



Resilience, Talent and Technology

Case study on Starbucks

Wei Zhao | 1811686 | 29 October 2019

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Introduction to Starbucks

Starbucks Inc. is a multinational chain of coffee shops in the United States and the world's largest chain of coffee shops. It was founded in 1971 and is the birthplace and headquarters in Seattle, USA.

Howard Schultz, Chairman Emeritus of Starbucks, acquired Starbucks in 1987 and changed its business model of selling coffee beans and spices to become the first coffee retailer in the United States to sell espresso drinks. In addition to coffee, Starbucks also sells a series of related products such as tea, cakes, coffee cups, etc., and has entered a stage of rapid expansion.

Starbucks was successfully listed on NASDAQ in 1992. The successful listing of Starbucks has promoted the company's business growth and laid the foundation for the company's international development.

In 1996, Starbucks began its global expansion and entered Asia, Europe, the Middle East and Africa. Starbucks first entered *Fortune Magazine* in 2003 and became one of the top 500 companies in the United States. In 2004, it was ranked as the world's fourth largest brand by international consulting organizations, followed by Apple, Google, and IKEA.

According to *Starbucks Reports Q3 Fiscal 2019 Results* (2019), by the beginning of 2019, Starbucks has more than 30,000 stores in 75 countries and regions around the world. The United States and China are the two largest markets in Starbucks. As of March 2019, Starbucks has over 14606 stores in the United States with 181000 employees and over 4000 stores in China with 55000 employees.

Part I PESTLE Analysis of Starbucks In China

1. What is PESTLE analysis?

PESTEL analysis is a tool used by marketers to analyse and monitor the macro environment (external marketing environment) factors that affect an organization (CIPD, 2017). It is the assessment of political, economic, social, legal, technical and economic factors that may affect an organization in order to predict future developments and to consider their impact on the organization's Labour market and human resources management (Armstrong, 2014). This tool is significant useful when an organization exploring a new business or entering a new foreign market.

2. PESTLE analysis of Starbucks in China market

2.1 Political

- The political situation in China will remain stable for a long time.
- The policy of welcoming foreign investors is adopted, and the corporate tax rate is moderate.
- The Internet censorship system is strict, and some websites are inaccessible.
- The trade war between China and the United States has led to a rise in tariffs.

2.2 Economic

- China is the second largest economy in the world and the fastest growing major economy in the world.
- In June 2019, China's inflation rate was 2.7% (XINHUANET, 2019).
- China is the world's second largest importer of goods and the fastest growing consumer market in the world (Steven, 2013)

- In the 2018 fiscal year, China's labour unemployment rate was 3.8% (CEIC, 2019)

2.3 Social

- Consumer trends. For Chinese consumers Convenience store coffee is attractive to fast-paced office workers, and convenience is more important than taste (CBNData, 2018).
- The traditional Chinese drink is tea. According to the survey data, 20.2% of people who refused to drink coffee in China thought it was harmful to health, and 17.4% thought it would cause poor sleep. 17.4% thought it was weird and 10.9% thought it was expensive (CBNData, 2018).
- At present, China is one of the fastest-aging countries in the world, and its population growth rate is the lowest among developing countries.

2.4 Technology

- China currently has more than 800 million Internet users, 98% of whom are mobile Internet users (Statista, 2018).
- In the past three years, the online coffee market has grown steadily, sales growth has continued to increase, and the number of consumers has increased by 70% in two years.
- In 2018, the emergence of "new retail coffee" broke the boundary of coffee consumption by combining online and offline. With the new retail model, Luckin Coffee has more services than Starbucks.

2.5 Legal

- China has a series of legal policies to protect foreign investment companies. China has signed bilateral investment agreements in several countries, and

China is also a signatory to the MIGA Convention.

2.6 Environmental

- Environmental pollution is the focus of the Chinese government in recent years. A company's environmental protection index is listed as one of the key factors. The Chinese government is gradually establishing and improving a mandatory environmental information disclosure system for listed companies (UNCTAD,2019).
- China's Internet media is developing rapidly. Media and Internet users are monitoring the behaviour of enterprises and governments through the Internet, paying attention to corporate social responsibility in China.

