

LEVEL 7 ASSESSMENT SPECIFICATION

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How Starbucks Coffee Success : An analysis on Business Management Theories Based on the Holistic 3-H framework.

1. Introduction

In the world of global business, there are merely few brands that have as strong influence as Starbucks. You must have seen a green mermaid logo in most street corners and every malls. Founded in 1971, Starbucks had transformed from a coffee bean retailer to become a cultural iconic leader within the coffee industry. With thousands of stores across the globe, the company is recognized by its commitment to quality, innovation, and a unique customer experience, and all of which are supported by a complex management philosophy. The management practices at Starbucks does not only reflect a strategic approach towards business management but also showed a deep understanding of both their consumer's behaviour and organizational culture. This diverse strategic approach is important for dealing with the challenges in today's fast shifting market, where consumers preferences and competitors strategy are constantly changing.

This research aims to analyse the management theories that highlight Starbucks' success through the lens of Yu's 3H holistic management framework, which comprised of three domains: Heart, Head, and Hand. Each domain represents a different aspect of organizational management, provides a comprehensive lens to examine the company's leadership, strategic positioning, and operational practices.

The Heart dimension focuses on leadership styles and organizational culture, which emphasizes emotional engagement and interpersonal relationships within the organization, highlighting the importance of a motivated and committed workforce. The Head dimension focuses on strategic frameworks such as the Resource-Based View, Porter's Five Forces, and Value Chain Analysis on strategic thinking and analytical skills, highlighting the need for organizations to adjust and react to changes in the market effectively. Finally, the Hand dimension focuses on motivational theories and quality management practices, which relates to how well operations are carried out and the skills needed to successfully put strategies into action, highlighting how Starbucks ensures a high-quality experience for both employees and customers. When combining these dimensions form a complete framework for understanding how Starbucks has achieved its impressive growth and maintained its competitive position.

The primary research question leading this analysis is: How do the management practices at Starbucks align with the 3H framework to contribute to its success? This research

will utilize a literature review to provide a historical context for Starbucks' rise and will provide comprehensive view of the explanation of the success of Starbucks Company. Additionally, it will explain each theoretical framework within the 3H model, creating a comprehensive framework to analyse Starbucks' past successes and predict its future prospects. By identifying both strengths and weaknesses, this study aims to offer valuable recommendations for Starbucks' management to maintain its competitive edge in the evolving coffee market.

2. History and Rise of Starbucks

The original Starbucks was founded in 1971 in Seattle, Washington by Jerry Baldwin, Zev Siegl, and Gordon Bowker, who aimed to provide customers with the finest coffee and equipment (Michelli, 2007). The company's transformation began in 1982 when Howard Schultz joined the company as the Director of Retail Operations and Marketing, and since then he defined the future of Starbucks (Schultz and Yang, 1997). In 1984, Schultz travelled to Italy and he was inspired by the vibrant coffee culture and the concept of espresso bars. Upon his return to the U.S., he proposed transforming Starbucks into a coffeehouse that offered not only coffee but also a place for the community to gather. After acquiring the company in 1987, Schultz began to implement this vision through opening multiple stores across the United States. The introduction of the espresso bar concept was a novelty at that time as it emphasis on both customer experience and product quality. According to Brakus, Schmitt and Zarantonello (2009), the shifting from selling coffee beans to serving brewed coffee and espresso drinks was characterized by emphasising on customer experience, with trained baristas to engage with customers in creating a welcoming atmosphere. This transformation has distinguished Starbucks from its competitors.

