The Global Culture Paradox: Starbucks HR Adaptation the Lebanese Experience

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Abstract

Globalized business expansions are continuously reducing international trade barriers. “Neo-Phoenicians”, which refers to world-wide traders or global multinationals, became more attentive to cultural diversities when bringing their products to shore or when applying human resource management practices. Neo-Phoenicians became aware that to be operationally effective in foreign markets, national cultures should be addressed. This is in contrast to the Universalistic approach in which the ‘best practices’ concerning the wide range of human resources (HR) issues are seen as equally applicable everywhere. This paper answers the research question “What are the effects of national culture on some HR practices at Starbucks Lebanon?” To answer this question, HR practices in Lebanon are compared to practices at Starbucks USA, using three cultural dimensions carved by Hofstede. The mini-meta analysis, interviews with Starbucks staff in Lebanon and observations conclude that there is a positive correlation between culture and the human resource function of multinational companies.

Keywords: Neo-Phoenicians, human resources, management, culture, diversities

Introduction: Culture and Management

I often visit Starbucks to meet friends and have coffee or brunch. I am also observant and curious about cultural diversity. These motivated me to explore the dynamic expansion of Starbucks and its ability to adapt to different cultural tastes and norms. I was even more interested in discovering the human resource management structure and policies applied to different cultures, especially in Lebanon and the USA.

According to Walter Lippmann,

Culture is the name for what people are interested in, their thoughts, their models, the books they read and the speeches they hear, their table-talk, gossip, controversies, historical sense and scientific training, the values they appreciate, the quality of life they admire. All communities have a culture. It is the climate of their civilization. (Lippmann, 1913, 306).

Culture is also defined as the characteristic features of everyday existence (such as diversions or a way of life) shared by people in a place or time (Culture, n.d.). Geert Hofstede, also, defines culture as the collective programming of the mind that distinguishes the members of one group or category of people from others (Hofstede, 2011).

Therefore, culture can be summarized as the quality of life of a group of people (Lippmann, 1913, 306), sharing the same place and time (Culture, n.d.), that have been collectively programmed (Hofstede, 2011).

Viegas-Pires (2003), referred to the book Cross-cultural management, culture and management across the world, stating that cultural differences play a critical role and can affect cooperation, collaboration and, in turn, performance. He also asserts that his work seeks to make readers aware of the need to avoid both ethnocentrism and any belief in the universality of their own worldview. In this sense, cross-cultural management practices should take into account cultural differences that exist between nations.

Hofstede categorized national cultures into six cultural dimensions, which differentiates countries (Phan, 2015). These dimensions are Individualism vs. Collectivism characterized by the degree to which individual opinion should be valued more or less against group opinion. Power distance is the degree to which the less powerful members of a society accept or expect that power is distributed equally. Masculinity vs. Femininity is a gender oriented dimension which defines tough societies as masculinity, while tender societies as femininity. Uncertainty avoidance dimension describes the comfortable level when dealing with uncertainty and ambiguity. Long term orientation vs. Short term normative orientation illustrates the degree in which society wants to
maintain some links with its own past while dealing with the present and future. Indulgence vs. Restraint shows the degree in which people are free to follow their natural human drives or not.

Each of these dimensions can be used by multinational companies as an entry model to foreign markets. It provides them with a better understanding of foreign nationals and potential clients’ way of thinking and way of life, and ultimately a better comprehension of national culture. For example, Middle Eastern culture proves to slide more towards being collectivist as opposed to being individualistic. This is basically due to cultural teachings which emphasize the importance of family ties and group loyalty, which is different than Western culture that exhibits more individualistic cultural trends. Decisions of Middle Eastern nationals are normally made by following consultative and participative tendencies (Ourfali, 2015). These tendencies constitute an important benchmark for multinational companies to embark on when planning and implementing entry strategies into these countries.