3. The impact of Starbucks on attracting talent

- Starbucks needs to strictly follow China's mainstream values in the process of passing on brand values and recruiting talents, especially the need for a clear political stance.
- The low unemployment rate marks a tightening of the Chinese labour market. Starbucks needs more improvement in employee benefits, enhances employee recognition of the company's value, and develops a comprehensive employee personal development plan to attract talent from the fierce labour market competition.
- Encouraging employees' diversity and inclusive corporate culture will attract Starbucks to recruit talents in China. How to integrate Eastern and Western cultures is a key factor.
- Starbucks needs to consider the recruitment criteria and processes of online employees. Conduct vocational training for employees responsible for online

sales that are different from those of offline stores. At the same time, more consideration is needed to recruit Internet technology developers. With the continuous development of Internet technology, it is necessary to upgrade existing technicians.

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Part II The impact of current labour market trends in China and The United States on Starbucks

The tight and loose of the labour market determines how much money organizations and employers need to invest in wages and benefits, recruitment budgets and employee development, and how to develop and adjust human resource management policies (Armstrong, 2014; Taylor, 2019).

1. The impact of U.S. labour market trends on Starbucks operations

1.1 The current labour market trends in United States

According to CEIC (2019) statistics, the U.S. population reached 327.17 million in 2018. The number of employed people in the United States increased to 158269 thousand in September of 2019, the highest number in American history. In September 2019, more people joined the labour force and wages rose again (BLS, 2019).

As of September 2019, the unemployment rate in the United States was 3.5% (BLS, 2019). The labour force participation rate came in at 63.2% (BLS, 2019). The U.S. currently has 7.2 million job openings (BLS, 2019). The number of long-term unemployed -- those who have been out of work for 27 weeks or more -- is small, at 1.2 million in September 2019, or 20.6 percent of the unemployed (BLS, 2019).

According to the bureau of labour statistics (2019), as the population and labour force age, the U.S. labour force participation rate will continue to decline over the next decade, the labour force participation rate will rise to 23.3% for those aged 65 and older, and fall to 51.7% for those aged 16-24.

Overall, the current labour market in the United States is tightening, especially in some scarce industries, such as the IT industry or corporate executives.



Figure 1: United States Unemployment Rate (2014-2019) Unit: percent

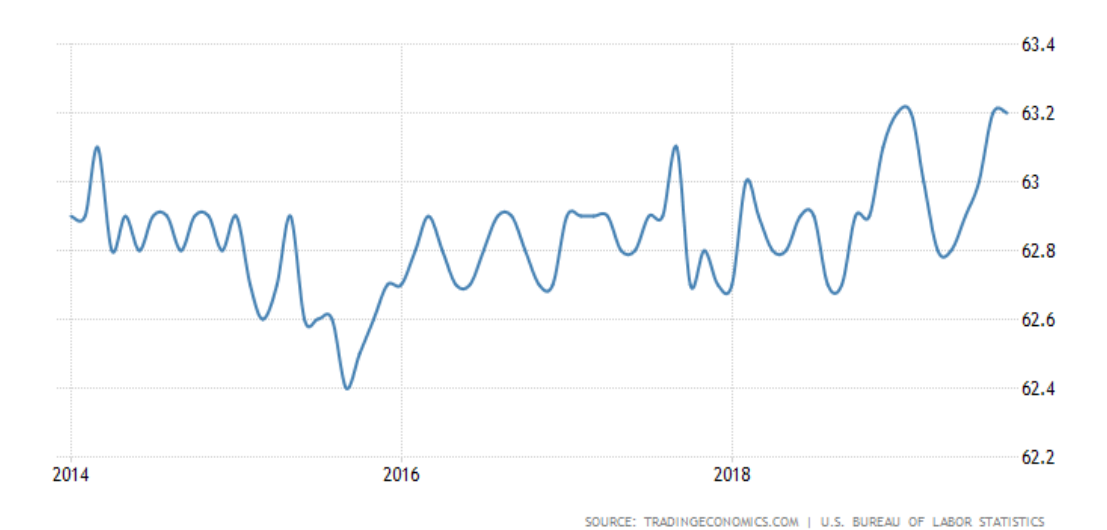


Figure 2: United States Labour Force Participation Rate (2014-2019) Unit: percent

