defines ethics as “ the accepted principles of right and wrong that govern the conduct of a person, the members of profession, or the actions of an organisation”. Ethical strategy is the path of actions conducted by businessmen that do not violate the accepted principles.

Many ethical issues in international businesses depend on different political systems, laws, development and cultures. What can be acceptable in one country can be highly restricted in another. Starbucks Coffee Company has a <https://assignbuster.com/starbucks-global-issues/>



number of ethical issues to be discussed. Employment practices The question often faced by international companies is what employment practices should be applied in the countries they operate. Do the same working hours, wages and benefits should be used?

Back in 1999 the concern was raised in Kent, United States, about Starbucks employment practices as the complaints included suspension without pay for swearing or supporting unions, safety issues, unstandardised wage system and denied promotions. To overcome that Shultz introduced healthcare benefits that were welcomed with praise for the company. The benefits were also applied for part-time workers that was seen a good implementation of business ethics by US president (Organic Consumers Association 2010). Moreover, individual complains were handled and opportunities provided for the promotion.

In general Starbucks has been rated at no. 16 on the list of 100 Best Companies to Work for in 2007 (2008) and no. 11 on the list of best companies for women to work too. This leads to the assumption that the company implements good employment strategies. Starbucks offers benefits such as tuition reimbursement, partner benefits, a wellness program. All in all, Starbucks tries to implement a standardized employment strategy in its stores worldwide, providing same benefits to the employees and emphasizing the view of workforce being in the heart of the company. Human rights Basic human rights are still not accepted in certain countries.

The companies have to inform their employees about the human law so that practices they conduct would be correct. However, Starbucks has already suffered from misconduct of human rights. One of the most obvious <https://assignbuster.com/starbucks-global-issues/>

examples goes to December 2010 when staff locked up opponents of the regime in Bahrain in a branch in the capital Manama (Spencer 2010). The company had to apologize for the incident. Talking about the human rights within the organization, Starbucks is committed to treat all employees equally with the provision of human rights and eliminating discriminatory practices (Starbucks 2010).

The company has Starbucks Global Human Rights Policy which guides employees and “ protects the unique rights of children to pursue basic education as a priority over work, prohibits forced labor, supports the rights of employees to engage in free association, and supports the provision of equal human rights to all persons” (Starbucks 2010). Environmental pollution Ethical issues arise when environmental regulations differ between the home country of the company and other nations the organisation operates (Hill, 2009).

Less developed countries are not as strict therefore pollution there might be bigger. This concern Starbucks as it acquires its products in third world countries. To show its responsibility, Starbucks has created Starbucks Shared Planet Tm, which has 3 commitments: “ sourcing our coffee ethically, acting as good stewards of the environment, and being actively involved in our communities” (Starbucks 2010). The company aims to minimize the negative effect it gives to the earth, tackle climate change and encourage others to follow their footsteps.

The company is focused on reducing the environmental effects by using disposable cups, increasing recycling policies and reducing the use of energy. Moral obligations The power of using and moving resources from <https://assignbuster.com/starbucks-global-issues/>

country to country and controlling it is constrained not only by regulations but also by social responsibility which is the consequences of economic actions (Hill 2009). Theorists insist that for the success the companies get from nations, the organisations should give something back to the societies to make equilibrium.

Therefore social responsibility refers to the honourable behaviour of the company in the response to the participation of certain agents to their success. Starbucks highly values its suppliers and the communities they are based in. Therefore the company is involved in local charities and campaigns. " Since 2001, Starbucks has contributed \$126 million to communities in cash and in-kind donations and has supported nearly 1.5 million volunteer hours (Starbucks 2010). " The company wants to make the difference in the communities its plants operate.

Starbucks want to provide good environments to their suppliers and employees so that it could be transferred to the customers later on. Conclusion It can be clearly seen that due to converging markets businesses are trying to expand internationally. Starbucks Coffee Company is not an exception. It now has the largest share of the market and continues to grow. However, not all of the countries converge in the same way, which makes some of them still very distant. Therefore Starbucks has to adapt different marketing strategies worldwide.

This can be resulted in the criticism by anti-globalisation movement, which raises important questions on business ethics. It can be seen that Starbucks has faced a number of problems considering employment practises and human rights, however it is heading towards strong business ethics concept <https://assignbuster.com/starbucks-global-issues/>

by trying to adapt similar employment processes offering benefits, having human rights protection protocol, participating in local communities and encouraging the reduction of economical pollution. References: 1. Hill, C. W. L. (2009) *International Business: Competing in the Global Marketplace*. 3rd edn. New York: McGraw-Hill/Irwin. 2. Brassington, F. & Pettitt, S. (2003) “*Principles of Marketing*”. 4th edn. London: Prentice Hall. 3. Marques, J. F. (2008) *Spiritual Performance from the Organisational Perspective: a Starbucks Way*, *Corporate Governance*. 8 (3), pp. 248-257. 4. Vrontis, D. , Thrassou, A. & Lamprianou, I. (2009) *International Marketing Adaptation versus Standardisation of Multinational Companies*, *International Marketing Review*. 26 (4/5), pp. 477-500. University of Oxford. (2010) *Frascati Definition of Research*. [Online]. Available at: <http://www.dmin.ox.ac.uk/rso/applying/frascati.shtml> (Accessed 3 December 2010). Colorado State University. (2010) *Writing @ CSU* [Online]. Available at: <http://writing.colostate.edu/guides/research/casestudy/pop2a.cfm> (Accessed 5 December 2010) Starbucks Coffee. (2010) *Starbucks Company Profile*. [Online]. Available at: <http://www.starbucks.com/assets/company-profile-feb10.pdf> (Accessed: 13 December 2010). Global Exchange. (2003) *Lattes for all: Starbucks plans global expansion*. [Online]. Available at: <http://www.globalexchange.org/campaigns/fairtrade/coffee/662.tml> (Accessed: 13 December 2010). Pajamadeen. (2008) *Why Starbucks Failed in Australia*. [Online]. Available at: <http://www.pajamadeen.com/tag/starbucks> (Accessed 13 December 2010). University of Florida. (2010) *Cultural Imperialism*. [Online]. Available at: <http://iml.jou.ufl.edu/projects/Spring01/Poux/Cultural%20Imperialism.html> (Accessed 15 December 2010). Spiked. (2008)

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