

Human Resource Policies and Work Culture: A Case of Starbucks

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***Abstract:** This paper discusses a case study on human resource management policies and work culture at Starbucks. Starbucks view its employees as a competitive advantage which required strategic management in order to maintain the most valuable human resources in the business. The company also understands the relationship between positive human resource management policies, work culture and employee motivation. Therefore, Starbucks selects people that fits with the company culture and make an effort in retaining its skilled employees. Providing a friendly company environment and an open culture not only retain and motivate employees, but also brings loyal customers in trusting the company brand. All of this are reflected in the company's human resource policies which resulted in the commitment of its employees and loyalty of its customers.*

***Keywords:** Human resource policies and practice, work culture, Starbucks, employee motivation, competitive advantage.*

INTRODUCTION

Starbucks was established in Seattle in 1971, and become one of the best known and fastest growing companies in the world (IBS Center for Management Research, 2005). The company grew slowly but surely and expanded rapidly in the late 1980s and the 1990s. By the early 2000s, there were nearly 9,000 Starbucks outlets across the world.

Starbucks entered the 21st century with the goal of increasing shareholder value through consolidating its position in mature markets and improving margins by increasing the volume sales of premium coffee. To this end, the strategic questions facing management is how to develop their premium product – Starbucks Coffee – into the company's flagship brand in key markets around the world. The premium coffee market is growing and Starbucks wants to take advantage of the superior profit margins offered in this sector.

According to Interbrand (Best Global Brand Rankings, 2016) Starbucks is positioned 64 globally amongst other premium brands. Starbucks' growth is the result of an ambitious five-year plan which was announced in 2014. This plan includes global expansion, new retail offerings, and innovation demonstrated through new products and experiences. With its continuous global expansion, Starbucks goal is to reach 30,000 store by 2019 around the world. Starbucks is committed to delivering the innovation, execution, and elevated customer experience necessary to remain one of the world's most trusted consumer brands.

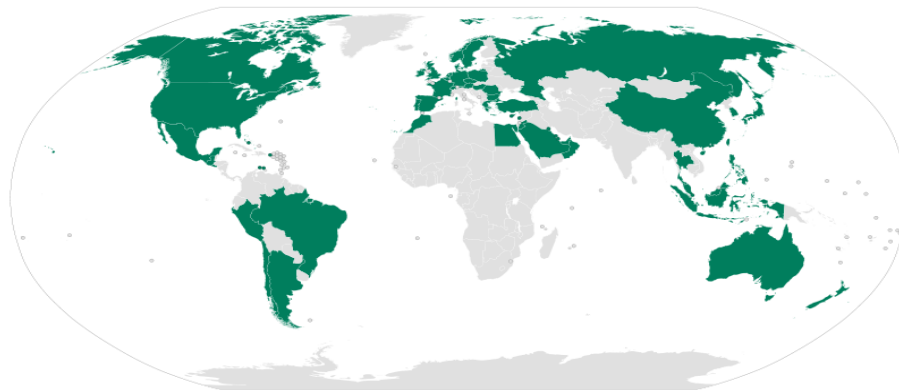


Figure 1. Starbucks Locations around the Globe
Source: IBS Center for Management Research

Starbucks has taken a risk adverse strategy in expanding its market share around the globe and through license agreements in mature markets, Starbucks can take advantage of already established production and distribution networks. This can be seen in figure 1 where Starbucks locations around the globe has increased significantly. Today, Starbucks is the largest coffeehouse company in the world, with 23,571 retail locations as of the first quarter of 2016 (www.knoema.com).



Figure 2. Number of Starbucks Stores Worldwide 2016

Source: www.knoema.com

This case discusses the human resource management policies and work culture at Starbucks. Also, to understand the importance of human resource management policies, work culture and employee motivation to achieve organizational success.

METHODS

This paper provides a theoretical foundation of human resource policy and work culture based on Starbucks case references. It also outline the importance of human resource policy, work culture, and employee motivation as a useful practice in human resource management to reach organizational success. Books, journals, and other articles are used in analyzing the case of Starbucks' human resource policy and work culture.