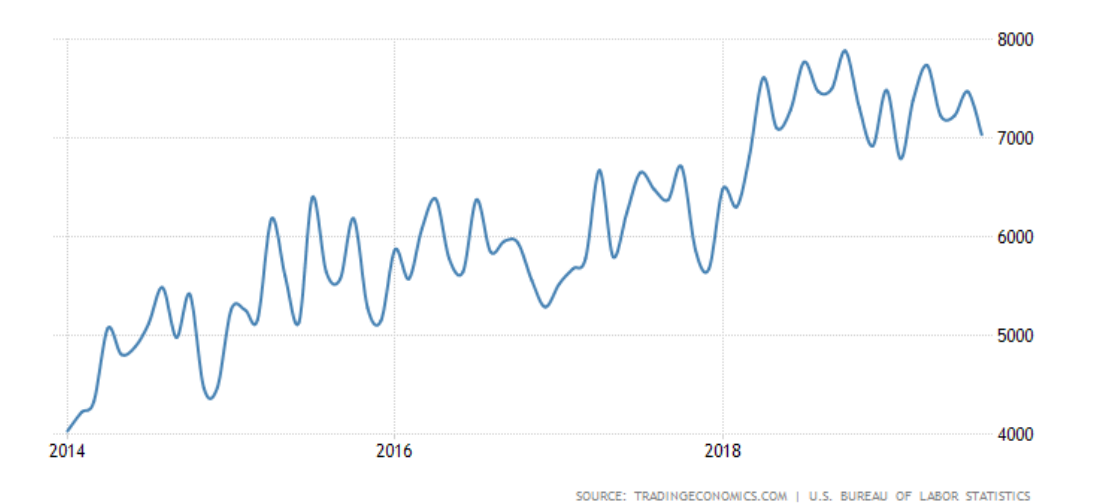


Figure 3: United States Job Vacancies (2014-2019) Unit: Thousand

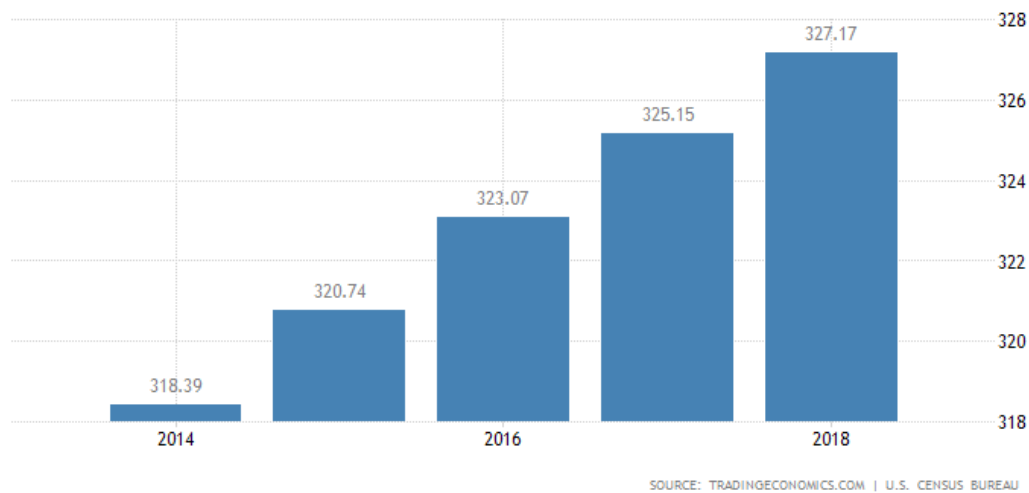


Figure 4: United States Population (2014-2019) Unit: Million

1.2 How Starbucks HR operate in the United States

Starbucks is likely to face a shortage of this kind of talent as the United States labour market tightens. The company's human resources policies and practices must consider the interests of employees and better improve the relationship between employers and employees.