Figure 1 Comparing work culture in Lebanon and the USA. Source: Hofstede Insights 2019

Figure 1 represents Hofstede’s dimensions between Lebanon and the USA (Hofstede Insights, 2019 after performing the comparing the two countries). According to these dimensions, Lebanon is lower than the USA in an individualistic culture, where Lebanon scores 40 and the USA 91. This is mainly because Lebanon has a group oriented culture, while the USA exhibits more individualistic culture where the individual’s and his/her immediate family’s welfare is sought first and foremost. As for the power distance dimension, Lebanon emphasizes the importance of hierarchy, with a score of 75; persons in higher positions are looked at with respect, and subordinates expect to be told what to do. While in the USA, with a score of 40, hierarchy should reflect efficiency and not status. Employees and teams are relied upon for their knowhow and expertise, and superiors are easily accessible. In Masculinity vs. Femininity dimension, Lebanon scores 65, with a slight difference from the USA with a score of 62. This exhibits a culture of “living to work” with decisive and assertive behavior; with the aim of monetary rewards and higher status. A slight deviation from other Arab countries that tend to be more tradition and stability oriented (Fenton-O’Creevy, 2013); Lebanon is middle way on uncertainty avoidance, with a score of 50, and higher than the USA. Though Lebanese favor change and innovation; some are also stability seekers and risk evaders. Lebanese deviate from the United States in the dimension of long term orientation. With a score of 14 and 26 respectively, they exhibit a normative culture. They have low inclination to save for tomorrow, and a tendency towards quick achievements. Finally, Lebanon scoring 25 on the sixth dimension shows that Lebanon has a restrained culture. Their behavior is depicted by social norms, while that in the United States is indulgent with a score of 68.

In contrast to the Universalistic or ‘best practice’ approach to HRM, which stipulates that “there is a set of best HRM practices and their adoption is going to generate positive results regardless of the circumstances associated with organizations” (Dudovskiy, 2013), Tarun Khanna affirms that
Trying to apply management practices uniformly across geographies is a fool’s errand… It requires contextual intelligence: the ability to understand the limits of our knowledge and to adapt that knowledge to an environment different from the one in which it was developed (Khanna, 2014, para 2 & 4).

These comparisons between countries can help multinationals identify the kind of management style that best fits each country and culture.

**Purpose**

The purpose of this paper is to culturally compare the human resource department practices of Starbucks in the US and Lebanon. There are many available research on Starbucks, Culture and cross cultural management. However, there are no studies on human resource management practices applied in Lebanese branches of Starbucks.

**Research Question**

To conduct the study at hand, the following research question has been addressed:

- What are the effects of natural culture on some HR practices at Starbucks Lebanon?

In order to answer this question, the following sub-question has also been investigated:

- What is the impact of cultural differences on managing the human capital in Starbucks between Lebanon and USA?

**Methodology**

This paper uses the analytical approach to grasp the impact of cultural differences on managing human resources or human capital in Starbucks between Lebanon and USA. Thus, a qualitative approach has been used.

According to Hammarberg et al., (2016)

… qualitative’ methods are used to answer questions about experience, meaning and perspective, most often from the standpoint of the participant. These data are usually not amenable to counting or measuring. Qualitative research techniques include ‘small-group discussions’ for investigating beliefs, attitudes and concepts of normative behaviour; ‘semi-structured interviews’, to seek views on a focused topic or, with key informants, for background information or an institutional perspective; ‘in-depth interviews’ to understand a condition, experience, or event from a personal perspective; and ‘analysis of texts and documents’, such as government reports, media articles, websites or diaries, to learn about distributed or private knowledge.

Thus, the study followed the qualitative approach to compare the experiences of HR at Starbucks Lebanon and USA.

**Participants**

Three Starbucks managers participated in the study through interview. One of the managers was a district manager of 13 branches, the second a shift manager, while the third a barrister. All three participants are within the Beirut area. The selected coffee shops are characterized by their primary locations with regular customer availability. Moreover, various customers and Starbucks staff have been observed.

**Tools**

Tools are important for any study for they are the sources of collecting the data. Three means of gathering information have been used to assure triangulation of the data results. These tools are interviews, observations and a mini meta-analysis of the literature available about Starbucks.
**Interview**

The interviews consisted of semi-structured questions. The interviewees were addressed with a set of ten questions which then were built upon to investigate the HR practices. These included:

1. What are the organizational structure and culture of Starbucks?
2. How would you describe the communication culture within the company?
3. What are the recruitment policies with respect to age, gender, religion, education, languages spoken, disability hindrances?
4. Are managers in Starbucks recruited from locals or expatriates?
5. What are the working hours at the shops?
6. Describe the employees training policy.
7. Are employees satisfied with their jobs?
8. What are the incentives and promotion requirements?
9. What steps are taken to mitigate cultural differences?
10. How would you describe existing market competition?

