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Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

INTERNATIONAL BUSINESS EXPANSION: STARBUCKS CORPORATION

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International Expansion Evaluation: Starbucks Corporation

Internationalization of business activities is central to increased profitability and the global presence of companies. As a publicly listed company in Hong Kong, the firm started its operations in India and plans to do more expansions within the country. Although the move is financially viable for Starbucks Corporation, staff recruitment, and talent management are major problems faced. Therefore, recruiting culturally aware staff and encouraging a high-performance culture for talent management is crucial for Starbucks.

Company Background

Starbucks is a global company that operates in different countries across the world. The history of the organization dates back to 1971 when it was founded by Jerry Baldwin, Zev Siegl, and Gordon Bowker (Liu, Li and Lin, 2022). The company was sold to Howard Schultz in 1980 who converted to a coffee house that served espresso-based drinks. In addition to coffee drinks, Starbucks serves its customers with food and official merchandise. Tumblers, mugs, scoops, and coffee pressers are the company's official merchandise that are sold to the clients.

Unlike other companies, Starbucks is known for its unique and broad variety of products and services that attract the global market. Some of the unique products sold at Starbucks Corporation are ethos drink, Oleato and barrel-aged coffee, and non-dairy milk offerings (Liu, Li and Lin, 2022). While its headquarters are in Seattle, the company operates in about 36,171 locations open across 83 countries (Sihombing and Lestari, 2022). China and the U.S. have the largest location share with about 61% (Tenbarga, 2023). Consequently, the company has been actively involved in expanding its activities to other countries such as Hong Kong and India.

Expansion Plan and Human Resource (HR) Challenges

Expansion Plan

Increased competition and the need for an excellent brand have driven Starbucks to expand its activities to the Indian market. The firm started its operations in Hong Kong in May 2000 and has opened about 147 stores across commercial, shopping entertainment, and residential areas in the country. However, the company started its Indian operations in October 2012 after a failed attempt in 2007 (Starbucks, 2022). Consequently, in February 2023, Starbucks released its expansion rollout plan for the Asia Pacific (Tenbarga, 2023). The plan requires the company to intensify its Indian operations by expanding into at least 5 new cities in the country (Starbucks, 2022). Staff recruitment and talent management are the issues that ought to be addressed for effective and profitable internationalization activities.

Staff Recruitment Challenges

Challenge Context

Starbucks Corporation's success is anchored on its effective and friendly corporate culture. Meanwhile, distinguished from other countries, Indians place a high value on collectivism and harmony (Sihombing and Lestari, 2022). The firm must align the clients' culture with its recruitment strategy (Leinwand, Mani and Sheppard, 2022). Additionally, the recruits should manifest Starbucks' culture during their employment. Although India has a large population of potential Starbucks employees, recruiting culturally competent individuals can be problematic for the company's HR department.

Root Causes

Difficulty in recruiting culturally competent employees is associated with various root causes. Compared to countries such as the U.S. and China where Starbucks dominates, there is

limited local expertise within the Indian market (Starbucks, 2022). For instance, the existing Starbucks locations in India are insufficient in exposing the locals to the company's culture and way of operations. Additionally, cultural gaps between the Indian market and other areas of operations make it difficult to identify competent recruits (Kumar *et al.*, 2023). Although Indians are generally known for a collectivist and harmonious culture, they possess unique ways of life depending on their localities (Kitayama *et al.*, 2022). Limited local expertise and cultural gaps hinder the recruitment of competent employees by Starbucks in India.

Affected Stakeholders

Starbucks customers in India are affected since they receive poor services from the employees. Poor services can be detrimental to the satisfaction levels of Starbucks' customer in India (Neeley and Leonardi, 2022). Shareholders can as well be affected by the poor services associated with decreased return on investment (Ely and Thomas, 2020). Furthermore, the company's HR team is affected since their effectiveness in recruiting competent employees is negatively affected. Therefore, culturally incompetent employees can be detrimental to consumers, shareholders, and the HR team.

The Difference Between Hong Kong and India

Hong Kong is one of the biggest cities in China and acts as an administrative region in the country. Contrasted with India, Hong Kong primarily has a mix of Chinese and Western influences (Kumar *et al.*, 2023). Starbucks Corporation, as an American company, has its organizational culture and values anchored on the Western way of life. Consequently, it is easier to recruit culturally competent employees in Hong Kong than in India. Additionally, the availability of individuals who have experienced both Western and Asian cultures makes Hong Kong more viable for upholding the company's values while meeting customer expectations.