In the recruitment plan, the company needs to invest more budget to recruit talent. In terms of talent retention, the company needs more employee surveys, exit interviews and other means to understand the true thinking of employees in order to properly adjust the retention plan. On the other hand, the company needs to pay attention to the employee development plan and make clear personal development prospects for employees at all levels to ensure the stability of existing employees.

2. The impact of China labour market trends on Starbucks operations

2.1 The current labour market trends in China

According to CEIC's (2019) statistics, in 2018, China's population reached 1395.4 million. Employed persons reached 775,8 million. China's Labour Force Participation Rate dropped to 68.7% in Dec 2018, compared with 69.2% in the previous year. In the second quarter of 2019, China's unemployment rate was 3.61% (Reported by World Bank), at a record low since 2002.

According to the *China Labour Market Development Report 2018* published by the Labour Market Centre of Beijing Normal University (2018), the supply of labour has shifted from structural excess to structural shortage in the current Chinese labour market. The shortage of high-skilled labour coexists with the unemployment of low-skilled labour. IT industries remained the most attractive last year, while the education and training industry replace the internet and e-commerce industry to show the most urgent need of employees (CHINADAILY, 2019).

Overall, China's current overall labour market tends to be balanced, but the labour market is tightening in some high-skilled industries and emerging industries, on the other hand, labour market is becoming looser in the low-skilled jobs.



Figure 1: China Unemployment Rate (2014-2019) Unit: percent



Figure 2: China Population (2014-2018) Unit: Million

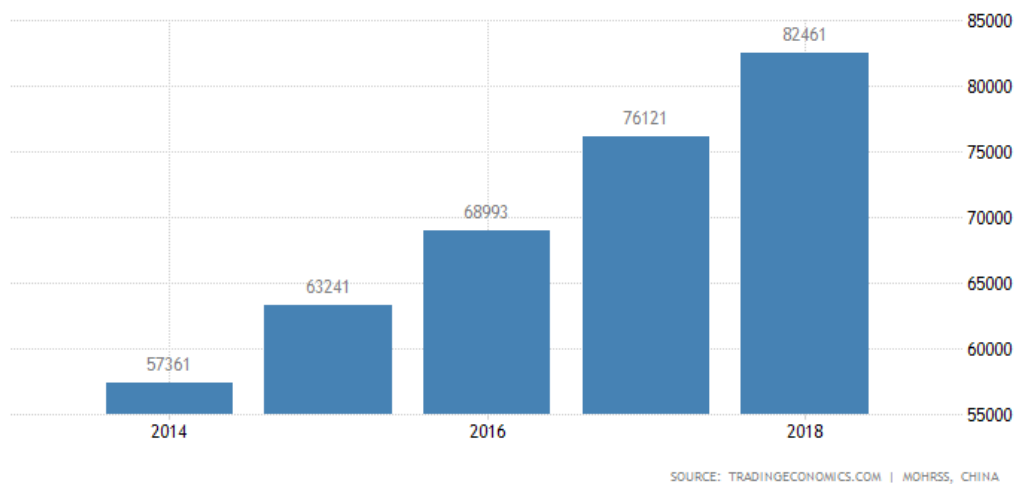


Figure 3: China Average Yearly Wages (2014-2018) unit: CNY/Year

2.2 How Starbucks HR operate in China

China's current high-skilled labour market is tightening, Starbucks needs to invest more in high-skilled talent recruitment and retention, while matching employee development plans and benefits systems. On the other hand, the loosening of China's low-skilled labour market will also affect Starbucks' low-skilled workforce in China. According to Taylor's labour market competition model, when the labour market is loose and

employers can provide more career opportunities, employers will become “Selectors (Taylor, 2019, p417)”, with the negative impact that organizations will receive a large number of job search reports, and spend a lot of money, time and cost are in the recruitment process and screening techniques.