DISCUSSION AND LITERATURE REVIEW

It has been expected to those familiar with the company's human resource management policies and work culture when in January 2005 Fortune magazine placed Starbucks Coffee Company second among the largest companies for "*Best Companies to Work For.*" One of Starbucks competitive advantage is its employee-friendly policies and supportive work culture. As pointed out by IBS Center for Management Research (2005) Starbucks cared about its employees and was one of the few companies in the retail sector to provide generous benefits to both full time workers as well as part timers. This practice shows employees are the company's most important asset. As a result, employees remain motivated and committed to the organization as they are treated fairly, given freedom to grow, engaged and empowered to contribute in the company's growth. The equity theory of motivation supports this practice since people are strongly motivated when they perceive fair treatment in the amount of rewards an employer allocates, and it also resulted

in lower rate of turnovers (Dessler, 2013). Furthermore, Noe *et al.* (2010) argued that to increase competitiveness, companies must invest not only in new technology and promoting quality throughout the organization but also invest in state-of-the-art staffing, training, and compensation practices.

Dessler (2013) continue by underlining that a company's compensation plan should first advance its strategic aims. This means aligning reward strategy by creating compensation package including wages, incentives, and benefits that produces employee behaviors the company needs to support and achieve its competitive advantage. Strategically, companies must have experienced and skilled employees most commonly refer to as knowledge workers in order for it to expand. Knowledge workers such as Starbucks' Baristas can ensure that their specialized knowledge of premium coffee, customers, and processes remain a company's competitive advantage. In expanding Starbucks Coffee, it must focus on human resources where emphasis on the productive service, such as skills, knowledge, performance and loyalty of employee to the company will generate a stable growth environment. This description of human capital further explained by Noe *et al.* (2010) employees in today's organizations are not interchangeable nor easily replaced because they are the source of the company's success or failure.

At Starbucks, customers also play an important role in the growth and success of the company. Successful organization has clear company values which mostly identified through its brand. Employees and customers respond to company values instantly. Employees can be motivated and committed to the company direction if the company's values are clear. Whereas customers most often recognize company's values through brand names, reputation and experience. According to IBS Center for Management Research (2005) "*Starbucks relied on its baristas and other frontline staff to a great extent in creating the 'Starbucks Experience' which differentiated it from competitors*". Beamish and Goerzen (2000) state that brands usually have hundreds of years of heritage behind them and had become such a basic part of everyday life that consumers will be loyal to them. Consumers prefer and are willing to pay for known branded products compared to unbranded or unknown brands. Brand and company reputations are valuable resources that depend on employees, customers, investors and governments (Grant, 2005).

Human Resources Management at Starbucks

In the early 2000s, Starbucks faced the challenge of attaining and retaining its employees to ensure future growth. The company realized to succeed in the retail business it needed motivated and committed employees. For that reason, at Starbucks selecting the right kind of people and retaining them becomes a priority. Research shows that individual's perception of the company's attractiveness is important. In addition, candidates have their own expectations where they believe their goals can be achieved (DeCenzo and Robbins, 2010). If an organization's human resource policies are designed properly, the selection practices will identify competent candidates and accurately match them to the job and the organization (Robbins and Judge, 2013). DeCenzo and Robbins (2010) further point out management must ensure that those to whom they make offers can see the job's compatibility with their personality and goals. If the candidate sees that the culture or "brand" is still a good fit with his or her image, the chances of a successful hire increase.

By hiring the right kind of people, Starbucks is invested in training the skills of its employees so they would perform their job effectively and efficiently. Noe *et al.* (2010) stated that decisions such as whom to hire, what to pay, what training to offer, and how to evaluate employee performance directly affect employees' motivation and ability to provide goods and services that customer value. Starbucks investment in its employees through its comprehensive training program shows the company's human resource policies commitment to its employees.

Public Policy and Internal Standards at Starbucks

Advocating internal company policy and public policy is important to Starbucks. As Armstrong (2006) points out human resource policies are guidelines defining company values, principles and strategies that should be applied and implemented in specific human resource management areas. For Starbucks, its policies demonstrate its commitment to being a responsible business which range from global ethical business standards, choosing the best coffee supplier, and ensuring the best possible workplace. This standard must be consistent with its mission: *"to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time."*

Additionally, Robbins and Judge (2013) state that an organization's human resource policies and practices create important forces that shape employee behavior and attitudes. In line with this theory is Starbucks core values which require its policies compliance with

the law, as well as ethical conduct. The following are some of Starbucks' company policies taken from Starbucks' Business Ethics and Compliance: Standards of Business Conduct handbook.

