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**International Operations Strategy and Innovation: A case  
study of starbucks**



**STARBUCKS®**

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**Executive summary**

Starbucks, Inc. is a well-known chain of espresso shops that has been consistently at the forefront of developments in coffee technology. The cornerstone of the corporation's successful business strategy is its ability to consistently deliver high-quality goods and a differentiated client experience. Starbucks continues to be able to keep up with its rivals by regularly launching new goods, services, and technological advancements that satisfy the changing needs of its clientele. Starbucks has encountered a number of difficulties with its worldwide operations plan despite its tremendous domestic performance. There have been conflicting outcomes in several international markets as a result of the company's difficulty in adapting to local customs and tastes. Furthermore, in some locations, Starbucks has struggled with challenges related to labour practises, pricing policies, and supply chain management.

## **Table of Contents**

Introduction .....	4
“Evaluation of the International Operations Management of Starbucks” .....	4
“Issues and problems of International Operations Management of Starbucks” .....	5
“The role innovation plays in the development of Operations Management techniques” .....	7
“Approaches for developing a culture of creativity and innovation” .....	8
“Action plan” .....	10
Conclusion .....	11
Reference List.....	12

## Introduction

In 1971, Seattle, Washington became the home of the well-known coffee chain Starbucks. It has developed over time into an international corporation with approximately 30,000 sites spread over 80 different nations (Tsai *et al.*, 2020). By employing cutting-edge tactics and techniques, the firm has effectively expanded its business activities to a number of foreign markets. The techniques Starbucks has used to operate internationally and how innovation has contributed to its success will be covered in this paper.

### Starbucks' International Operations Strategies:

Starbucks has effectively entered foreign markets thanks to a variety of international business methods that the corporation has used. Localization is one of these tactics. The demands and tastes of each nation where Starbucks conducts business have been taken into account while developing its products and services (City, 2021). Starbucks, for instance, offered matcha lattes in Japan, green tea lattes in China, and chai tea lattes in India. The firm has been able to achieve a competitive edge in each area because of its localization strategy. Partnerships and joint ventures are another tactic that Starbucks has employed. To expand into new areas, Starbucks has partnered with regional businesses (Liu, 2022). Starbucks is able to handle cultural and regulatory hurdles thanks to these collaborations since they allow the corporation to benefit from the local partner's market knowledge and proficiency. **For example**, In order to expand its presence in India, Starbucks joined together with Tata Global Beverages.

### Innovation and Starbucks:

The success of Starbucks in the international market is largely due to innovation. To keep one step ahead of its rivals, Starbucks has consistently reinvented its goods, services, and technology (Nair *et al.*, 2021). For instance, Starbucks launched mobile ordering, which enables consumers to purchase and pay for their beverages using their cell phones. Since there are now less waits and more convenience, this innovation has improved the consumer experience.

### “Evaluation of the International Operations Management of Starbucks”

Coffee distribution, retail sales, and roasting are the areas of expertise for **Starbucks Corporation**, an American global corporation (Areiza-Padilla, Cervera-Taulet and Manzi Puertas, 2020). One of the biggest coffeehouse chains internationally, the firm has over 32,000 outlets across 83 different nations.

First off, Starbucks has put in place a strong system for managing its global supply chain, which enables the business to source and distribute superior coffee beans from various parts of the world. To make sure that they are paid fairly for their goods and are able to give Starbucks a

consistent supply of high-quality coffee beans, the corporation works directly with coffee growers in a number of nations, including Colombia, Costa Rica, and Ethiopia. In addition, Starbucks has tailored its menu selections to accommodate the regional tastes and preferences of its consumers around the globe. **For example**, Japan and India are two countries where Starbucks has started selling beverages with matcha flavouring. These drinks are now very well-liked by the locals.