Another significant difference in the context of staff recruitment issues between Hong Kong and India is the duration of operations. Unlike in India, Starbucks has been operating in Hong Kong for about 23 years (Starbucks, 2022). Consequently, more potential recruits have interacted with the company in Hong Kong than in India. The prospective recruits in Hong Kong are more aware of the company's culture and can effectively integrate it into their routine operations as Starbucks employees. The cultural differences and duration of operation between Hong Kong and India make it more difficult to identify culturally aware recruits in the latter country.

Managers' Experience and Solutions

Difficulty in finding culture-aware employees is a coming problem among organizations that consider internationalization of their activities. The use of expatriates in a foreign country is a common approach to fostering organizational culture in the new country of operations (Liu, Li and Lin, 2022). The expatriates know the organizational culture and help the new employees to get acquainted with it (Kitayama *et al.*, 2022). The recruits can understand how their organization handles various cases and behaves by observing what the expatriates do.

Additionally, cultural awareness training programs are considered effective by HR managers. The programs involve experts who have sufficient knowledge of the organization and local culture. Localization of organizational activities is another approach utilized by managers. Multinational organizations consider the ways of life of the communities they serve and align them with their organizational culture (Fayard, Weeks, and Khan, 2021). Similar to other HR managers, Starbucks Corporation can consider localization, cultural awareness training, and the use of expatriates.

Talent Management

Challenge Context

Talent management involves recruiting productive employees and retaining their exemplary performance over time. Compared to other countries where Starbucks Corporation operates, India is a developing country. Poor economic conditions are associated with a need for high paying employment opportunities (Serafeim, 2020). The company may have problems in retaining its employees in the market. Additionally, the HR department may have difficulties in meeting the new employees' expectations in the course of Starbucks's operations. Talent management problem is associated with poor organizational performance due to inconsistent services provided by recruits who fail to work at Starbucks for longer durations.

Root Causes

Various factors are associated with Starbucks' talent management problem. Given the economic conditions in India, employee expectations are changing over time. For instance, the majority of employees would expect highly competitive salaries as they continue working at the new Starbucks areas of operations (Yahui *et al.*, 2023). If the company fails to meet such expectations, the employees may seek better jobs from other firms. Moreover, increased competition from other organizations such as Cafe Coffee Day, Blue Tokai Coffee, and McDonald's McCafe. Some of the competitors such as Café Coffee Day dominate the Indian market and offer more competitive salaries (Kutieshat and Farmanesh, 2022). Consequently, the majority of Starbucks Indian employees may seek job opportunities from competitors.

Affected Stakeholders

Poor talent management can impact the various stakeholders at Starbucks Corporation. The clients will have high dissatisfaction levels since competent and customer-friendly

employees will leave the company. On the other hand, Starbucks' shareholders in India will have low returns on their investments due to negative effects on the overall firm performance (Liu, 2022). Furthermore, the employees in the HR department will have difficulties constantly searching for skilled employees (Ghani *et al.*, 2022). Therefore, the company may run into financial losses since its competent employees are likely to be absorbed by the competitors in the sector.

The difference Between Hong Kong and India

Political, economic, and social differences between Hong Kong and Singapore make the face of the talent management problem different. Unlike India, Hong Kong is developed with better economic conditions. Consequently, it will be difficult for the employees to have an urge to seek better jobs (Yahui *et al.*, 2023). Additionally, Starbucks has been in operation in Hong Kong for more years than India. Therefore, the individual and economic needs of Hong Kong employees are well-known. Politically, Hong Kong has a better and more favorable legal and political climate for the workers' needs and rights (Yahui *et al.*, 2023). Talent management is easier in Hong Kong than in India.

Managers' Experience and Solutions

Managers who have experienced difficulties in talent management have applied various approaches. Use of job descriptions that capture key aspects of employment including compensations plan can help (Shih and Morlinghaus, 2020). Additionally, providing opportunities for professional development has led to increased satisfaction among employees. Consequently, the majority tend to remain in their organizations (Muleya, Ngirande and Terera, 2022). Availability of employee backup plan help organizations to easily replace those who quit

for better opportunities (Livingston, 2020). Optimizing job descriptions, backup plans, and professional development opportunities can encumber talent management problems.