The interviewees were given enough time to answer semi-structured questions. The interviewees were unwilling to expose their identities; therefore, letters will be used to identify them according to Table 1.

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<tr>
<th>Table 1: Interviewees</th>
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<tr>
<td>Interviewee A</td>
<td>District Manager</td>
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<td>Interviewee B</td>
<td>Shift Manager</td>
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<tr>
<td>Interviewee C</td>
<td>Barista</td>
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**Mini meta-analysis**

A meta-analysis is a systematic review of a focused topic in the literature (Russo, 2007) whose aim is “to identify, evaluate, and summarize the findings of all relevant individual studies, thereby making the available evidence more accessible to decision makers” (Gopalakrishnan & Ganeshkumar, 2013, p. 1).

In this study, a mini meta-analysis has been conducted which was mainly about the company’s history, management, and financial data.

**Observation Checklist**

Observation checklists allow researchers to write down information of what they are investigating in order to answer the study’s research question. Observations helps researchers to better understand the strengths, weakness and dynamics of the study’s participants.

The observation checklist focused on the interactions occurring between staff and the various customers.

**Data Collection**

During the months of November and December of 2019, the data was collected. Two observations per week were completed, amounting to 16 observations between November 1, 2019 and December 26, 2019. One interview was conducted in mid-November and the other two in mid-December. Meanwhile, the mini meta-analysis of the literature review was being conducted.

Once the interviews were completed, the information in it was transcribed and categorized while the data from the observations were recorded in Excel to find the averages and frequencies.
Results and Analysis
According to Phan, Schultz worked on making Starbucks the third place to be at, for people, after their homes and work; a place that allows people to socially interact and connect (2015). From a single small coffee shop in Seattle in 1971, three entrepreneurs, Gordon Bowker (writer), Zev Siegl (history teacher) and Jerry Baldwin (English teacher), established Starbucks, offering only whole bean coffee with no chairs or tables for its customers (Day Translations, 2019). And then in 1987, Howard Schultz returned as the new owner of Starbucks after he resigned from his post as marketing director in 1982. He had resigned because he failed to convince the owners to implement his Milan trip experience vision of making Starbucks more profitable and successful.

Since then, with a mission statement of inspiring and nurturing the human spirit — one person, one cup and one neighborhood at a time, and an aggressive business philosophy of having stores in high-traffic, high-visibility areas, Starbucks has grown rapidly to have outlets in 78 countries worldwide amounting to 31.256 outlets (Statista, 2019). It has achieved a bottom line net income of 3.6 billion US Dollars from a total revenue of 26.51 billion US Dollars as at the end of September 2019 (Reuters, 2019; Statista, 2019). Starbucks total number of employees in 2019 reached 346,000, an 18.9% increase from 2018 (Macrotrends, 2019). The major target market of the company is the middle-class, working adults and older students that are financially well off. This is basically because its prices are higher than its competitors.

Figure 2 Revenue of Starbucks worldwide from 2003 to 2019. Source: Statista 2019.

Figure 2 depicts the continuous yearly growth of Starbucks’ revenue and the successful nature of its operations. Figure 3 shows the comparative bottom line results of these revenues, the net income, from 2007 to 2019. The major and drastic drop of net income happened in 2013. This resulted from having to pay $2.8 billion to Krafts Foods Group for unilaterally and prematurely terminating a 13-year-old deal in which Kraft sold bags of Starbucks coffee in grocery stores (Sharf, 2013).
The success story of Starbucks, and vividly its global acceptance by different cultures was the result of its localization business strategy (Day Translations, 2019). With localization, Starbucks adapted its operations to cater to the needs and tastes of different cultures effectively, by providing information about the company in local languages, and ending with changing brands colors and names to adhere to diverse cultures, without compromising the original brand’s nature.

For example, in Saudi Arabia, the company changed the logo of the company to avoid being viewed as morally inappropriate, and also opened separate sections in their stores where men and women are served separately (Ozdemir, et al., 2016). In another cultural context, the company designed their shops in China to meet customers’ preference, and started their operations by serving tea before offering their brands at a later stage (Day Translations, 2019).

