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Group Project: Group 1

December 4, 2014

Agenda

- Company Overview
- Starbucks Organizational Structure in Spain
- Current International Management Practices
- Starbucks International Goals
- EMEA Organizational Structure
- International Management Issues
- International Management Policies and Procedures
- International Management Plan

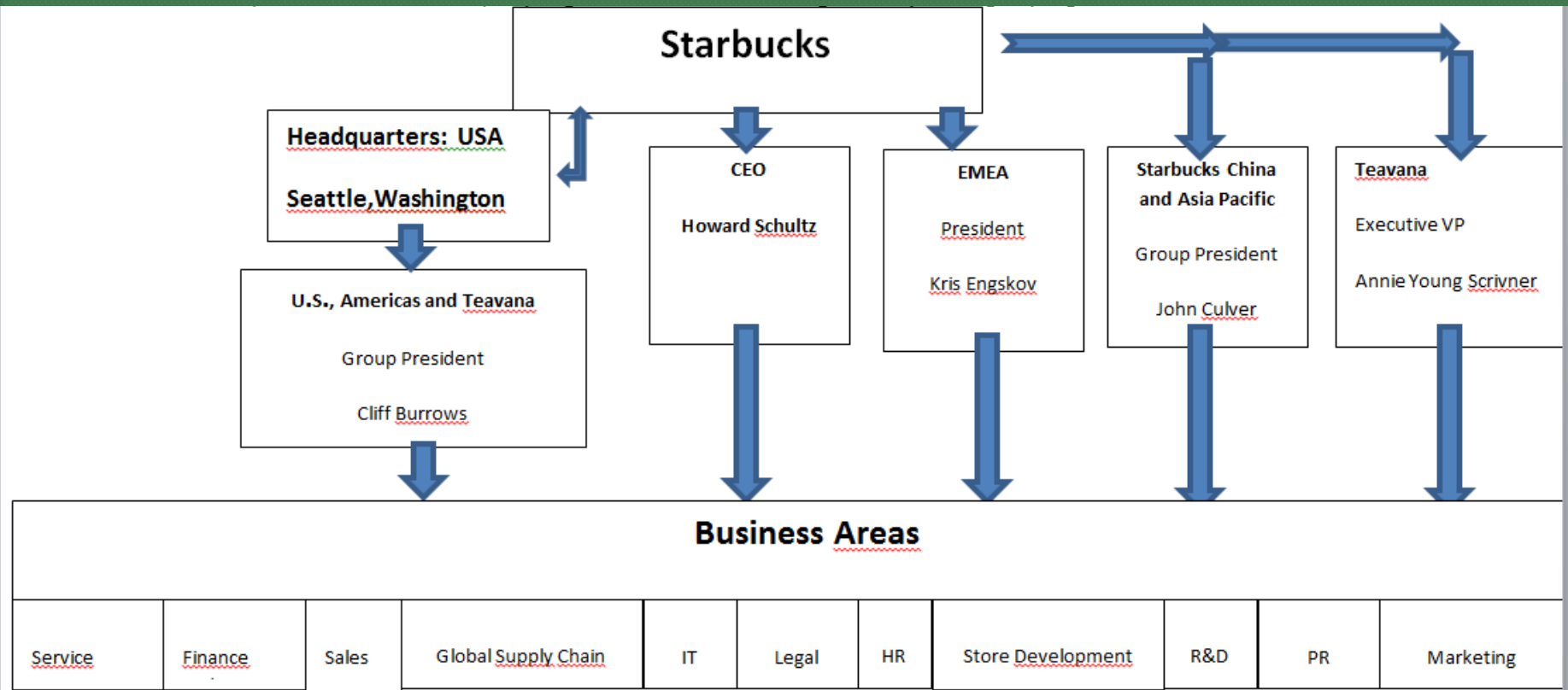
Mission Statement

“To inspire and nurture the human spirit—
one person, one cup, and one
neighborhood at a time.”