Thirdly, Starbucks has made significant investments in digital platforms and technology to improve both its customer service and operations throughout the world. Customers may buy and pay for their beverages using their cellphones because of the company's mobile ordering and payment system (Lee, 2020). Additionally, Starbucks has introduced a loyalty programme that offers points to consumers for each transaction they make. These points may be exchanged for free beverages and other benefits. Starbucks has used these digital channels to increase consumer loyalty, decrease in-store wait times, and improve operational efficiency. Starbucks still confronts a number of difficulties in conducting business internationally despite its success. First off, the business competes fiercely with rival coffeehouse chains and small coffee shops throughout the world in a market that is very competitive. Additionally, in areas where consumers are more price-sensitive, the company's premium pricing approach might not be appropriate (City, 2021). Additionally, Starbucks has been involved in a number of scandals in other nations, including labour conflicts, tax disputes, and cultural misunderstandings, all of which have harmed the company's reputation and had an impact on its operations there.

Starbucks has successfully adopted a worldwide operations management approach in this way, allowing the business to grow internationally and capture a large market share in several nations. The company's outstanding brand and marketing strategy, efficient global supply chain management system, and financial commitment to technology and digital platforms are all factors in its success (Talhelm, Zhang and Oishi, 2018). However, Starbucks has a number of difficulties while conducting business internationally, including fierce rivalry, pricing strategies, and cultural differences. Starbucks needs to keep coming up with new ideas and adjusting to the local areas where it does business in order to sustain its current level of success.

#### **“Issues and problems of International Operations Management of Starbucks”**

**Starbucks** is a multinational coffee corporation that serves 100 million consumers each week in 83 regions across the world. Even though the business was successful in growing internationally, managing its worldwide operations presented a number of challenges and difficulties.

**Cultural Differences:**

Dealing with variations in culture constitutes one of Starbucks' largest operational management issues abroad. The corporation has a strong corporate culture as well as an individual brand identity that can occasionally be in conflict with the regional cultures in which it conducts business (Bromiley *et al* .,2019). **For example**, Starbucks' emphasis on speed and efficiency when it comes to customer service might not be well-liked in societies where an additional leisurely as well as laid-back attitude towards service is valued. Additionally, it could be necessary to modify Starbucks' menu selections to suit regional tastes and preferences. **For example**, In order to attract local consumers who favoured tea over coffee in China, Starbucks launched a variety of tea-based beverages.

**Supply Chain Management:**

Supply chain management presents a further difficulty for Starbucks in managing its global operations. Due to the company's numerous suppliers and international distribution hubs, its worldwide supply chain is complicated. As a result, it could be challenging to guarantee uniformity in the quality and accessibility of the products across various marketplaces. The operations of the firm may also be significantly impacted by supply chain interruptions like natural catastrophes or political unrest. **For example**, Starbucks' supply chain was severely hampered in 2011 by a significant earthquake in Japan, which compelled the firm to temporarily close several of its locations there.

**Regulatory Issues:**

In the many nations where it conducts business, Starbucks must also traverse a complicated web of rules and legislation. Among others, these can include rules governing the labour market, taxes, and food safety. If these rules are not followed, the company risks penalties, legal action, and reputational harm. **For example**, Starbucks was criticised for their tax policies in the UK in 2012, which resulted in a backlash from the public and a drop in sales.

**Labour Issues:**

The administration of **Starbucks'** overseas operations can also be significantly hampered by labour difficulties. Earlier charges of low pay and unfavourable working conditions were levelled against the firm for its labour practices. These problems may be exacerbated in foreign markets where labour regulations may be less strict than in the US. Furthermore, Starbucks must deal with cultural variations in labour laws, such as those governing the function of unions as well as collective bargaining that can range greatly among nations. As a result, managing Starbucks' global operations presents a number of challenges. These include, among other things, labour concerns, variations in culture, management of supply chains, legal challenges, and issues with

regulations. Although the business has been successful in growing its operations internationally, it must still manage these difficulties if it wants to keep its position as the world's top producer of coffee. Starbucks may continue to be successful in foreign regions if it maintains its flexibility and agility while prioritising the customer experience as well as brand identity.

