

Investigating the Role and Extent of Effective Strategic Management on the Business Performance of SMEs: A Focus on Starbucks Company

Student: Anastasia Sandu (1915950)

Supervisor: Prof. Amare Desta

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Abstract

The current economic challenges have posed significant turbulence for businesses, which can be effectively mitigated by implementing well-informed strategies. Therefore, in light of this information, the research set out to investigate the role and extent of effective strategic management on the business performance of Small and Medium-sized enterprises (SMEs) with a specific focus on Starbucks Company. The research assumed a quantitative case study design in order to come up with its findings. According to (Allianz Care., 2021) fifteen managers representing different Starbucks coffee shops within Cardiff, Wales, were surveyed in order to come up with the findings. It was concluded that effective strategic management practices have a positive impact on the business performance of SMEs.

Investing in Research and Development (R&D) and introducing at least one innovative product annually can help SMEs to achieve a greater competitive advantage. This dissertation also concludes that SMEs should develop both firm-specific and industry-specific strategies as well as implementation frameworks when looking to take advantage of strategic management. For the original contribution, while most case studies on the role of effective strategic management practices have focused purely on secondary data, i.e., by conducting SWOT analysis, PESTLE etc. (Hsiang, and Rayz, J.T.2022).

This research managed to collect a timely empirical evidence to show case the current practices at the chosen organization i.e. Starbucks of the companies they were analyzing, this research went further to collect primary data on its focus company.

The following recommendations were reached: (1) SMEs should review and align their process improvement strategies with changing market trends in order to enhance performance, and (2) SMEs should increase resource allocation to supporting sectors that have the potential to increase potential.

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Chapter 1: Introduction

1.1: Introduction

The current economic challenges have posed significant turbulence for businesses, which can be effectively mitigated by implementing well-informed strategies. Therefore, the existence of sound strategic plans helps in reducing the susceptibility of businesses to the unpredictable nature of the business environment. Even though much has been written on the role and importance of strategic management of small and medium-sized enterprises (SMEs) on business performance, many SMEs still continue to close due to the challenges they are facing as a result of the global economic hardship. Therefore, this dissertation chose to focus on global brand that has achieved remarkable success in the SME sector, i.e., Starbucks, and how its strategic management decisions have played a key role in its growth and stability. This paper of the dissertation will discuss the following: background of the study, problem statement, aims, objectives and research questions, rationale, brief methodology, scope of the study, and structure of the dissertation.

1.2: Background of the Study

According to (Starbucks Fiscal 2022) Starbucks is one the biggest and most well-known coffee shop chains in that world, with more than 30,000 locations in 80 countries. The company, which was founded in 1971, in Seattle, Washington by three entrepreneurs, has grown from a small coffee shop to become a global brand that is recognized globally for its high-quality coffee according to (Starbucks Fiscal 2022) . The company's success has been attributed to such factors as innovation products, good customer service, and effective strategic management (Liu et al., 2018). According to Hsiang and Rayz (2022), strategic management is the process of formulating and implementing strategies within an organization that are meant to push it toward achieve its organizational goals. This includes understand the internal and external business environment,

business opportunities and threats, and coming up with methods to take advantage of those opportunities and mitigating the threats (Hsiang & Rayz, 2022).

Previous studies have pointed to the fact that effective strategic management can lead to business success, particularly in today's extremely competitive business world (Durand et al., 2017; Gans & Ryall, 2017). Ansoff et al. (2018) concluded in their research that companies in engaging in strategic management report better financial performance compared to their competitors. Another research reported a positive correlation between strategic management and fulfilment of business objectives (Makadok et al., 2018).

1.3: Problem Statement

While existing research (Shouyu, 2017; Liu et al., 2018; Clauss et al., 2019) has already confirmed the role and importance of strategic management of SMEs on business performance, there appears to be a need for more in-depth analysis of specific strategic decisions that improve business performance (Selvam et al. (2016). As more and more SMEs continue to close down due to harsh economic times, Shouyu (2017) attributed this trend to a lack of understanding of how specific strategic decisions affect business performance. This means that even though businesses understand the importance of strategic management, its poor implementation has led to ineffective strategies and wasted resources (Clauss et al., 2019). Therefore, this dissertation will bridge this research gap by assessing the strategic management decisions made by Starbucks and their impact on the company's business performance (Clauss et al., 2019).

1.4: Aims, Objectives, Research Questions

1.4.1: Aim

The aim of this dissertation is:

- To investigate the role and extent of effective strategic management on the business performance of SMEs with a specific focus on Starbucks Company

1.4.2: Objectives

The above aim will be guided by the following objectives:

- To analyze the Starbucks' strategic management decisions and their impact on business performance
- To identify success factors and challenges Starbucks has been facing in its strategic management decisions
- To present practical recommendations on how SMEs can improve their strategic management decisions and business performance

1.4.3: Research Questions

The above aim and objective will be guided by the following questions:

- What strategic management decisions have Starbucks made over the years and how have they affected their business performance?
- What success factors and challenges have Starbucks been facing with regard to its strategic management decisions?
- What lessons can SMEs learn from the strategic management decisions made by Starbucks, and how can they apply them to improve their business performance?

1.5: Rationale/Importance of the Research

The current dissertation is expected to make considerable contributions to strategic management theory by affirming or refuting current theories. Globally, SMEs account for most of the business and are considerable contributors to job creation as well as global economic development.

According to The World Bank (2023), SMEs contribute up to 40% of national income (GDP) in emerging countries and this figure increases up to 65% in developed countries. Another survey by Allianz Care (2021) revealed that in 2020, 96% of SMEs in the U.S. had reported financial losses due to the Covid-19 pandemic. The survey further revealed that almost 40% of SMEs in the UK were planning to layoff around 75-100% of their staff by the end of 2022 if the current financial hostility along with other effects brought about by the Covid-19 pandemic continued prevailing (Allianz Care, 2021). Such trends can be reversed if strategic management is practiced with companies regenerating into productive entities. Despite the recent global financial hostility and the effects of the Covid-19 pandemic on companies, particularly those that operate in the hospitality industry like Starbucks, Starbucks still continued reporting profits during this period (Starbucks, 2022). Therefore, the findings of this research be useful to strategists and managers with regard to the strategic decisions they need to make in order to overcome challenging economic times.