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Part III The potential impact of technology on the Starbucks Human Resource Planning

The link of the Ted Talk:

https://uowtsd-my.sharepoint.com/:u:/g/personal/1811686_student_uwtsd_ac_uk/Ec58R6NGfzhCi_O7rOl6oxgB9fTHhGZ6G1dJG8xPo6DoTw?e=zLyGLY

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Part IV Starbucks (US) and Starbucks (China) HRM Policy Adjustment Program

This program is based on the background of an economy and a coordinated economy. Although different scholars are not consistent about whether China's economy is a coordinated economy, this paper believes that China's economy has some characteristics of coordinated economy, so it will adjust the HRM policy in Starbucks (China) according to the characteristics of coordinated economy.

1. Definitions of Liberal Economy and Coordinated Economy

Liberal economy is an economic system organized according to individual routes, which means that economic decisions are made by individuals or families rather than by governments or organizations. The liberal economy advocates liberal trade and open competition, tends to oppose the government's intervention in the liberal market. Some scholars believe that the United States, the United Kingdom, and Canada are typical countries that implement liberal economy (Fioretos, 2012; Griffiths, 2014).

Coordinating the economy relies on formal institutions to regulate the market and coordinates the relationship between the company and customers, employers and employees, companies and companies. In such an economic system, there is a relatively long-term relationship between economic actors. Some scholars believe that the Germany, Japan, and Switzerland are typical countries that implement coordinated economy (Fioretos, 2012; Griffiths, 2014).

2. The recommendation of Starbucks (China) and Starbucks (US) HRM policy

Based on the differences between liberal economy and coordinated economy, the specific recommendation for Starbucks human resource management can be summarized into following four points:

Industrial relations In a liberal economy, labor-management negotiations are limited to the corporate level, while in a coordinated economy, labor-management negotiations are conducted at the union or organizational level (Griffiths, 2014). This means that in a coordinated economy, associations and unions have greater power.

Recommendation for HR: Starbucks (US) puts more energy into the management of wages, benefits and need to plan the company's salary system more carefully to avoid frequent strikes caused by employees' dissatisfaction with wages. Starbucks (China) is less flexible and less flexible in its labor management, because it is regulated by trade unions and associations. Therefore, it is necessary to strengthen the links with relevant associations and formulate a labor policy that is more suitable for the company.

Employee relations In liberal economy context, employees are highly mobile, and in a coordinated economy, employees have a longer tenure in an organization, which is more conducive to organizations spending large resources to attract and cultivate high Quality talents (Griffiths, 2014).

Recommendation: Starbucks (US) needs to devote more energy to employee recruitment and retention programs because employees in the liberal economy are highly mobile and will lose talent if they are not paying attention. Starbucks (China) needs to invest more energy in its long-term career development plan.

Educations and training In liberal economy, most training and development programs are aimed at developing common skills, while in a coordinated economy,

more emphasis is placed on developing specific skills in specific industries (Griffiths, 2014).

Recommendation for HRM: Starbucks (US) must invest more money and time in the professional skills training of employees in order to be competent for existing work. At the same time, they must pay attention to avoiding the risk of loss of employees after training. Starbucks (China) is more suitable for investing a large amount of money to train high-tech talents, while cooperating with reasonable wages and career development plans, so that these talents can serve the company for a long time.

Individualism and collectivism In liberal economic environment, social culture encourages radical innovation and breakthroughs, encouraging individualism and individuality. In the coordinated economy, it emphasizes collectivism and therefore lacks the ability to innovate highly, which also leads to slower development of innovation in the coordinated economy (Hofstede, 2010; Griffiths, 2014).