By the mid-1990s, Starbucks had expanded beyond Seattle and opened stores in major cities across the United States (Starbucks, 2021). The Starbucks' stock raised rapidly as it went public in 1992 (Schultz and Yang, 1997). It had reflected the growing popularity of coffee culture in America. Research by Gallo (2016) highlights that Starbucks took its advantage of the increasing popularity among specialty coffee, allowing to position itself as a premium coffee brand. The company effectively applies marketing strategies, including the use of unique store designs (Gallo, 2016) and the introduction of seasonal beverages (Michelli, 2007). Starbucks introduced a wide range of products, including their iconic beverage Frappuccino, and expanded its menu including teas and pastries. By 1996, the first Starbucks store outside North America opened in Tokyo, Japan. This international expansion was supported by a robust supply chain management system that ensured consistent quality

across all locations. By the late 1990s, Starbucks has opened more than 2000 stores around the globe including Japan, U.K., South Korea and China (Starbuck, 2020). It has established itself as a leader in the specialty coffee market. The brand had become synonymous with not only high-quality coffee but also premium experience, which was characterized by its signature green mermaid logo, welcoming store ambiance, and personalized customer service. In 2001, Starbucks had introduced Starbuck card as their loyalty program. Schultz emphasised this strategy is one the most effective way to build up long term relationship with their customers (Schultz and Gordon, 2011).

The early 2000s Starbucks expanded aggressively. It had opened over 10,000 stores internationally compared to 600 stores merely one decade before (Starbuck, 2020). During this period, Starbucks had also diversified its product variety, adding different savoury food items such as pastries and sandwiches in order to complement its beverages (Dorn, Messner and Wänke, 2016). However, Starbucks' rapid expansion had led to challenges, including market saturation and a decline in sales during the economic downturn of 2008 in United States. Schultz mentioned that Starbucks had faced criticism for its aggressive expand strategy, which some argued neglected the brand's quality and customer experience (HBR, 2020). In response, Schultz returned as CEO in 2008, implementing a series of strategic changes, not only refocusing to enhance their customer services and product quality, they have included initiatives such as the "Third Place" concept, "Starbucks Foundation" and increasing social responsibility and sustainability (Schultz and Yang, 2011).

In the 2010s, Starbucks took advantage of technology to enhance their customer engagement. Upgrading Starbucks card, the launch of the Starbucks mobile app in 2011 was a pioneer within the industry (HBR, 2020). The mobile app allowed customers to order and pay ahead, effectively shorten the purchasing process. As highlighted by Gallo (2016), the app had also integrated the Starbucks Rewards loyalty program, which enhanced repeat purchases through points collecting system. The loyalty program had been essential in driving customer engagement as loyalty program members would earn stars for every purchase, which could be redeemed for free drinks and exclusive offers. Research conducted by Shah, Kumar and Kim (2014) indicated that loyalty programs in Starbucks' program had been particularly successful in fostering brand loyalty.

In the same period, Starbucks had increase focuses on sustainability and ethical sourcing. Aligning with its brand's values and the increase consciousness of social awareness among their consumers, Starbucks had released multiply policies including opening Farmer Support Centers globally that enhance equality of their farmers, strengthened ethical sourcing

efforts, reinforced company's commitment to marriage equality, creating world's first sustainably sourced agricultural product and launched Starbucks® FoodShare, a program to donate ready-to-eat meals to food banks across the United States (Starbucks, 2021).

Today, Starbucks operates over 30,000 stores in more than 80 countries (Starbucks, 2023), applying making it one of the most recognizable brands globally. According to Starbuck Full Fiscal Year 2024 (Starbuck, 2024), at the end of Q4 2024, stores in the U.S. and China comprised 61% of the company's global portfolio, with 16,941 and 7,596 stores in the U.S. and China, respectively. Therefore, this study intend to put more focus within these two sectors.

2. The 3H Holistic Management Framework

The 3H Holistic Management Framework is developed by Yu (2020) which consists of 3 key domains: Heart (H1), Head (H2), and Hand (H3). The 3H Holistic management according to Yu (2023) is “an art and science of managing organisational performance through the synergistic alignment of people, organisational elements and competence.”. In other words, by integrating the three domains would create a comprehensive approach to effectively address the challenges within any business organization. With each of the domain, the 3H framework is established from and supported by a diverse variety theoretical foundations. The 3H framework is particularly relevant in today's complex business environment as organizations must navigate themselves among the fast-pace and multi-dimensional issues related to workforce management, strategical planning, and operational efficiency.