1.6: Brief Methodology

The present research assumed a quantitative case study design in order to come up with its findings. The research targeted a population of 15 managers representing different Starbucks coffee shops within Cardiff, Wales (Starbucks, 2022). The city of Cardiff was selected for this research due to the lead researcher's convenience. According to Google Business, there are only 15 Starbucks branches with the city of Cardiff. Therefore, purposive sampling was applied to select all the 15 respondents. For the data collection, questionnaires instruments were used in collecting data. The lead researcher hand-delivered these questionnaires to the respondents due were given a week to complete them before they were collected. Microsoft Excel was used for the data analysis.

1.7: Scope of the Study / Demarcation

The scope of the current research is to investigate the contemporary role of effective strategic management on the business performance of SMEs with a specific focus on Starbucks Company. The study will make use of both primary and secondary data, e.g., Starbucks' company reports and financial statements, academic literature, and survey data, in order to come up with its findings.

According to (Azriuddin et al., 2020) nonetheless, there are a number of delimitations and assumptions to the research. First, only practicing contemporary organization and their managers was chosen in order to has to shape the scope of the study at implying that only present managers working at different Starbucks branches will be surveyed. The research will not focus on earlier strategic management decisions that Starbucks made. Furthermore, while the study will be limited to the city of Cardiff, Wales, Starbucks normally operates a centralized organizational structure, which is led by the board of directors and company CEO, who oversee the heads of the company's functional departments and geographic divisions (Lashitew, A.A.,2023). Therefore, it will be assumed the strategic management decisions are influenced by the board of directors and company CEO, which apply to all their geographic divisions (Lashitew, A.A.,2023).

For the final assumption, some might argue that because Starbucks is largely a coffeehouse, then the findings of this research only apply to such an industry. Since this research will make use of universal strategic management theories, it will be assumed that the findings apply universally to all SMEs regardless of the industries they operate (Hsiang and Rayz 2022).

1.8: Structure of the Dissertation

This chapter has presented the introduction chapter of the current research. The rest of the research will be divided into four other chapters, including the literature review, research

methods, data analysis and discussion, and conclusion and recommendations. The literature review chapter will present the based theories applied in this dissertation (i.e., resource-based view and McKinsey 7S framework), previous studies on strategic management and business performance as well as the lessons learnt, and research gaps identified. The methodology chapter will present the following topics as they relate to this study: research philosophy, paradigm, research approach, research strategy, research sample and population, data collection and analysis tools, and ethical considerations. The results and discussion chapter will present the primary findings of this dissertation and include a discussion of how the findings relate to previous research. Finally, the conclusion chapter will conclude the research and present the valuable recommendations regarding strategic management decisions to other SMEs.

1.9: Summary

This chapter has presented the introduction of the current research with a specific focus on the following sections: background of the study, problem statement, aims, objectives and research questions, rationale, brief methodology, scope of the study, and structure of the dissertation. It was noted that, even though much has been written on the role and importance of strategic management of SMEs on business performance, many SMEs still continue to close due to the challenges they are facing as a result of the global economic hardship. Therefore, a more in-depth analysis of specific strategic decisions that improve business performance is required. The next chapter will present the literature and theories behind this research in order for the reader to further understand the study background.

Chapter 2: Literature Review

2.1: Introduction

This chapter introduces and reviews previous studies on the impacts of strategic management on organizational performance. While a literature review is not expected to generate new knowledge, it is important because it helps the researcher draw information on the current study provides a background against which to make independent but justifiable conclusions. By reviewing existing literature, the chapter will build a knowledge body relevant to the current research. It focuses on theoretical models and lessons learned from previous studies to identify gaps that helped situate this dissertation.

2.2: Base Theory and Theoretical Framework

A theoretical framework or model outlines the constructs through which a topic and phenomena are explored in research. According to Hunger (2020), the purpose of a theoretical framework is to support the research by demonstrating the correlations between variables and, therefore, delineating the boundaries of the research. This research is premised on the McKinsey 7S Framework and Resource Based Theory. The Resource Based Theory, for example, has been used extensively by previous researchers (Bogers et al., 2019; Fuertes et al., 2020; Teece et al., 2019) to explain performance discrepancies between different organizations. It hypothesizes that an organization's sustained competitive advantage derives from its rare, valuable, non-substitutable, and inimitable resources. It follows, therefore, that an organization's ability to create these resources impacts its competitiveness and performance over the competition.

Conversely, the McKinsey 7S Framework is based on the claim that there are seven internal attributed of an organization that must be aligned with each other to ensure success: structure, shared values, system, skills, staff, style, and strategy (Hitt et al., 2019). The 7S model is applied in diverse scenarios as a strategic planning tool to demonstrate how the seemingly dissimilar

organizational attributes are in fact not only interrelated but also interdependent and work together to ensure success (Ahmad & Ahmad, 2019). According to Ketchen Jr. and Craighead (2020), this is particularly important in situations where the sequencing of business processes is critical for aligning departmental roles, boosting performance, and facilitating growth. Ultimately, as Ahmad and Ahmad (2019) explain, the significance of the McKinsey 7S Framework is that it helps strategists identify and analyze organizational performance gaps.