#### **“The role innovation plays in the development of Operations Management techniques”**

Starbucks is not an exception to the rule that innovation has always been crucial to the growth of operations management strategies (Kalkanci, Rahmani and Toktay, 2019). Starbucks started out as a little coffee shop in Seattle and has now grown to include more than 30,000 locations across the world. Starbucks has placed a strong emphasis on innovation across its operations as well as its product lines. This is one of the main reasons for its success.

#### **Innovation in Product Development**

Starbucks has served as an innovator in the creation of cutting-edge coffee goods, like the Frappuccino and Pumpkin Spice Latte, which are now mainstays on its menu. Aside from adding these seasonal classics to its menu, Starbucks has also been a leader in bringing in fresh and creative drinks and foods. **For example**, Starbucks has recently expanded its selection of plant-based drinks and foods in accordance with shifting customer tastes and the rise in demand for wholesome, sustainable foods.

#### **Innovation in Operations Management**

In order to effectively manage its worldwide supply chain and operations, Starbucks is additionally an innovator in the invention of operations management systems (Khushman, 2019). Starbucks' centralised inventory management system as a whole which helps it to optimise its supply chain and make sure that its outlets are constantly well-stocked with the goods that consumers demand, is one of the major improvements it has made (Kalkanci, Rahmani and Toktay, 2019). Its digital ordering as well as payment system, that has completely changed how customers interact with its locations, is another significant innovation that Starbucks has implemented. Customers may purchase and pay for their beverages and meals in advance using the mobile ordering system, which decreases wait times and improves the entire customer experience. Along with these improvements, Starbucks has also implemented a variety of additional operations management strategies that have enhanced its effectiveness and decreased expenses (Tsai *et al* .,2020). **For instance**, by implementing Lean Six Sigma approaches into its operations, the organisation has been able to find and get rid of waste in its processes.

#### **The Role of Innovation in Operations Management**



Innovation is essential to the growth of operations management strategies because it helps businesses to find and use fresh approaches to increasing productivity and effectiveness. Starbucks is an example of a firm whose ability to grow operations and dominate the global coffee market has been made possible through innovation (Lombardi, Chadian and Record, 2021). Being able to consistently improve their processes and products helps businesses stay one step ahead of the competition, which is one of the main advantages of innovation in operations management? Starbucks has been successful in keeping its position as the market leader and luring new consumers by providing fresh and cutting-edge goods and procedures. Additionally, by lowering wait times, boosting product quality, and raising entire service objectives, technology in operations administration helps businesses to better serve their customers. This is particularly significant in the service sector, because acquiring and keeping consumers depends heavily on the quality of the customer experience. By detecting and removing waste in the way they operate, innovation also helps businesses to optimise their supply chains and cut costs. Starbucks became able to find operational inefficiencies and make fixes that have assisted knowledge of saving costs and increasing efficiency by implementing Lean Six Sigma methodology (Griffin, 2021). Starbucks is an outstanding example of the way innovation may accelerate achievement in the service sector along with how it is crucial in the growth of operations management strategies. Starbucks continues to be able to extend its operations and hold onto its position as the marketplace leader in the coffee sector by consistently changing its goods and business practices. Innovation is probably going to keep being essential to the advancement of Operations Management strategies in the service sector in the future. Organisations like Starbucks will have to keep innovating in order to remain ahead of the competition and fulfil the evolving demands of their consumers as a result of the growing demand for sustainable as well as nutritious food alternatives in addition to the growing importance of technology in dealing with customers.

#### **“Approaches for developing a culture of creativity and innovation”**

##### **Approaches for developing a culture of creativity and innovation at Starbucks:**

**Encourage Experimentation:** Starbucks should support experimentation at all organisational levels. This may be done by fostering an atmosphere where staff members are free to express their thoughts without worrying about being rejected. Additionally, Starbucks may set up incentives for staff members who come up with creative suggestions that advance the company (Bonsu, 2019).