The conceptual framework (Figure 1) for 3H's metaphorical expression provides a visual understanding, where followed by an algebraic expression provides an explicit understanding of the functional relationship of the each H domains.

As explained by Yu (2024), the algebraic formula expression for the conceptual framework can be represented as : $NP = f(H1cH2cH3)$, which NP = Performance, c = Complement to integrate and connect, $H1$ = Heart domain, $H2$ = Head domain, $H3$ = Hand domain. The synthesis will be formed from the integration of the three domains of $H1$, $H2$, and $H3$, which will ensure the organization to perform effectively and efficiently.

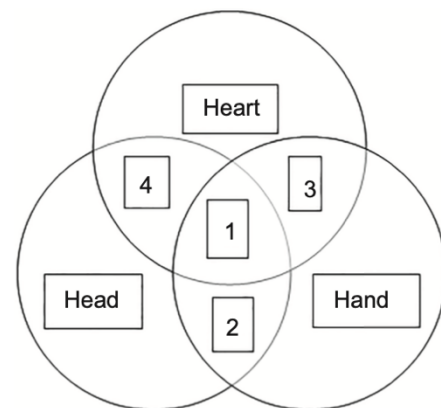


Fig. 1 - Source: Yu (2024)

2.1 The H1 Heart domain

The H1 Heart domain plays a crucial role within the 3-H approach. Yu (2024) considered that the approach for Heart domain is the most challenging part among the three H dimensions because dealing with people especially when it requires to change their attitudes and behaviour is a very difficult job.

on the people, the importance of emotional intelligence, leadership, and organizational culture. Effective management is based on the ability to engage and motivate employees, creating a sense of belonging and commitment towards the company (Yu, 2024).

H1 aligns with the principles within the theories of Transformational Leadership, Emotional Engagement and Employee Empowerment as it focuses on motivational and other human aspects among management practices with the aim to motivate employees to commit in achieving mutual organisational goals.

2.1.1 Transformational Leadership at Starbucks

As highlighted by Bass (2008), Transformational Leadership is characterized by leaders inspire and motivate their followers through support, exceeding their own self-interests for the greater good of the organization (Bass et al., 2008).

Bass (2008) suggested that Transformational leaders are characterized by four key components, which are often referred to as the "Four I's":

1. **Idealized Influence:** Transformational leaders serve as role models to earning the trust and respect of their followers. Leaders would exhibit high ethical standards and to demonstrate commitment towards their values and vision.
2. **Inspirational Motivation:** Transformational leaders would express their vision that inspires followers to commit to their shared goals.
3. **Intellectual Stimulation:** These leaders would encourage creativity and innovation by challenging existing beliefs and create an environment where followers feel safe to explore in new ideas.
4. **Individualized Consideration:** Transformational leaders tends to pay more attention to the individual needs of their followers and providing support and encouragement for personal development.

At Starbucks, this transformational leadership style is greatly demonstrated by former CEO Howard Schultz. Firstly, Schultz refers his employees as "partners" (Schultz and Gordon, 2011), which not only create a sense of collaboration and empowerment, it encourages a shared vision and a sense of ownership among employees, which motivate them

to commit and contribute to the organization's success, achieving the criteria of the Inspirational Motivation aspect within the Four I's.