2.4: Previous Studies and Lessons Learnt

Fuertes et al. (2020) observed the strategic activities of several organizations in the same industry to explore the impacts of strategic management implementation on their performance. The study was conducted against the background that in the initial phases of implementation, organizations are considerably exposed to social and political dilemmas, which nonetheless impact positively on the variables of organizational performance. However, their study findings are not easily generalizable because of focus on a single industry. Similar findings were reported by Ketchen Jr. and Craighead (2020), who used descriptive statistics to investigate the outcomes of strategic issue management practices using profitability, market share, innovation, and liquidity as the key performance indicators (KPIs). The findings indicated that organizations that managed strategic issues achieved more of their organizational goals and to a greater degree of satisfaction (measured by the KPIs) than those that did not. However, both Fuertes et al. (2020) and Ketchen Jr. and Craighead (2020) reported underutilization of strategic management practices despite wide knowledge of the concept among management teams.

Bogers et al. (2019) investigated the impacts of strategic management activities on the growth of manufacturers in different sectors (technology, textile, food, etc.). Their research findings showed that manufacturers in general, irrespective of their sectors, do not practice strategic

management, despite understanding what it is. More importantly, Bogers et al. (2019) reported that the manufacturers who had in fact implemented strategic management practices reported increased employee engagement and improved performance. This is consistent with findings by Teece (2019), who reported that even organizations in developing and least-developed economies realized better performance, increased productivity, and better competitiveness, as indicated by market share growth, after they implemented strategic management practices. The conclusion made by Bogers et al. (2019); Teece (2019) demonstrate that while some organizations overlook/do not embrace the significance of strategic management, it is an instrumental practice for enhancing performance and competitiveness in any industry.

2.5: Gaps Identified

Hunger (2020) pointed out that a vast majority of studies into strategic management and business performance focus on an organization's scope of business operations and its KPIs. On one hand, this is acknowledged as an objective focus because it answers the question as to why some organizations are more successful than others and can also identify industry-specific factors of success and failure. An examination of the literature revealed a number of research gaps, which gave rise to the research questions. First off, there are not many thorough studies that look at specific strategic management practices made by businesses and how they impact business success. Second, there is a void in the literature regarding the success factors and difficulties businesses encounter when putting strategic management decisions into practice. Last but not least, in order to improve the performance of SMEs, it is necessary to learn from successful companies like Starbucks and apply those lessons to them. These gaps in the literature serve as a reminder of how crucial it is for this research to advance knowledge of strategic management techniques and how they affect company performance, especially for SMEs.

2.6: Chapter Summary

To investigate the role and extent of effective strategic management on business performance, this literature review was set within the context of the McKinsey 7S Framework and the Resource Based Framework. There is consensus among the researchers and authors whose works have been consulted for this review that implementing strategic management is positively related to organizational performance. Equally importantly, the studies acknowledge the underutilization of strategic management practices across different industries despite high levels of knowledge of its importance among management teams (Hunger 2020).

Chapter 3: Research Methods

3.1: Introduction

Research methods are the procedures or techniques used to collect and data in a systematic manner. They offer a framework for carrying out a reliable, valid, and rigorous research by ensuring that the findings are trustworthy and can inform decision and policies (Starbucks 2022). This part of the research will present the methodological approach that was assumed. It will include the following sections: philosophical assumption, paradigm assumption, research approach, research strategy and design, research sample and population, data collection and data analysis and ethical consideration.

3.2: Philosophical Assumption

A research philosophy is the belief regarding the manner in which data about a research problem should be collected, analyzed, and used (Saunders & Lewis, 2017). There are normally two types of research philosophies, including positivism and interpretivism. On the one hand, positivism stresses on using empirical methods, i.e., quantitative data, to study the natural or social world; on the other hand, interpretivism stresses on understanding and interpreting human behavior,

which cannot be reduced to objective measurements or general laws (Saunders & Lewis, 2017).

In essence, interpretivism is the process of understanding the subjective meaning of human experiences. Since the current research sought to study its problem in its natural environment, i.e., without subjective interpretation, the positivism philosophy was assumed. This also went hand in hand with the dissertation's aim to quantitatively assess the role of strategic management on business performance (Saunders & Lewis, 2017).

3.3: Paradigm Assumption

A research paradigm refers to the worldview or philosophical framework (i.e., biases, beliefs, and ideas) that guide a research process (Davies & Fisher, 2018). A research paradigm helps in determining the way research is conducted. The research paradigm framework is made up of three pillars, including ontology, epistemology, and methodology. Ontology refers to the study of the nature of reality (i.e., whether there is a single reality, many realities, or no reality) (Davies & Fisher, 2018). In the current research, the main ontological question was whether business performance can best be assessed subjective or objective? Since business performance is mainly measured using quantitative indicators (Rehman & Alharthi, 2016), the current research assumed that there is an objective reality, which exists independently of the researcher, which can be measured and observed. Epistemology, on the other hand, refers to the study of knowledge and how humans understand reality. Knowledge can either be studied in the following ways: (1) empirically by relying on direct evidence and observations, or (2) through making claims or forming opinions without depending on direct observations or evidence from the real world (Rehman & Alharthi, 2016). Therefore, for the epistemological paradigm of this research, it sought to generate knowledge through empirical observation of data. Finally, methodology refers to how researchers investigate their research problem and validate the knowledge gained. As

such, research problems can be investigated either qualitatively, quantitatively, or using mixed methods (Davies & Fisher, 2018). As mentioned earlier, business performance is mainly measured using quantitative indicators, thus the methodological paradigm of the current research was quantitative data collection and statistical analysis.

3.4: Research Approach

A research approach is essentially the general plan for carrying out research. There are usually two broad types of research approaches, including inductive approaches and deductive approaches (Leavy, 2022). The relevance of theories and/or hypotheses in a research forms the main difference between inductive and deductive approaches. A research that assumes a deductive approach essentially tests the validity of a theory or hypothesis, while a research that assumes an inductive approach essentially helps in creating new theories or hypotheses (Leavy, 2022). Since this research was largely guided by the resource-based view and McKinsey 7S framework, it assumed a deductive approach. The findings will either confirm the validity of these theories as they apply to Starbucks' strategic management.