Starbucks’ competitive advantages are strengthened and maintained to face competition posed by other coffee shops as well as food services by the characteristics of its corporate structure (Meyer, 2019). Its geocentric corporate structure is mainly composed of functional hierarchy that refers to grouping according to business function (HR, Finance, Marketing, etc). In addition to its geographic divisions, which are based on the location of operations (Americas, China and the Asia-Pacifics, and Europe). Moreover, its product based divisions attend to product lines (coffee, baked goods, mugs). Finally, its teams, that mainly exists at the level of coffeehouses with a major task of providing effective and efficient services to consumers. Meyer also stresses the point that the company’s effectiveness and efficient financial performance and consequently its development depend on team-based factors and associated human resource management strategies.

A major strength of Starbucks is its highly knowledge base employees, baristas as they are called. In a culture of inclusion where diversity and equity are valued (Starbucks, 2019), efficiency is fostered by a 24-hour training program and on the job experience that each employee has to undergo. Technological means are made available to employees with disabilities to enable them to get their jobs done. Employees are considered as the main assets of the company, and to motivate them, the company ensures that they obtain benefits such as stock options, retirement accounts, healthy culture, college tuition, and rent loans (Sakal, 2018). According to the summary by Shaun Frankson (2017) of the Starbucks Experience, Starbucks’ corporate culture of “make it your own” contributed to its success. Starbucks considers its employees as partners; this encourages them to be more involved in developing the company and improving the products.

In spite of Starbuck’s strengths and successes, it had to tackle some weaknesses and threats. For instance, despite all the workers’ benefits provided by the company, employees at Starbucks were organized into a Union by the Industrial Workers of the World (IWW) in the year 2004 (Jamieson, 2019). The basic demands of the union were seeking higher wages and more stable work hours. However, this organizing movement by Starbucks workers was unusual and weak, for it did not have institutional support of a traditional union or a labor group (Reyes, 2019). Another issue faced by Starbucks was the controversy of racial discrimination exercised by its “well trained employee”. One incident happened in April 2018 when the manager of Rittenhouse Square Starbucks called Philadelphia Police because two black men, who were sitting there waiting for a friend, did not purchase anything. Another incident happened in Dallas Starbucks, where a woman wearing a hijab, Nur Achour, on June 15, reported that she was harassed for her religious attire, the niqab (Arenstein, 2019). As a result of the Philadelphia incident, Starbucks lost around 16.8 million US dollars due to closing of 8000 stores on May 29 where employees underwent anti racial training (Novy-Williams, 2018).

In the following sections of this study, I analyze the Lebanese Starbucks experience in light of the Lebanese coffee drinking rituals and its organizational HR adaptation and localization culture.

Starbucks and HRM Culture in Lebanon

Lebanese coffee culture

Before talking about Starbucks employee’s strategies in Lebanon I will examine coffee culture in Lebanon. With a population of about 6.8 million (World Population Review, 2019), Lebanon ranks as the third largest...
consumer of coffee in comparison with the Arab countries, for according to Blominvest, it consumed approximately 26,417 tons of coffee in 2016 (Mikhael, 2017).

“Sobheyeh”, morning gathering, “asrounieh”, afternoon gathering or coffee breaks in general, are a major part of the Lebanese culture where Lebanese coffee, or Turkish coffee as others may like to call it, is served. At these gatherings, people talk together, literally, about their daily issues at their respective homes or in coffee shops. In addition, Lebanese coffee is part of the Lebanese hospitality, where a person is sometimes frowned upon if he or she does not serve it to the guests, regardless of whatever else he or she serves. Moreover, it is part of the social norms in Lebanon to serve Lebanese coffee at funerals, ranging from a normal cup of coffee in some areas to a small sip of long boiled dark bitter coffee at other areas.

Lebanon imports 80% to 95% of green Arabica beans from Brazil to produce its coffee. Other countries of import include Ethiopia, Colombia, and Vietnam. Few beans come from countries like India, Guatemala and Tanzania (Mikhael, 2017).