Recommendations for Human Resource Management: Starbucks (USA) should focus on the individualized development of employees, respect value and cultural diversity, and develop different employee development plans and incentive policies to maximize the innovation capabilities of employees. Starbucks (China) should pay more attention to teamwork and a harmonious corporate culture, employee relationships and use collaborative methods to generate high performance.

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Part V Flexibility: the future of work

The link of the slideshow:

https://uowtsd-my.sharepoint.com/:p:/r/personal/1811686_student_uwtsd_ac_uk/_layouts/15/Doc.aspx?sourcedoc=%7B32523E3A-105B-472A-9F99-35578716D0FF%7D&file=Flexibility%20%E2%84%A2Nabil%20Hossain%20%E2%84%A20Wei%20Zhao%E2%84%A2.pptx&action=edit&mobileredirect=true

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Part VI The Impact of Atkinson's Flexible Firm Models on Starbucks

Operational Flexibility in The Open Talent Economy Context

In the context of the fourth industrial revolution (Schwab, 2016), with the rapid development of globalization, mobility and technology (Deloitte, 2017), Organizations must remain resilient to survive and thrive in the fierce market competition (Denyer,2017). According to BSI (2017) analysis of organizational resilience, a key factor in maintaining organizational resilience is flexibility.

The Flexible Firm Model proposed by Atkinson in 1984 still has important guiding and practical value in the 21st century. In the context of an open talent economy, organizations can use this model more flexibly to maintain competitiveness.

1. Definition of Atkinson's Flexible Firm Model

Atkinson believed that the most important way for an organization to maintain competitive was to implement Flexible staffing arrangements (Atkinson, 1984). Atkinson's Flexible Firm Model divides an organization's employees into three distinct groups: the core group, the first peripheral group and the second peripheral group (Taylor, 2019). The core group consists of the organization's full-time employees, who generally have high levels of skills and knowledge and experience that are difficult to replace. They are the human resource base of an organization. The first peripheral group is also the internal staff of the organization, who are often less skilled and less experienced. The second peripheral group is made up of large volumes of agency staff, outsourcing and sub-contractors (Taylor, 2019).

2. Definition of open talent economy

The open talent economy is a collaborative, technology-driven, transparent, and fast-looping approach to talent management (Deloitte,2013). The open talent economy has the following characteristics: The talents in the talent pool come from all over the world; The flow of talents between organizations has no boundaries; Talents and organizations are more equally two-way choices rather than only organizations hold the option, and Recruitment on demand (Deloitte, 2013).

The open talent economy forms a mixed workforce, and the concept of employees is no longer just full-time employees belonging to an organization, but also subcontractors, freelancers and outsourcing (Deloitte, 2013). Atkinson (1984) divided these types of workforce into the peripheral group in his Flexible Firm Model.

3. The implications of Flexible Firm Model in Starbucks

As the top 20 most flexible companies in the world, Starbucks has been practicing flexible company models throughout its operations.

- In 2006, Starbucks outsourced its IT infrastructure business and information services business to UNISYS.
- In 2010, Starbucks closed its call centre in Seattle, USA, outsourcing call centre operations to SITEL, which handles Starbucks customer feedback.
- Starbucks Human Resources has launched an employee benefit called “Career Coffee Break”, which allows employees who have worked for the company for more than 10 years to get a holiday of up to 12 months.
- In addition to its core employees, Starbucks also encourages college students, housewives to work part-time in the company, and offers a variety of flexible

work programs.

With the continuous development of an open talent economy, in the future, Starbucks will also be affected by the following operations.

- Adjust the company's talent pool structure. Streamline the core group and expand the peripheral group and outsourcing.
- Implement different flexible policies across different groups. Practice functional flexibility in the core group and practice numerical flexibility and temporal flexibility in the peripheral group (Taylor, 2019).
- Expand the types of talent pools. In addition to the internal core staff, Starbucks also need to create a diverse talent pool. Including but not limited to partnership talent, borrowed talent, freelance talent and open source talent (Deloitte,2013).