3.5: Research Strategy and Design

A research strategy is the overall plan among qualitative, quantitative and mixed methods, which a researcher chooses to use to conduct their research (Jason & Glenwick, 2016). A qualitative research design makes use of non-numerical data to come up with the research findings. A quantitative research design, on the other hand, makes use of numerical data to come up with the research findings. Finally, a mixed methods design makes use of both numerical and non-numerical data to come up with the research findings (McCusker & Gunaydin, 2015). All three research designs have their unique advantages and disadvantages. For instance, while a qualitative design allows for a more in-depth exploration of phenomena, the findings might lack

generalizability and are subjective in nature (Jason & Glenwick, 2016) . For the quantitative design, while it produces objective and numerical data, which can be analyzed using statistical means, thus allowing for the identification of patterns in a dataset, such an approach has been argued to, at times, oversimplify complex phenomena and does not capture the richness of data. Finally, for the mixed methods design, while such an approach offers a comprehensive understanding of a research topic because it uses both qualitative and quantitative data, it is usually time-consuming and resource-intensive to collect both types of data (Jason & Glenwick, 2016). For the current research, due to the nature of the research problem, the quantitative design was assumed.

3.6: Research Sample and Population

The target population for the current research was all the managers/directors working at different Starbucks outlets in Cardiff, Wales. At the time of this research, there were exactly 15 Starbucks outlets in Cardiff with also 15 managers/directors representing each outlet (Starbucks 2022). As such, the current research applied purposive sample to select the managers/directors of Starbucks. Purposive sampling meant that all the managers had crucial information regarding the dissertation's topic. Purposive sampling is an approach collecting samples for a research, which is non-probabilistic in nature, wherein a researcher selects his/her sample based on specific characteristics that are relevant to the study question(s) (Etikan et al., 2016). The research assumed that the managers and directors of each outlet were better placed to provide information regarding the strategic management practices on the coffeehouse and their impact on the company's business performance (Etikan et al., 2016).

3.7: Data Collection and Data Analysis

Data collection is the process of collecting data from such various sources as individuals, documents, organizations or devices, for analysis and interpretation (Hair et al., 2019). The tool used for collecting data for this research was a semi-structure survey instrument. The survey instrument comprised of four sections, including the experience and background information of the managers/directors, and strategic management practices undertaken by Starbucks, strategic development practice undertaken by Starbucks, and the financial and overall outlook of Starbucks in the last five years. The questions regarding strategic management practices were close-ended in nature that simply required the participants to rate each question on a Likert scale of 1 (not at all) to 5 (a very large extent). The survey questions can be retrieved from Appendix A. For the business performance of Starbucks, this research relied on secondary data that was gathered from the annual financial reports of Starbucks. The survey instruments were hand-delivered to the managers/directors who were informed that they could independently complete them at their time of choosing, but the forms would be collected a week after they were presented to them. It was estimated that the questionnaires would take around 30 to 60 minutes to complete.

For the data analysis, data extracted from the survey instrument were entered into excel for analysis. Descriptive statistics tables were created to allow one to describe the data in a numerical manner. Furthermore, statistical summary of the responses was made using percentages, means, and standard deviation. As it will be noted in chapter four later, the findings were presented using figures, tables, graphs, and charts.

3.7: Ethical Consideration

Ethical considerations are important for any research (Hair et al., 2019). The current dissertation made use of the following ethical considerations when collecting and analyzing its data:

informed consent, confidentiality and anonymity, right to withdraw from the research, and no conflict of interest. Informed consent was obtained from managers prior to their inclusion in the research. They were duly informed about the purpose of the study, and the procedures and benefits. They were also assured of their right to withdraw from the study at any time in case they felt that they no longer wanted to contribute to the research. Confidentiality and anonymity were ensured throughout the study. None of the managers/directors were asked to state their names, give contact details or state the Starbucks outlets they managed. Finally, the lead researcher took no personal interest in this research as it was all done in the greater good of contributing to the studies relating to strategic management and business performance of SMEs; as such, the research was conducted in a fair and unbiased manner.

3.9: Summary

This chapter presented the methodological approach that was assumed. It has discussed the following topics: philosophical assumption, paradigm assumption, research approach, research strategy and design, research sample and population, data collection and data analysis and ethical consideration. Since the current research sought to study its problem in its natural environment, i.e., without subjective interpretation, the positivism philosophy was assumed. Also, the research was largely guided by the resource-based view theory and McKinsey 7S framework, thus assuming the deductive approach. The current problem, due to its quantitative nature, meant that the research would assume a quantitative design. The data as mentioned was collected from 15 managers/directors from all 15 Starbucks outlets in Cardiff, Wales. The data was analyzed also in

a statistical manner (Starbucks 2022). The primary findings of this research will be presented in the next chapter.

Chapter 4: Data Analysis and Discussions

4.1: Introduction

The previous chapter discussed the manner in which the data for this dissertation was collected and analyzed. This part of the research will focus on the primary findings as well as a comparison of those findings to previous literature. As such, the chapter will be divided into two major sections, including analysis and discussion. It is important to note that the research achieved a 100% response rate, i.e., all 15 Starbucks' managers/directors successfully responded to the questionnaires that were presented to them.

4.2: Analysis

4.2.1: Demographics

Highest Level of Education

The respondents were asked to indicate their highest level of education from the following options: diploma, degree, masters, and PhD. As noted from Fig. 1 below, a majority of the respondents were either degree holders ($n = 8$) or Masters degree holders ($n = 6$). Only 1 respondent had a diploma. None of the 15 respondents held a Doctorate of philosophy(PhD).