Schultz (2011) also stated that he had is not hesitate to show his emotional among his “partners”. In 2000 when Howard Schultz stepped down as CEO, the revenue and operating income were at peak. However, the share price had dropped by almost 50% in 2008 when he was asked to be the CEO again (Schultz, 2011). Schultz stated that the challenge was “How to preserve and enhance the integrity of the only assets we have as a company: our values, our culture and guiding principles, and the reservoir of trust with our people.” (HBR, 2020). Schultz has openly admitting mistakes and sharing personal experiences. “...that the leadership had failed the 180,000 Starbucks people and their families. And even though I wasn't the CEO, I had been around as chairman; I should have known more. I am responsible.” (HBR, 2020). His demonstration of vulnerability and willingness to take blame for the company's challenges exemplifies transformational leadership, which contribute in building trust and credibility among employees, fostering a culture of engagement and accountability (Schultz and Gordon, 2011). His actions inspired a growth mindset within the organization, encouraging innovation and resilience. Overall, Schultz's approach highlights the importance of vulnerability in effective leadership, reinforcing the idea that authentic connection can drive organizational success.

In an interview with Harvard Business Review (Harvard Business Review, 2020), Schultz stated that “Our role as leaders is to celebrate the human connection...and to make sure people realize the deep level of respect we have for the work they do and how they act...It's not to get bigger or to make more money.” His focus has always been on inspiring and motivating his followers to achieve better outcomes and at the same time to develop their own sense of leadership rather than just making money. The idea of merely building the company on financial growth, generates a respect from the employees towards their organization. Based on Bass (2006) definition, this case has showed the aspect of “Idealized Influence” and “Inspirational Motivation”.

2.1.2 Herzberg's Two-Factor Theory:

Herzberg's Two-Factor Theory introduced by Frederick Herzberg in the late 1950s, is a foundational model for understanding what drives employee motivation and job satisfaction. The theory suggests that two separate categories of factors influence motivation in the workplace: hygiene factors and motivators. Hygiene factors, which include aspects such as salary, company policies and working conditions, which do not actively motivate employees when they are present, but would form dissatisfaction of their absence (Matei and

Abrudan, 2016). On the other hand, motivators involve aspects such as achievement, recognition and opportunities for advancement, are key motivators of job satisfaction, which inspire employees to improve their performance (Alshmemri et al., 2017). Herzberg's theory is significant within the Heart domain of Yu's 3H Framework, which highlights the importance of emotional engagement and employee empowerment

Research has shown that organizations can significantly improve employee morale and productivity by addressing both hygiene factors and motivators. For example, studies conducted by Alshmemri et al. (2017) indicated that when hygiene factors are adequately managed, employees are less likely to feel dissatisfied, while the presence of motivators can lead to increased motivation and commitment. Under Starbucks management, specifically Howard Schultz's leadership, has effectively implemented these principles to increase employee motivation and engagement. In terms of hygiene factors Starbucks offers competitive wages, comprehensive benefits, and a positive workplace culture (Michelli, 2007). The company has been recognized for its commitment to employee welfare, including health benefits for part-time employees and stock options, which help reduce dissatisfaction (Schultz & Gordon, 2011). Within the Motivators aspect, Starbucks emphasizes recognition and personal development (Schultz, 2011). The company implements programs that celebrate employee achievements, such as the "Partner of the Quarter" awards, which boost morale and creates a sense of accomplishment among employees. Additionally, Starbucks encourages employees to participate in community service and provides opportunities for career advancement, aligning with Herzberg's motivators (Schultz, 2011).

Through examining Starbucks' implementation of Herzberg's Two-Factor Theory has revealed a direct correlation between employee satisfaction and customer experience. During the 2008 economic downturn in United States, Starbucks despite waiving their employee, the company maintained its employee benefits and wages, which helped reduce turnover and dissatisfaction. As a result, the company was able to provide a consistent customer experience. Company's management therefore has demonstrated the importance between employee satisfaction and organizational success (Schultz & Gordon, 2011).

Herzberg's Two-Factor Theory fits well within the Heart domain of the 3H framework, which emphasizes emotional connections between employee and the company, and the importance of a supportive workplace culture. By addressing both hygiene factors and motivators, Starbucks creates an environment where employees feel valued and connected. This approach not only enhances job satisfaction but also fosters loyalty and engagement, crucial components of the Heart domain.