- **Anti-Retaliation Policy.** Starbucks does not tolerate retaliation against or the victimization of any partner who raises concerns or questions regarding a potential violation of the *Standards of Business Conduct* or any Starbucks policy that he or she reasonably believes to have occurred.
- **Hiring Policy.** Consistent with Starbucks Global Human Rights Standard, Starbucks promotes equal opportunity in its hiring practices, makes recruiting decisions based solely on job-related criteria and does not use forced labor. According to Robbins and Judge (2013) if properly designed, an organization's selection practices will identify competent candidates and accurately match them to the job and the organization.
- **Workplace Environment.** At Starbucks people treat each other with respect and dignity. This means that all partners are entitled to work in an environment that is free of harassment, bullying and discrimination.
- **Diversity.** Starbucks actively creates and promotes an environment that is inclusive of all people and their unique abilities, strengths and differences, and promotes diversity as a strategic and competitive business advantage for the company.
- **Workplace Health, Safety and Security.** Partners are expected to follow all safety rules and practices; cooperate with officials who enforce these rules and practices; take necessary steps to protect themselves and other partners; attend required safety training; and report immediately all accidents, injuries and unsafe practices or conditions. In order to enhance workplace security, partners should be familiar with and follow any work safety information and training provided to them.
- **Starbucks Quality and Customer Protection.** Starbucks commitment to quality means that they take steps to protect their customers' health and safety.
- **Substance Abuse and Weapons.** Starbucks has strict standards regarding substance abuse and weapons. Partners are not permitted to use or possess

alcoholic beverages on company property, except where alcohol is specifically permitted at a Starbucks-sponsored social event.

Partners also may not use or possess illegal drugs or controlled substances on Starbucks property or while they are engaged in any job-related activity. Partners may not report to work under the influence of alcohol, illegal drugs or controlled substances.

Partners may not have or possess any weapon while in a Starbucks store, plant or on other Starbucks property. It is essential for partners to understand and follow the policy because Starbucks takes its rules regarding workplace health, safety and security very seriously.

- **Wage and Hour Rules.** Starbucks is committed to following all applicable wage and hour laws and regulations. To help ensure that all work performed for Starbucks is compensated correctly, partners compensated on the basis of hours worked must report and record time accurately in accordance with established local procedure.
- **Community Involvement.** Starbucks is committed to a role of environmental leadership in all facets of its business: understanding environmental issues and sharing information with our partners; developing innovative and flexible solutions to bring about change; striving to buy, sell and use environmentally friendly products; recognizing that fiscal responsibility is essential to our environmental future; instilling environmental responsibility as a corporate value; measuring and monitoring our progress for each project; and encouraging all partners to share in our mission.

The standards and policies of Starbucks may not all applicable nor is it a comprehensive explanation due to the different laws and regulation which are applicable in each Starbucks stores globally. Since countries have different laws and regulation, human resource managers need to understand societal issues, such as status, that might affect operations in another country (DeCenzo and Robbins, 2010). However, at Starbucks, the partners are involved in formulating the best policy for them, and each suggestions or ideas are respected by top management. Employee engagement at Starbucks is one of the best in the retail industry, and empowering every employees is part of its practice. As a result, the policies and principles are communicated between all staffs, and

there is no limitation in employees' personal opinions. This practice is in line with a research done by The Great Place to Work Institute (2008) that finds the best management practice for creating a work culture that achieves superior performance is when employees trust the people they work for, have pride in what they do, and enjoy the people they work with (Collins, 2009).

Work Culture at Starbucks

According to an article from Panmore Institute (2015) Starbucks has an organizational culture that relates with the organization's strategies for effective brand improvement and worldwide extension. Starbucks Coffee's organizational culture has various key qualities. The inclusion of these qualities is unique to the organization. The organization depicts its organizational culture as a culture of belonging, inclusion and diversity. In such manner, the fundamental highlights of Starbucks' organizational culture according to Panmore Institute (2015) are servant leadership ("employees first"); relationship-driven approach; collaboration and communication; openness; inclusion and diversity.