Problems Analysis

Talent management and staff recruitment challenges have negative effects on Starbucks' operations in India. As a global brand, the organization is associated with an excellent reputation. However, if it loses effective and skilled employees, the majority of customers will have a negative attitude towards the firm in India (Liu, 2022). Recruiting culturally-insensitive employees is associated with unethical customer services which may exacerbate organizational performance. Moreover, failure to retain competitive employees may cause the customers to go to Starbucks' competitors. Lack of a competitive edge in the market can lead to losses with high costs (Ghani *et al.*, 2022). Therefore, Starbucks must solve the challenges associated with talent management and staff recruitment.

Problem Solving, Negative and Positive Impacts

Various approaches can be adopted to overcome talent management and staff recruitment challenges. The organization can adopt continuous learning and professional development activities for its recruits in India (Yahui *et al.*, 2023). The training programs can focus on Starbucks' culture and values in the Indian context. Moreover, the adoption of competitive salaries will encourage the employees to continue working at the organization (Hassan, 2022). On the other hand, the company can focus on localizing its staff recruitment process to ensure that only individuals who are aware of the Indian way of life are selected (Liu, 2022). Furthermore, the company can use expatriates from countries such as China where its operations are successful. The latter will help in teaching the recruits about Starbucks' culture and successful strategies as applied in other countries.

Solving the talent management and staff recruitment challenges presents both negative and positive impacts. With the problems solved, the company will record increased profits due to broad customer base. Consequently, sufficient funds are available for other investment and operational improvement activities (Al Ahbabi and Nobanee, 2019). Another positive impact is improved organizational brand in India due to cordial employee-client relationships. On the negative side, adoption of the strategies to solve the issues can be costly to the company. Given its small presence in India, it may become difficult to sustain the business in the short term. The positives of solving the problems outweigh the negatives of the same.

Potential Upgrade and Improvement Areas

Although Starbucks can solve the presented problem to its advantage, several areas need improvement. The company needs to optimize its presence in Indian social media to attract loyal customers and competitive potential employees (Yahui *et al.*, 2023). Additionally, the firm's recruitment team in India should be structured in a manner that is diverse and consistent with Indian culture. Including individuals who have operated in India for a long can be beneficial when interviewing prospective recruits (Hassan, 2022). Furthermore, the company's research and development department should be upgraded to ensure that new locations are attractive to customers and are accessible to employees. Improving the highlighted areas is central to effectively solving challenges of talent management and staff recruitment in India.

Recommendations

Proposed Action Plan

Following the problem analysis, employee training, competitive salaries, and staff recruitment localization are the best solutions. Therefore, the company can adopt an initiative that addresses the cultural needs of the Indian population. The employees' training can involve

cultural and communications experts who take the workers through ethical practices at work. The experts can be invited after every quarter in a given financial year as a long-term action plan. Meanwhile, the company can invite expatriates from other countries who will interact with the recruits for the short term. The expatriates may leave India after 1-3 months which is sufficient for the recruits to understand Starbucks' culture and mode of operations. For competitive salaries, the company can decide to increase its employees' salaries after every 6-9 months for 3 years, as a long-term measure.

Pros and Cons of the Plan

Adoption of a cultural training program and increasing salaries are associated with various merits and demerits. The main benefit of the proposed actions is that they will lead to competitive and culturally sensitive employees. Consequently, Starbucks will save its cost of recruiting and retaining employees. Additionally, the company will retain its excellent brand image and reputation as it starts new operations in the Indian market (Liu, 2022). Meanwhile, the disadvantage of the plan is that it is resource-consuming. The training programs, invitation of expatriates, and increasing salaries are costly to Starbucks. The resources invested in the action plan can be used to boost other business activities.

Required Resources and Potential Outcomes

Human and financial resources are needed for the successful execution of the proposed action plan. Cultural experts, trainers, and program managers are needed for the training programs. Although the approach is costly, it will lead to positive outcomes for the employees and organization. The workers will learn new skills and become culturally sensitive in the Indian context. Meanwhile, the firm will benefit from reduced costs and increased profits in the long

term (Yahui *et al.*, 2023). Investing in talent management and staff recruitment will allow Starbucks to effectively set up its new locations in the Indian market.

Conclusion

Starbucks is an American multinational organization that operates in Hong Kong. The firm plans to extend its operations in India but may face talent management and recruitment challenges. Consequently, the adoption of competitive salaries and localization of staff recruitment will help in encumbering the challenges. The proposed action plan is associated with high costs but with positive outcomes. Therefore, Starbucks needs to channel its resources to training employees and localizing its recruitment approach for successful expansion in the Indian market.

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