2.1.3 Maslow's Hierarchy of Needs:

Maslow's Hierarchy of Needs is proposed by Abraham Maslow (Maslow, 1998), is a psychological theory that categorizes human needs into a five-tier model and is often depicted as a pyramid. Maslow argued that individuals must fulfill the basic needs before progressing to higher-level needs. The hierarchy is structured as: Physiological Needs, Safety Needs: Security and protection from physical and emotional harm, Love and Belongingness Needs, Esteem Needs and Self-Actualization Needs. This model suggests that every individuals are motivated by fulfilling their basic needs in order to be satisfied in their work.

Starbucks has implemented Maslow's Hierarchy of Needs within the organizational through various initiatives which, aims to fulfill employee needs at different levels.

1. **Physiological Needs:** Starbucks provides competitive wages and benefits, ensuring that employees can meet their basic needs. This includes health benefits, stock options, and paid sick leave, which help address the physiological needs of its workforce (Schultz & Gordon, 2011).
2. **Safety Needs:** Starbucks prioritized the safety needs of its employees by implementing health protocols, such as providing personal protective equipment (PPE) and enhancing sanitation measures in stores (Starbucks, 2021). During COVID-19, Starbucks provided extensive support and comprehensive care to all their employees that have been affected by. These measurements included benefits such as vaccine pay, catastrophe pay, mental health and sick leave, as well as childcare assistance (Starbucks,2022) . This response not only ensured the safety of employees but also reinforced their trust in the company, fulfilling their safety needs. Starbucks has implemented various health and safety protocols, particularly during the COVID-19 pandemic, ensuring that employees feel secure in their workplace.
3. **Love and Belongingness Needs:** Starbucks fosters a strong sense of community among its employees, often referred to as "partners." The company promotes teamwork and collaboration, creating an inclusive culture where employees feel valued and connected (Schultz, 2011). For example, Starbucks encourages social interactions through team-building activities and open communication channels. During the pandemic, *The Starbucks Foundation* has donated more than \$3 million to support global COVID-19 relief efforts around the world partnering with key organizations like the United Nations Foundation in order to ensure those who need the most help get it. These actions create an environment where individuals feel supported, connected, and valued, addressing their social needs

4. **Esteem Needs:** Recognition programs are integral to Starbucks' strategy. The company celebrates employee achievements and provides opportunities for advancement, which enhances self-esteem and fosters a sense of accomplishment among partners (Schultz & Gordon, 2011). The "Partner of the Quarter" program is one such initiative that recognizes outstanding contributions.
5. **Self-Actualization Needs:** Starbucks invests in employee development through training programs and educational assistance. In 2013, Starbucks launched the "Starbucks College Achievement Plan," which allows their employees to earn a degree with full tuition coverage. This initiative does not only addresses employees' physiological needs by providing financial support but simultaneously fulfills their self-actualization needs by allowing them to pursue higher education (Starbucks, 2014).

In short, Maslow's Hierarchy of Needs aligns well with Starbucks' management in the Heart domain as it emphasizes emotional connections and reinforces employees' sense of belonging. Starbucks has promoted a supportive culture that prioritizes its employee relationships and recognition, addressing to their social and esteem needs, fulfilling all five-tier model within the pyramid. This approach enhances Starbucks employees' engagement and loyalty, in result fostering a positive work environment.

3.1 The H2 Head domain

The Head domain encompasses strategic thinking, planning, and decision-making. It is essential for establishing a clear direction and aligning resources with organizational goals. By applying theory of Porter's Five Forces, Resource-Based View (RBV) and Value Chain Analysis can provide appropriate strategies to ensure competitiveness.

3.1.1 Porter's Five Force

Porter's Five Forces is a seminal framework in strategic management, developed by Michael E. Porter in 1979 (Porter, 2008). This model provides a comprehensive approach to analysing the competitive landscape of an industry and allows organizations to formulate effective strategies according to their position within the market. The framework is particularly relevant to the Head (H2) domain of Yu's 3H Framework, as it involves strategic thinking and analysis.