After two years of going global, starting with Japan in 1997, Starbucks entered the Lebanese market. In a country with high coffee consumption, Starbucks shops have increased since its entry into the Lebanese market to become 43 shops in 2019, according to employee A. In this service oriented economy depending basically on tourism and banking, Starbucks partnered with M.H. Alshaya Co., a family-owned Kuwaiti business, to establish its presence (Cabral J. et al., 2018), where it operates under the name of Dareen International Company SARL. A retail franchise operator with an established knowledge of Middle Eastern markets, Alshaya Co. helped Starbucks enter many countries other than Lebanon, including Kuwait, Saudi Arabia, Qatar, Bahrain, UAE, Egypt, Morocco, Oman, Jordan, Turkey, Russia (Ozdemir, et al., 2016, Campbell, n.d.).

To localize and adapt to Middle Eastern market, Starbucks has customized its menu to provide halal items to its customers and to confirm with existing religious norms. Some of these items included were halloumi, kashkawane and zaatar wraps, labnah sandwiches, halloumi ciabatta, and sweet blended lattes. The company also made changes to its interior setting by incorporating in its stores elements of Arab decorations (Campbell, n.d.). They also provided a large range of products to satisfy the needs of their customers rather than replacing the existing ritual of drinking Lebanese coffee. In the face of previously existing competitors like Costa, Gloria Jeans, and Caribou, all closed now; Starbucks appealed to the middle class, university students and well off population as an elite option, opening locations near malls, universities and city centers. University students frequent Starbucks’ locations to benefit from the large study rooms, free internet access, and music. It is worth noting that in Lebanon the price of a cup of coffee in Starbucks is $4.31, ranking the 15th among 76 countries as the most expensive cup of coffee, while in New York the price is $4.30, and ranking 16th, the highest price is in Denmark, $6.05 (Binsted, 2019). Sakal (2018) noted in his analysis of Starbucks that the company’s “coffee is price elastic mainly because many view it as a luxury good”.

**Starbucks’ HRM culture in Lebanon**

In this section I draw on the human resource structure of Starbucks in Lebanon and relate it to the structure applied in USA, using three of the six cultural dimensions of Hofstede namely power distance, uncertainty avoidance, and long term orientation.

According to Susan Heatfield, Human Resources is the function in an organization that deals with the people and issues related to people such as compensation and benefits, recruiting and hiring employees, onboarding employees, performance management, training, and organization development and culture (Heatfield, 2019). Human resource is sometimes referred to as human capital, where “human capital is not solely the people in organizations, it is what those people bring and contribute to organizational success. Human capital is the collective value of the capabilities, knowledge, skills, life experiences, and motivation of an organizational workforce” (Mathis, et al., 2008, 5).

In this time of ongoing globalization, and the rapid expansion of multinational companies into diverse cultural markets with different marketing and selling practices and localized human resource operating policies, Starbucks managed to tackle this issue by being geocentric in its approach, reaching out for locals to be managers to benefit from their knowledge of the country’s norms and values. It was considered as the 96th best...
place to work in 2018 (Kauflin, 2017). In addition to its rigorous training programs, as employee A puts it, Starbucks chooses managers from local countries with good understanding of local culture and customers’ needs. Employee A stresses that “our stores in Lebanon have unified structural divisions, with a district manager that overviews about 13 to 15 stores, followed by store manager, shift supervisors, and finally baristas, all of whom undergo continuous training that are made available online through “Learning Links” on company’s website”. Books and articles to read on multiple subjects can be accessed to increase employees’ knowledge. “Recently, the company added links in Arabic and French languages”, employee A noted with satisfaction. A Starbucks location has a manager, two shifts supervisors for each shift, and three baristas for small stores or eight baristas for larger ones, depending on the number of transactions per day. The number of transactions can reach up to 600 per day. Employees work for 9 hours, according to employee A, including a lunch break of one hour.

In a country where “wasta”, the use of connections for personal interests, is a common practice (Yahchouchi, 2009); Starbucks job applications are screened by recruiting division that reports directly to the head office to avoid such instances. Applicant for a barista job must be above 18 years old, and must have at least a high school education or be a graduate from a vocational school with a TS or BT certificate. Applicants are required to pass in two interviews to be accepted, one by the recruiting division in Lebanon, and the second by the operations department at the head office in Kuwait. Being accepted for the job, a barista is subjected to a training and competency period of 3 months, starting with barista basics, referred to as BB4.0. A monthly evaluation is conducted by the store manager and sent to the human resources on the employee’s performance, including attendance, positive attitude, and dress code compliance. After two months of training, the trainee has to pass a barista basic test with a score of 89/100 which qualifies him to be a certified barista. After that, the last and third month is for calibration of skills and finally employment.