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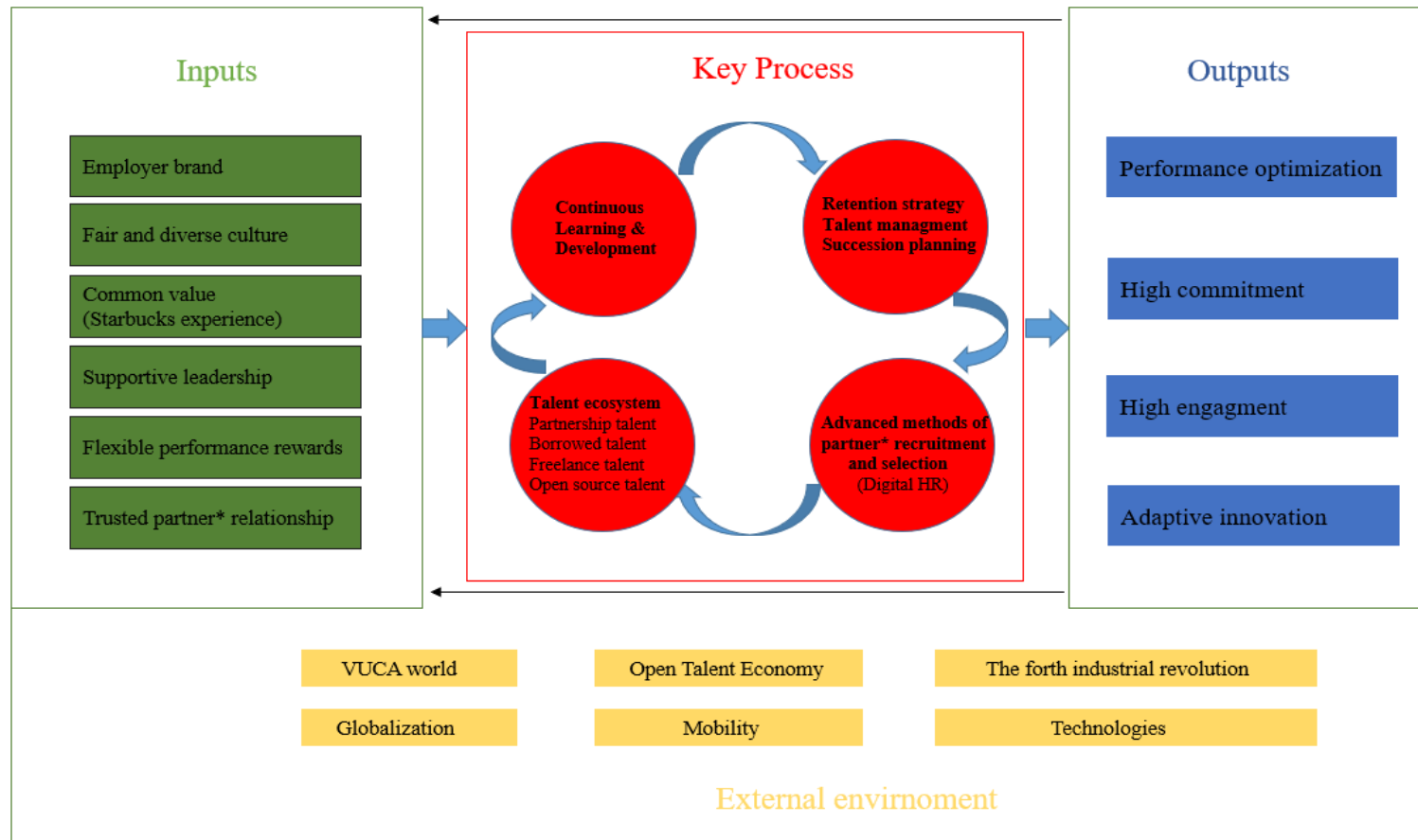
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Part VII Starbucks Human Resource Practice Model



* Starbucks calls employee "partner"

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