Porter's Five Forces model consists of five key elements that contribute in shaping industry competition and each of the five forces provides a clear and direct relationship in predicting the industry profitability (Magretta and Porter, 2012). The Buyers (Bargaining Power of Buyers), which examines the bargaining power that customers have, in determining

prices of product and the quality of service provided. In order to provide novelty keeping their customers' demand for their product, Starbucks has constantly put in ideas into their product (HBR, 2020). Furthermore, in response to the diverse needs and dietary needs for their customer preferences, Starbucks began serving plant-based meat product in 2020 (Durbin, 2020). The Suppliers (Bargaining Power of Suppliers), which measures the influence that suppliers have on the prices and quality of the resources which they provide. Starbucks sources its coffee beans from a variety of suppliers. As Starbucks focus on both high quality and quantity scale, Starbucks launched the Coffee and Farmer Equity (C.A.F.E.) Practices in 2004. By investing in their own farmer communities and promoting sustainable farming practices, this program has reinforced social responsibility on ethical sourcing standards but most importantly guaranteed a fixed cost on their coffee bean supply. The Substitutes (Threat of Substitute Products or Services), which examines how easily customers can replace and opt for alternative products or services. The threat usually is shaped by factors such as the price-performance balance of these alternatives. Within a relative scope, the New Entrants (Threat of New Entrants), which looks into the possibility of new competitors entering to seek to gain market shares. Elements such as economies of scale, required capital investment, and brand loyalty play significant roles in determining the level of threat. Lastly, the Rivalry (Rivalry Among Existing Competitors), which evaluates the level of competition among current industry. Starbucks in China market has greatly affected by a lot of new entrants and has been substituted by newly opened cafes. Luckin's coffee, which was founded in 2017 has opened more than 2,000 stores in China with less than two years. One of the main reason according to Shang (2023), is the pricing of their products. Luckin's coffee price is averaging at less than 25 yuan, whereas Starbucks is selling average 40 yuan. Furthermore, Luckin's coffee has implemented multiple strategies such as short delivery time, selling a vast variety of beverages besides coffee and providing coupons with extra-long expiry dates., This young coffee brand has pose a great threat for Starbucks as it has successfully transformed itself from a new entrant as a substitution into a substantial rivalry in merely few years.

3.1.2 Value Chain Analysis (VCA):

Value Chain Analysis (VCA) is a strategic tool introduced by Porter in 1985 to identify and evaluate the activities within an organization, in which create value for customers and differentiate the company from its competitors (Porter, 2008). These activities referred by Porter include inbound logistics, operations, outbound logistics, marketing and

sales, and service, while the supporting activities involves firm infrastructure, human resource management, technology development, and procurement (Porter,2008).

Within Yu's 3H Holistic Management Framework, the Value Chain Analysis at Starbucks aligns with the Head dimension, as VCA is primarily involves strategic planning, which require organizations to examine their internal operational process to identify areas for improvement. The purpose of VCA is to provide understanding on how each activity contributes to affecting customers and to identify areas of improvements which would increase competitive advantages.

In Starbucks company, the application of Value Chain Analysis is served as an perfect example to enhance its competitive positioning within the industry. For instance, Starbucks has secured its inbound logistics aspects by implementing the Coffee and Farmer Equity (C.A.F.E) Practices, which had ensured the suppliers to follow social and environmental standards. This commitment has enhanced the reputation of the company and strengthen the supply chain at the same time. Furthermore, Starbucks has designed their operational management by introducing "Barista Basics" training program to ensure the consistency of quality on both their products and services across all stores (Michelli, 2007).

In addition to primary activities, Starbucks had also focuses on support activities that enhance its overall value proposition. The firm infrastructure is supported by the company's leadership particularly under Schultz, who supports innovation and social responsibility culture (Schultz and Yang, 1997). Michelli (2007) stated that there is high employee satisfaction towards Starbucks as they had invested highly by offering competitive wages, benefits, and opportunities for career advancement. In addition, the introduction of Starbucks mobile ordering and payment app has showed improvement on customer experience and enhanced operational efficiency (Starbucks, 2023).