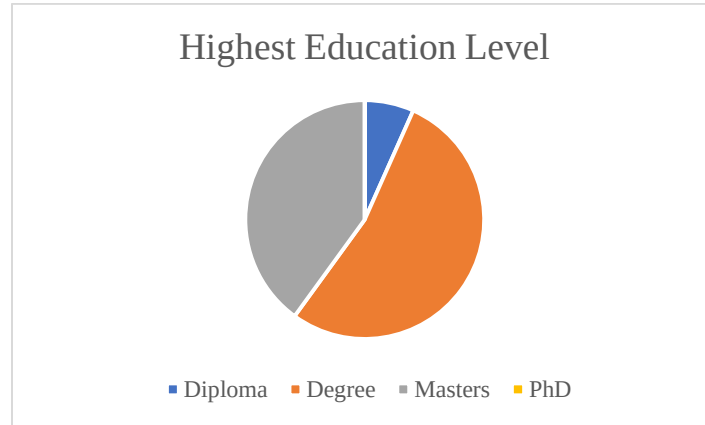


Figure 1: Highest Education Level

Years Working at Starbucks

The respondents were asked to indicate the number of years they have been at Starbucks between 0-5 years, 6-10 years, 11-15 years, 16-20 years, and 21 and above. As seen in Table 1 below, a majority of the respondents has worked at Starbucks between 6-10 years ($n = 7$). Only 2 respondents had worked at Starbucks between 11-15 years. 6 respondents had worked at Starbucks between 0-5 years; none of the respondents had worked at Starbucks for 16+ years. Table 1 below shows that the managers/directors had been at Starbucks long enough to be fit to offer valuable information with regard to the company's strategic management practices.

Table 1: Years Working at Starbucks

	Frequency	Percentage
0-5 years	6	40.00%
6-10 years	7	47.00%
11-15 years	2	13.00%
16-20 years	0	0.00%

21+ years	0	0.00%
	15	100%

New Services/Products Introduced in the Past Five Years

The respondents were asked to indicate the number of services/products they had introduced at their managerial position at Starbucks in the past five years. As seen in Table 2 below, only 3 respondents had not introduced new products during their tenure at Starbucks. A majority of the respondents 53.33% ($n = 8$) had introduced at least 6 new services/products in the last five years. 4 other respondents had introduced at least 10 new services/products during their time at Starbucks. The above findings meant that strategic development of services and products is a vital business activity for Starbucks.

Table 2: New Services/Products Introduced in the Past Five Years

	Frequency	Percentage
0	3	20.00%
3	0	0.00%
6	8	53.33%
9	0	0.00%
10+	4	26.67%
	15	100%

Funds Spent on Research and Development Since 2020

According to Lashitew (2023), most companies that were able to withstand the harsh economic times as well as the challenges brought about by the Covid-19 pandemic had one thing in common, i.e., they invested massively on research and development (R&D). Since Starbucks employs a centralized management approach, this question asked the respondents to indicate the figure they were aware that Starbucks as a whole had invested in R&D since 2020 (Lashitew 2023) . As seen in Fig. 2 below, a majority of the respondents seemed to be in agreement that the coffeehouse brand had invested between USD 16-20 million in R&D since 2020. This was also confirmed by counterchecking the company’s annual reports since 2020 (Starbucks, 2022). The high spend on R&D further points toward Starbucks’ efforts on strategic management.

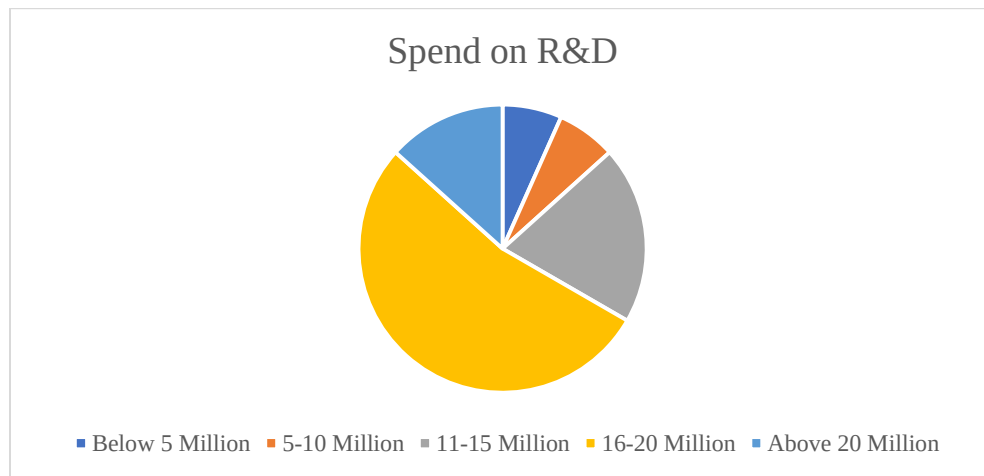


Figure 2: Funds Spent on Research and Development Since 2020

4.2.2: Strategic Management Practices at Starbucks

Tables 3 and 4 below present the strategic management practices and developing strategies, respectively, applied at Starbucks to enhance their business performance.

Table 3: Starbucks' Strategic Management Practices

Descriptive Survey Items	Not at all	Small Extent	Moderate Extent	High Extent	Very High Extent	Mean	Std. Dev.	Co. of Variation
Starbucks has a strategic plan	0%	15%	10%	54%	21%	3.66	1.47	40%
Starbucks is creative in its methods of operation	10%	7%	54%	16%	13%	3.69	1.55	42%
Starbucks allocates adequate funds for innovation annually	2%	4%	16%	61%	17%	3.28	1.46	44%
Starbucks develops new products and services regularly	9%	24%	0%	19%	48%	3.59	1.49	41%
Starbucks' technology is among the latest and best in the market	3%	8%	12%	30%	47%	3.19	1.61	50%
Starbucks conducts frequent process improvements	46%	24%	3%	9%	18%	3.24	1.64	51%
Speed of adoption of new processes at Starbucks is fast	0%	8%	46%	23%	23%	3.77	1.49	39%