Servant Leadership. Starbucks has a servant leadership approach also known as employee-first approach, which fundamentally describes the organization's organizational culture highlighting the importance of caring for employees. In this approach, leaders, supervisors and managers empower subordinates to guarantee that everybody develops in the organization.

Relationship-driven Approach. Starbucks also develops a friendly environment as part of its organizational culture. For instance, at Starbucks cafés, baristas show warm friendly bonds with each other, and this culture extends to how baristas treated customers also with warmth. As a result, Starbucks not only advances in its specialty coffee products but also in its organizational culture.

Collaboration and Communication. Another feature of Starbucks' organizational culture is encouraging collaborative efforts through effective communication. This can be seen as baristas have to communicate and collaborate with each other to make order fulfillment efficient. Efficiency in business process is important to Starbucks because it presented a contribution to service quality, customer experience, and business cost-effectiveness.

Openness. A culture of openness was developed at Starbucks as another major characteristic to encourage employees to ask questions and communicate with their superiors more openly. By doing this, Starbucks creates a culture of employee empowerment and create an innovative culture.

Inclusion and Diversity. The last feature that shapes Starbucks' organizational culture is its anti-discrimination policy which prohibits any form of discrimination based on gender, race, ethnicity, sexual orientation, religion, age, cultural backgrounds, life experiences, thoughts and ideas. This aspect of the company's organizational culture facilitates sharing and bonding among employees. More importantly, with diverse employees they bring diverse ideas for innovation which can become a company's competitive advantage. Starbucks' anti-discrimination policy also reflected on how they treated their customers, which makes customers feel welcome.

Starbucks' organizational culture has gone through significant changes throughout the years. These changes are the result of issues and problems leaders like Howard Schultz and Howard Behar identified (Panmore Institute, 2015). Organization's culture controls the way employees perceive and respond to the people and situation around them and how they use this information to make decisions (George and Jones, 2012). Starbucks strategy is to enhance business performance through strong culture where all of its employees understand the core values of the company. Today, Starbucks' organizational culture has become its competitive advantage which differentiates it from its competitors since the company focused are on its employees, customers, and premium coffee. Robbins and Judge (2013) define organizational culture as a system of shared meaning held by members that distinguishes the organization from other organizations.

Employee Motivation at Starbucks

Employee motivation is important in any organization because it depicted employee work behavior. George and Jones (2012) explain motivation involves psychological forces within a person, therefore determine the direction of that person's behavior in an organization, effort level, and persistence in the face of obstacles. In many cases, money plays a big factor for work motivation. For that reason, many companies including Starbucks offers benefit plan. At Starbuck, for instance, partners who work over 20 hours a week are entitled for benefits. One of the benefits

Starbucks employees can acquire is from the company's stock dividends. With stock dividends, employees feel a sense of ownership of the company, therefore, in return they are motivated to make sure the stability of company's performance and increase its profit margin at the same time.

Moreover, in today business, motivation goes beyond money itself. Other than stock dividends, Starbucks gives its employees full health care benefits, and extensive training. Other factors that are essential to improving employee motivation is the working environment or relationship between employees and managers. Starbucks offers an interactive structure that makes employees learn amongst themselves in their job; hence they can motivate partners to satisfy themselves then achieving a new level of performance. As further argued by George and Jones (2012) the fundamental challenge facing managers today is how to motivate and encourage employees to contribute 'inputs to their jobs and to the organization' because those inputs influence job performance and organizational performance.

CONCLUSION

From a small retail coffee shop in Seattle, Starbucks successfully caught global attention and offers quality coffee for coffee lovers around the world. Because of its positive human resource management policies which place employees first had made Starbucks not only one of the fastest growing corporation, but also an outstanding business model in the retail industry that create strong work culture and high employee motivation.

Additionally, a culture of respect and well-developed human resource policies have led Starbucks to produce the best working environment for its employees which is reflected in lower employee turnover. This can be seen that all employees, including part-timers, have a voice at Starbucks which is emotionally rewarding and resulted in high motivation and personal satisfaction. Therefore, it can be concluded that good company policy can lead to strong work culture and higher employee motivation which is the key factor of a company success.

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