Promotion from within, as employee A mentioned, is either vertical or horizontal. Where a vertical promotion gets a barista to become a shift supervisor with salary benefits, and a horizontal promotion gets a barista to become a barista trainer or a coffee master. The latter promotions are moral and motivational ones with no salary benefits.

“We at Starbucks consider the religious concerns and cultural diversity of our customers a priority”, employee A emphasized, “for we do not serve pork or alcohol in any of our stores in Lebanon since some of our clients are Muslims and also in conformity with Alshaya policy”.

In a culture with high power distance (figure 1), according to Hofstede cultural dimensions, employee C confirms the point of difference between what is in USA exhibiting an orientation that reinforces a cooperative interaction between managers and employees and the practice in Lebanon’s Starbucks, where he states that “we have an atmosphere of respect and dignity here at Starbucks between the manager and the rest of us, we always look up to him for directions and guidance in our work”. This emphasizes the hierarchical importance of managers, as opposed to vertical coherence of the team that focuses on competence and achievements. On the issue of job satisfaction, employee C emphasized that though the salary was low, $850 per month, “I am happy”, he said, “because of the flexibility of shifts at the store which provides me with the opportunity to continue my business degree at the Lebanese International University (LIU)”. His tuition is paid from his salary and not part of the benefits provided by Starbucks in Lebanon. “The bonuses I get each quarter, 90% of my salary and on a yearly basis if targets are achieved”, he continues, “help a lot”. The satisfaction of employees with lower benefits than that given to baristas in the USA, which includes health coverage, life insurance, disability coverage, vacation, tuition reimbursement, employee assistance, commuter benefits, adoption assistance, and stock option plans, did not increase the employees turnover rate to more than 5% yearly, while in the USA, it is 65% (Harkness, 2018). This tendency reinforces the fact the Lebanese culture is more on the issue of uncertainty avoidance, according to Hofstede cultural dimensions, than the USA, in that they prefer a stable work with a stable income than quitting and not foreseeing what might come later.

Putting down his cup of frappuccino tall after taking a sip, tall stands for small in Starbucks, “we cannot stop them from socializing”, employee B told me affirmatively as I mentioned that the queue waiting to get
served is getting bigger and not organized. “This is part of what we do, he continued, and our customers organize the queue themselves”. While, on the other hand, it is frowned upon if a barista stops to have a conversation with a regular in the USA (Taylor, 2017). According to Lebanese culture, and Hofstede’s dimension of long term orientation, time is seen as flexible mainly because of the value of social politeness, whereas the USA, time is important and delay is not tolerated.

Conclusion

Though the proponents of the Universalist approach in human resource management believe that some best practices are applicable in a global context and the nowadays ease in transfer of knowledge and practices across borders makes HRM similar worldwide, however, this study reveals that these practices are subject to basic alterations depending on the culture of the hosting nation. The study done on Starbucks and its adaptation to local norms and values while managing its human capital in Lebanon conforms to the contextual approach of Khanna (2014), which considers these differences the result of diverse cultural and socio-economic factors.

This paper analyzes the effect of three of Hofstede’s cultural dimensions on human resource management by Starbucks stores in Lebanon as compared to that in the United States, and the differences in organizational behaviors in both countries due to cultural differences was noticeable. This hoists the need for multinational companies to consider cultural diversity in their global locations when managing their workforce. The managerial leadership style in USA was found to be different than the one applicable in Lebanon where it proved to be more power driven. On the issue of uncertainty avoidance, Lebanese employees where more driven towards a stable lifestyle far from risk as opposed to those in the USA. With regards to the last dimensional factor studied, Lebanese employees where more relaxed with their social interaction on job sites than their American counterparts.

Therefore, in the pursuit of achieving strategic goals, competitive advantages, and operational sustainability of their companies, multinationals should adapt its human resource management practices to conform to locals’ norms and values, and imperatively culture.

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