According to Table 3 above, most of the respondents believed that Starbucks has a strategic plan in place to guide their operations. On 10% believed that the firm, to a 'small extent' has a strategic plan. The strategic plan item had a mean of 3.66 as well as a Std. Dev. of 1.47, which suggested that having a strategic plan improves the business performance of a company. On whether 'Starbucks is creative in its operational methods', 54% of the respondents indicated to a 'moderate extent', while 13% and 16% indicated to a 'very high extent' and 'high extent', respectively. 61% of the respondents also indicated that 'Starbucks allocates funds for innovation annually' to a 'high extent'; 17% other respondents chose the 'very high extent' for this item. This goes to show how innovation is highly rated at Starbucks. As seen from Table 3 above, a majority of the strategic management items were given either a 'high extent' or 'very high extent' rating aside from the 'Starbucks conducts frequent process improvements', wherein 46% of the respondents chose the 'not at all' rating. The fact that 46% of the respondents felt that Starbucks does not carry out frequent process improvements might mean that there are areas of the business, which could benefit from increase improvement efforts or attention. It is likely that some of the respondents felt there are inefficiencies, which are not being addressed even though the company still remains profitable.

Table 4: Starbucks' Strategic Development Strategies

Descriptive Statements	Not at all	Small Extent	Moderate Extent	High Extent	Very High Extent	Mean	Std. Dev.	Co. of Variation
When formulating strategies, all resources at Starbucks (i.e., HR, financial, physicia) are assessed	0%	0%	7%	26%	67%	3.72	1.58	42%
Starbucks assesses competitors and the reasons for their success before implementing their strategies	3%	8%	56%	19%	14%	3.68	1.43	38%
Starbucks strategic behavior conforms with environmental development when formulating strategies	0%	9%	27%	30%	34%	3.77	1.56	41%
Starbucks is keen on implementing strategies that improve business performance	0%	3%	13%	36%	48%	3.92	1.72	43%
Starbucks has allocated enough resources for implementing its strategies	12%	9%	66%	9%	4%	3.55	1.43	40%
Starbucks has strong motivational systems, which make sure strategies are implemented successfully	8%	11%	0%	51%	30%	3.61	1.67	46%
Starbucks has a strong monitoring and evaluation system to implement their strategies	0%	0%	57%	18%	25%	3.99	1.75	43%
Starbucks regularly reviews their strategic management practices	0%	0%	3%	40%	57%	3.81	1.43	37%
Starbucks has SMART goals for every strategic decision	3%	5%	0%	22%	70%	3.79	1.44	37%

As noted in Table 4 above, during the strategic development phase, the respondents indicated that Starbucks assess all their resources either a 'very high extent' (67%) or a 'high extent' (26%). This implies that by conducting early assessments, Starbucks is able to identify areas that need improvement. Furthermore, as indicated in Table 4 above, at least 89% of the respondents felt that Starbucks studies its competitors at least 'moderate' to a 'very high extent' prior to formulating their strategic decisions. This finding supports the effectiveness of strategic management practices in overcoming competition (Holubčík et al., 2023). 91% of the respondents indicate that Starbucks' strategic behavior is in line with its organizational development either to a 'moderate extent' or to a 'very high extent.' Elsewhere, 97% of the respondents indicate that Starbucks either moderately or very highly allocate adequate resources to their strategy formulation, including the fact that there are motivational systems to make sure the company successfully implements its strategies. As noted in Table 5 above, a majority of the

items with regards to developing strategies at Starbucks were given a high or ‘very high’ rating, which goes to show the extent to which strategic management is valued at Starbucks.

4.2.3: Starbucks’ Financial Performance During the Past Five Years

The respondents were asked to rate Starbucks’ performance during the past five years. As seen in Fig. 3 below, 40% ($n = 6$) of the respondents rated it as good, while 26.67% ($n = 4$) rated Starbucks’ performance as average. The rest of the respondents ($n = 5$; 33.33%) rated the performance as excellent. This implies that a majority of the respondents felt the Starbucks’ performance was ($n=11$; 73.33%) good or excellent.

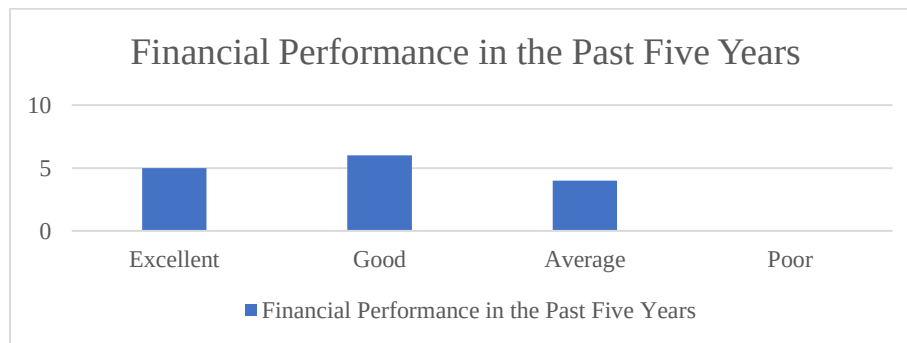


Figure 3: Financial Performance in the Past Five Years

4.2.4: Starbucks’ Overall Outlook in the Past Five Years

For the overall performance of Starbucks, this dissertation applied five elements, include net profits, sales revenue, employee satisfaction, customer service, and increase market share.