By effectively apply Value Chain Analysis, Starbucks displayed its competitive advantage on delivering significant value for customers. By examining its primary and support activities allows the company to identify areas for improvement and aligning with its strategic goals.

3.1.3 Resource-Based View (RBV):

The Resource-Based View (RBV) is a strategic management theory that emphasizes the importance of a firm's internal resources and capabilities as the primary drivers of competitive advantage and superior performance. Originating from the work of scholars such as Jay Barney in the early 1990s, the RBV emphasized that not all resources are created equal; only those that are valuable, rare, inimitable, and non-substitutable can lead to

sustained competitive advantage (Barney and Clark, 2009). There 4 Key Components of RBV are often studied: First component is the Valuable Resources, which allow companies to implement strategies that can improve efficiency and effectiveness. Taking Starbucks as example, the company has strong brand reputation and customer loyalty, which considered as valuable resources that secures its market position (Barney and Clark, 2009). Second is the Rare Resources, which refers to resources that are not widely owned by competitors. Since 1995, Starbucks started serving its one of its signature beverage - Frappuccino. In 2010, only Frappuccino has contributed \$2 billion revenue to the business. Starbucks' innovate and unique coffee sourcing practices are rare resources that contribute to its competitive advantage. Thirdly is the Inimitable Resources, which refers to resources that cannot be easily replicated by competitors. In Starbucks' culture, it has constantly emphasizes the importance of employee engagement and customer experience. Starbucks has trained it staff to provide warm and welcoming experience by allowing every customer to know their server's name and vice versa. According to Michelli (2007) this is one of the experience that Starbucks are trying to build throughout the years, creating the "Third Place" concept, which is difficult for competitors to imitate and providing a sustainable advantage. Fourth is the Non-Substitutable Resources, which in a sense overlaps with Inimitable Resources where resources cannot be replaced with something else that provides the same value. The experience that customers receive at Starbucks locations is a non-substitutable resource, as it is tailored to create a specific ambiance and service style that competitors are not easy to replicate in short amount of time.

4.1 The H3 Hand domain

The H3 Hand dimension relates to how well operations are carried out and the skills needed to successfully put strategies into action. It emphasizes the importance of equipping employees with the necessary skills to perform their tasks effectively (Yu,2024).

4.1.1 Total Quality Management's (TQM):

Aligning with H3, Total Quality Management emphasis on employee involvement and training. As In 2008 when Schultz returned as the CEO after two devastating years, against all the advice, he decided to shut all the stores for three and a half hours, taking 10,000 store managers to New Orleans for retraining. His aim was to improve the quality of their coffee and remind people of their character and values (Harvard Business Review, 2010). Starbucks has also provided their baristas to enroll "Barista Basics" training program, which includes not only coffee preparation but also to learn customer service skills. For instance, the training has ensured that their employees are well prepared with their product knowledge and

customer interaction (Michelli, 2007). Furthermore, effective management within the Hand Domain involves creating feedback system that allows employees to share insights and suggestions for improvement, which reinforces TQM's commitment towards both persistence improvement and employee engagement (Schultz, 2020). Until June 2018, the Starbuck has been effectively collecting comments from their consumers on "My Starbucks Idea" platform. This platform not only welcome all suggestions, but it allow every customer to act a vested stakeholder. The bold movement of Schultz shutting down stores for retraining and Starbuck's investment in employee training has explicitly display their commitment for providing high quality products and customer services.