**Foster a Collaborative Environment:** Innovation and creativity flourish in a team atmosphere. Starbucks may organise cross-functional teams and promote collaboration amongst staff members from several divisions. This strategy will encourage innovation, better communication, and idea exchange.

**Embrace Diversity:** a diverse staff delivers a range of experiences and viewpoints that can inspire more creative thinking. Starbucks may promote diversity by hiring workers from various racial and cultural backgrounds. A diversified workforce with an extensive spectrum of concepts and approaches will result from this.

**Create a Safe Environment:** For employees to share their ideas, they must feel protected and secure. By fostering open dialogue, tolerating diversity, and rewarding criticism, Starbucks can foster a secure atmosphere. Employees will feel at ease voicing their ideas in this environment without worrying about being mocked or rejected, helping to foster a culture with trust and openness.

**Provide Training and Development:** Starbucks can provide training and development programs that promote creativity and innovation. These programs can include workshops, seminars, and training sessions that teach employees how to think creatively and how to develop innovative solutions (Kumar *et al.*, 2021).

**Encourage Risk-Taking:** Risk-taking is necessary for innovation and creativity. Starbucks may reward workers who take chances and provide them the resources and support they need to succeed in order to promote risk-taking. Employees will feel emboldened to take chances and explore novel concepts thanks to this culture.

**Celebrate Success:** Starbucks should acknowledge its workers' accomplishments. This may be done by rewarding staff members who came up with creative ideas that advance the company. Celebrating achievements will foster an innovative culture and motivate staff to keep coming up with fresh concepts. As a result, Starbucks has led the coffee market globally by promoting a creative and innovative culture. Starbucks can continue to improve and adjust to shifting market conditions by promoting innovation, developing a collaborative workplace, accepting variation, establishing a safe environment, offering training and development, supporting risk-taking, and rewarding achievement. This will help it maintain its leadership position in the coffee market and allow it to expand and prosper.

**“Action plan”**

<b>Action Plan for Starbucks to Improve International Operations Management</b>	<b>Issues to be Mitigated in their Culture of Work</b>
Perform a comprehensive investigation of cultural variations, then modify operations as necessary. Products available, retail layout, and personnel training all fall under this category.	Perform a comprehensive investigation of cultural variations, then modify operations as necessary. Products available, retail layout, and personnel training all fall under this category.
To guarantee consistent quality and cut expenses, create a centralised supply chain management system. Processes for sourcing and distribution are made more efficient as a result.	Promote transparent and open communication channels inside the firm to close communication gaps.
Utilise technology to boost productivity and customer satisfaction. This covers automated inventory management, real-time performance monitoring, and mobile payments and ordering systems.	Promote work-life balance, provide adequate perks and salaries, and foster a pleasant workplace culture to reduce employee burnout and attrition.
Build strong community ties and promote sustainability projects by fostering strategic alliances with regional businesses and organisations.	Establish and enforce strong supplier standards of engagement and ethical sourcing procedures to reduce ethical problems.

Make sure you include chances for leadership growth and cross-cultural training in your overall training and development programme for staff members.	By offering language instruction and translating services as necessary, you may overcome linguistic hurdles.
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**(Table No.1: Action Plan)**

Source: Created by the learner

By carrying out such a plan, Starbucks may manage its global operations more effectively while minimising any ethical and cultural problems. Additionally, building a healthy workplace culture, supporting inclusiveness and diversity, and offering competitive benefits and pay will aid in luring and keeping top personnel, eventually boosting the performance of the business.

### **Conclusion**

This paper has demonstrated how Starbucks has effectively expanded its operations into foreign markets by implementing cutting-edge strategies and practices. The company's strategies for localization, relationships and collaborative efforts, and ongoing innovation have all been crucial to its success on a worldwide scale. Starbucks still has a number of difficulties in its overseas subsidiaries, such as regional and legal variations. To maintain its lead in the global market, the corporation must thus continue to develop and adapt. This issue is well ingrained in the culture.

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GENERAL COMMENTS

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PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14