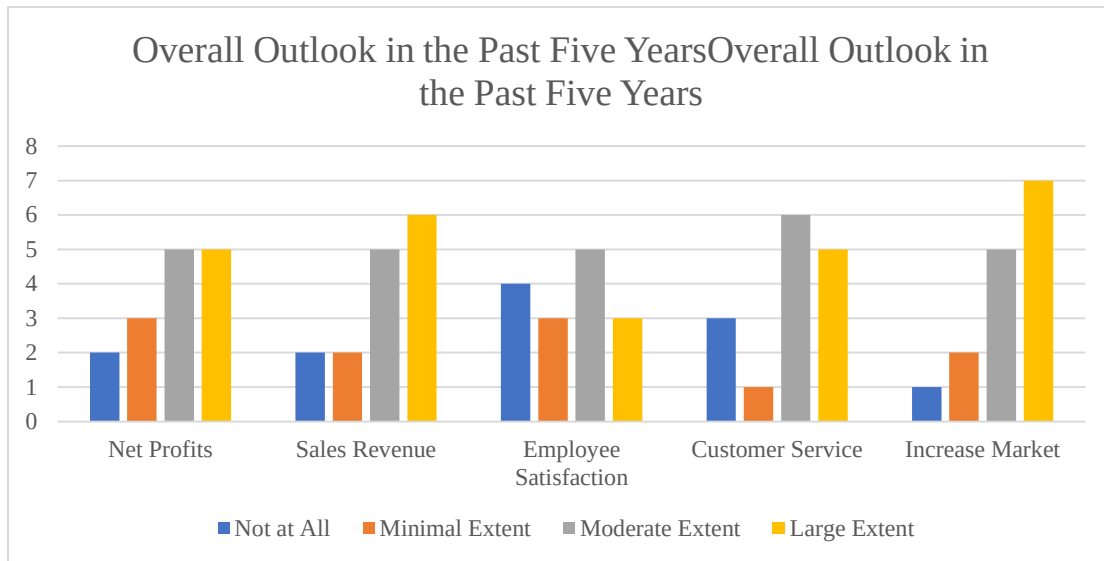


Figure 4: Overall Outlook in the Past Five Years

4.2.5: Results of the Regression Analysis

4.2.5.1: Summary of Model

Table 5 below shows the R , R^2 , adjusted R^2 , and standard effort of the estimate data, which determined the fitness of the regression model applied in this research. As seen in Table 5 below, the R^2 was 0.783, implying that the variability of the data is 78.3%.

Table 5: Model Summary

Model	R	R Square	Adj. R Square	Std. Error of the Estimate
1	0.826a	0.783	0.752	3.783
a. Predictors: (Constant), Strategic Management Practices				
b. Dependent Variable: Performance				

4.2.5.2: ANOVA

Table 6 below presents the ANOVA analysis in order for the reader to see whether there is any statistical significance between the groups. As seen in Table 6, the significance p value was 0.001 (below 0.05), implying that the relationship was statistically significant in terms of enhancing business performance.

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.381	1	3.482	3.481	0.001b
	Residual	17.595	45	0.529		
	Total	28.976				
a. Dependent Variable: Performance						
b. Predictors: (Constant), Strategic management practices						

4.2.5.3: Coefficient

The coefficient of strategic management and business performance is illustrated in Table 7 below. As seen, the unstandardized coefficient B for strategic management was 0.821, implying that any increase in strategic management practice for Starbucks, there is a 0.821 increase in business performance.

Table 7: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	16.673	0.342		4.032	0	3.752	4.742
	Strategic Management	0.821	0.267	0.044	1.986	0.001	0.624	0.276

4.3: Discussion

In line with the research problem and objectives, this research project has studied the role of effective strategic management practices on business performance of Starbucks. The findings of the research are consistent with the findings reported in existing studies and those consulted for the literature review chapter of this dissertation. For example, in agreement with Fuertes et al. (2020); Hunger (2020), this study finds that effective strategic management leads to a better position of a company in the market as well as the ability to gain a stronger competitive

advantage. With specific regard to Starbucks, this study finds that the organization is highly creative in terms of operations and allocates a budget for innovation each financial year. As a result, Starbucks is among the organizations that use the latest technology in the global market (Starbucks 2022)

The respondents indicated that Starbucks regularly assesses all its resources, through which the company can identify competitors that should be considered in the processes of strategy formulation. From the results, it is demonstrated that Starbucks proactively develops new products, reviews and enhances processes, and uses new technology in response to market trends and with the goal of growing its market share. The use of these strategies is consistent with reports by Bogers et al. (2019); Hitt et al. (2019) who demonstrated how organizational performance serves as tool for differentiation to retain existing customers and attract new ones. It is worth noting that the respondents also indicated Starbucks' commitment to implementing strategies designed to improve performance through the way the management allocates resources during the implementation process. According to Teece (2019), a company is more likely to implement change successfully if it obtains the employees' buy-in. At Starbucks, the respondents showed that the company secures their buy-in by frequently reviewing its decisions on strategic management in consideration of the employees' opinion and feedback. These findings are consistent with Ahmad and Ahmad (2019); Ketchen Jr and Craighead (2020) who reported that strategic management practices support efforts to achieve specific organizational goals because they incorporate the organization's vision and mission.

4.4: Summary

The analysis discussion presented in this chapter demonstrates the significance of strategic management practices as a factor of improved business performance. The implementation and

formalization of strategic management and practices influences a company's adoption of strategic working practices and, ultimately, impacts positively on business performance. Generally, this is inferred to mean that organizations that invest more in formulating and defining goals as well as the strategies to work towards the goals are more likely to gain competitive advantage and improve performance. Such organizations should also deliberately invest in employee training to align their knowledge and skills with the organization's strategic goals.

Chapter 5: Conclusion, Limitation and Recommendations

5.1: Introduction

This chapter will summarize the entire dissertation. It will highlight the main findings, draw conclusions based on the findings, and make the necessary recommendations.

5.2: Conclusions on the Research Problem, Questions/Objectives

It was acknowledged in the introduction chapter of this dissertation that although previous research has confirmed the importance of strategic management to business performance, there are still gaps that necessitate in-depth analysis of specific strategy decisions to improve SME performance. On one hand, more SMEs are forced to shut down because of economic difficulties but, on the other hand, despite understanding the impacts of specific strategic decisions and management practices, they do not implement them as recommended. As a result, most of the SMEs suffer from wastage of resources associated with adopting ineffective strategies. This research, therefore, has bridged this research gap by providing more evidence on the significance and impact of implementing strategic management on performance.