Starbucks exemplifies the principles of Total Quality Management (TQM) through its unwavering commitment to quality, customer satisfaction, and employee engagement, effectively applying these concepts in a practical context. The company prioritizes understanding customer preferences by regularly conducting surveys and gathering feedback to refine its offerings, as evidenced by the introduction of the Starbucks Rewards program, which enhances customer loyalty. Additionally, Starbucks is dedicated to continuous improvement, frequently evaluating its processes and investing in technology, such as mobile ordering and payment systems, to boost efficiency and enhance the customer experience. Employee involvement is also a cornerstone of Starbucks' approach; the company encourages baristas and staff to provide feedback on operations, fostering ownership and accountability that contribute to higher service quality. Furthermore, Starbucks employs data analytics to inform its decision-making, tailoring marketing strategies and product offerings based on customer purchasing behavior. This data-driven methodology enables the identification of trends, such as seasonal beverage preferences, leading to timely product introductions. Lastly, Starbucks maintains standardized processes across its global locations, using consistent recipes to ensure that customers receive the same quality and taste regardless of where they are, thereby reinforcing brand loyalty and reflecting TQM's emphasis on process orientation.

Discussion

The analysis of Starbucks' business management model through the lens of the 3H Holistic Management Framework has revealed the complex factors contributing to the Starbuck's success.

Within the H1 Heart dimension which emphasized the role of leadership and organizational culture in driving employee engagement and motivation. Starbucks, under the transformational leadership of Howard Schultz, has successfully created an environment

where employees are regarded as partners, fostering a sense of belonging and commitment to shared mutual organizational goals. This approach aligns with motivational theories, such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, which underscore the importance in addressing both hygiene factors and intrinsic motivators in order to enhance employee's job satisfaction. Through prioritizing employee's welfare in providing competitive wages and comprehensive benefits, Starbucks significantly enhances overall employee morale, which lead to improved customer service and satisfaction.

The H2 Head dimension focuses on strategic frameworks that allows Starbucks' to perform effective business strategies and securing competitive position. By utilizing models such as Porter's Five Forces, Value Chain Analysis and the Resource-Based View, the company has successfully navigated through challenges by leveraging its resources and capabilities. Starbucks commitment on providing up-scale quality products, innovative and superb customer experience allowed itself to maintain a strong market position despite of the emergence of new competitors. The company's strategic initiatives, including the introduction of plant-based products to cater different consumer preferences, has demonstrate its rapid response to market trends and customer demands. Furthermore, the promotion on ethical sourcing through programs like C.A.F.E. Practices illustrates Starbucks' dedication to increase sustainability and social responsibility has resonated with the values of its consumers.

The H3 Hand dimension highlights the operational practices that allow Starbucks to execute its strategies effectively. The Total Quality Management (TQM) principles has reflected the company's commitment to continuously maintain and improve product's quality and customer satisfaction. Through investing in employee training and development, Starbucks has ensured that all of the staffs are equipped with the necessary skills to provide the best services. In addition, customer and staff feedback systems, such as the "My Starbucks Idea" platform, has allowed employees and customers to contribute to the company's continuous growth and improvement.

Moreover, Starbucks management team has shown the ability to adapt in unpredictable external challenges, for example during the financial crisis of 2008 and the COVID-19 pandemic. The company's strategy, including enhanced health protocols and employee support during the pandemic, not only demonstrated a resilience and strategic agility on the Head dimension, but also a strong Heart dimension, where it reflected its commitment to the well-being and care for its workforce and customers, solidifying its brand loyalty.

The integration of the 3H framework have provided a comprehensive understanding of how Starbucks achieved its significant growth and maintained its strong competitive advantage. The interplay between the Heart, Head, and Hand dimensions has illustrated the holistic approach that the company has adopted in its management practices. By aligning leadership styles with strategic frameworks and operational excellence, Starbucks has successfully created a sustainable business model that not only drives financial performance but also fosters a positive organizational culture.

In conclusion, Starbucks has displayed a well-rounded approach in different management theories. The principles of the 3H Holistic Management Framework, provides guidelines for a lasting success within a competitive environment while operating in a more efficient and effective manner. By prioritizing in people, strategic thinking, and operational excellence, Starbucks not only redefines the coffee experience but also sets a benchmark for other organizations to strive for comparable success.

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