5.3: Summary of the Research Findings and Outcomes

The results of this dissertation provide grounds for the conclusion that effective strategic management practices positively on an organization's business performance. It is on this basis that this research makes the overall argument that organizations need to develop both firm-

specific and industry-specific strategies as well as implementation frameworks. The study found that organizations which implement strategic thinking and practices understand better the effects of challenging economic times on their organizational performance and growth. With such understanding, they can identify, develop, and implement policies and strategic management practices tailored to respond to the risks, hence build competitive advantage in both local and foreign markets.

This research also wishes to conclude that investing in R&D and introducing at least one innovative product per year can help SMEs achieve more competitive advantage. The findings showed that Starbucks invested heavily in R&D since 2020, introducing at least one new product each year, hence enable the company to achieve an even greater competitive advantage. As argued by Gans and Ryall (2017), investing in R&D can help companies support their employees' creativity and innovation, which makes operations more effective and efficient, ultimately improving competitive advantage.

5.4: Original Contribution of the Research

The original contribution of this research can be tied back to its focus. While most case studies on the role of effective strategic management practices have focused purely on secondary data, i.e., by conducting SWOT analysis, PESTLE, etc. of the companies they were analyzing, this research went further to collect primary data on its focus company (Allianz Care., 2021). Furthermore, strategic management practices that were discussed in this research include strategic planning, resource allocation, and performance measurement, something that many failing SMEs have been overlooking even though previous literature have considered those factors as the backbone of many economies. While many SMEs tend to cut down their spending

especially during times of economic hardships, this research has proven that by actually investing more in such factors as R&D can help SMEs achieve better competitive advantage.

5.5: Limitations of the Research

This research was limited in terms of its: (1) small sample size, (2) reliance of self-reported data, (3) limited generalizability, and (4) limited scope. The study only included 15 respondents, which is definitely not a representative of the entire SME population globally or even in the country, i.e., Wales, where the respondents were operating (Starbucks 2022). Nonetheless, to address these limitations, the research took several steps. First, there was an acknowledgment that the small sample size was due to the case study approach of the research. Nonetheless, robust statistical tests were conducted to ensure the findings accurately represented the responses of the participants, e.g., a regression analysis was conducted to control for any bias in the data. Furthermore, additional research has been suggested in order to cater for the limited generalizability. For the scope, the research suggested the further studies should center on other industries to see if they will come up with similar findings.

5.6: Recommendations and Future Research

This project investigated Starbucks' strategic management practices and how they impact their business performance. Based on the findings, the following recommendations are made:

- SMEs should review and align their process improvement strategies with changing market trends in order to enhance performance
- Also, SMEs should increase resource allocation to supporting sectors that have the potential to increase potential

- Therefore, future research should focus on other sectors and large corporations to generate results that can be used for comparative purposes rather than generalizing this study's findings from SMEs.

5.7: Summary

It can be concluded that effective strategic management practices have a positive impact on the business performance of SMEs. Investing in R&D and introducing at least one innovative product annually can help SMEs to achieve a greater competitive advantage. This dissertation also concludes that SMEs should develop both firm-specific and industry-specific strategies as well as implementation frameworks when looking to take advantage of strategic management.

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Terms of Glossary

KPIs – Key Performance Indicators

R&D – Research and Development

SMEs – Small and Medium-Sized Enterprises

Appendix

Appendix A – Survey Instrument

Part One: Demographics

1. What's your highest level of education?
 - a) Diploma
 - b) Degree
 - c) Masters
 - d) PhD
2. How many years have you worked at Starbucks?
 - a) 0-5 Years
 - b) 6-10 Years
 - c) 11-15 Years
 - d) 16-20 Years
 - e) 21+ Years
3. In the last five years, how many new products/services have you introduced at Starbucks?
 - a) 0
 - b) 3
 - c) 6
 - d) 9
 - e) 10+

Since 2020, how much has Starbucks as a whole invested in Research and Development (R&D)

4. Below 5 million
 - a) 5-10 million

- b) 11-15 million
- c) 16-20 million
- d) Above 20 million

Part Two: Strategic Management Practice

Descriptive Statements	Not at all	Small Extent	Moderate Extent	High Extent	Very High Extent
5. Starbucks has a strategic plan					
6. Starbucks is creative in its methods of operation					
7. Starbucks allocates adequate funds for innovation annually					
8. Starbucks develops new products and services regularly					
9. Starbucks' technology is among the latest and best in the market					
10. Starbucks conducts frequent process improvements					
11. Speed of adoption of new processes at Starbucks is fast					

Part Three: Strategies Development

Descriptive Statements	Not at all	Small Extent	Moderate Extent	High Extent	Very High Extent

12. When formulating strategies, all resources at Starbucks (i.e., HR, financial, physical) are assessed					
13. Starbucks assesses competitors and the reasons for their success before implementing their strategies					
14. Starbucks strategic behavior conforms with environmental development when formulating strategies					
15. Starbucks is keen on implementing strategies that improve business performance					
16. Starbucks has allocated enough resources for implementing its strategies					
17. Starbucks has strong motivational systems, which make sure strategies are implemented successfully					
18. Starbucks has a strong monitoring and evaluation system to implement their strategies					
19. Starbucks regularly reviews their strategic management practices					
20. Starbucks has SMART goals for every strategic decision					

Part Four: Starbucks' Financial and Overall Performance

21. Please rate Starbucks' financial performance during the past five years

A. Excellent	
B. Good	
C. Average	
D. Poor	

22. In the table below, indicate the extent to which Starbucks has developed in the past five years:

Variable	Extent
Net Profits	
Sales Revenue	
Employee Satisfaction	
Customer Service	
Increase Market Share	