Company Overview

- Opened in 1971 in Seattle, WA
- Howard Schultz CEO founded Il Giornale
- 20,519 Stores Today
- 62 Countries
- 200,000 Employees
- China and Asia Pacific 27% growth rate

Organizational Structure



Current International Management Practices

- Community Outreach Programs
- High-Quality Products
- Building Consumer Loyalty
- **ALL WHILE INCREASING PROFITS!**

International Management Strategy

○ Key imperatives:

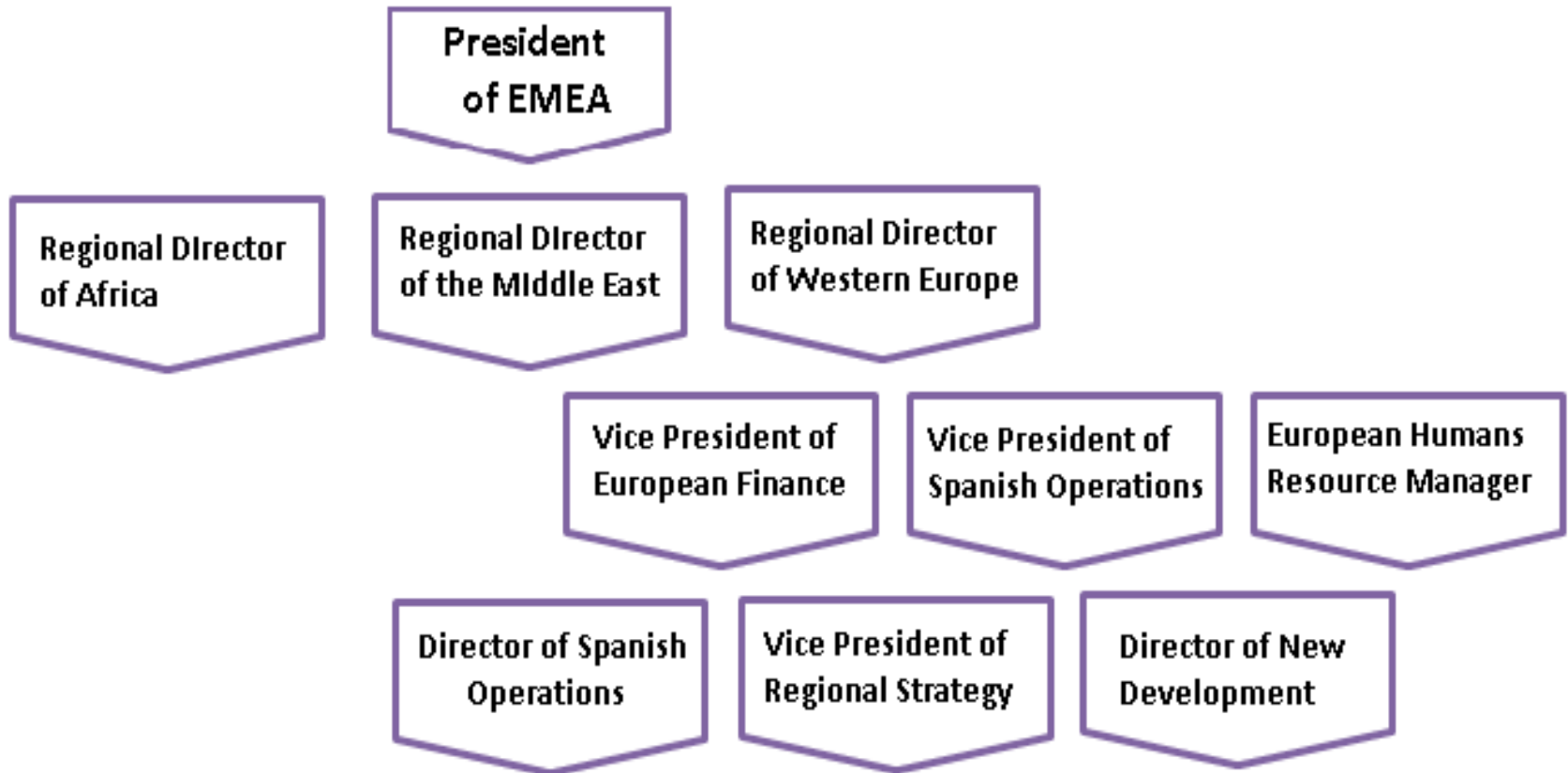
- Economic
 - Recession
 - High unemployment rate
- Political
 - Respect the local culture by creating long lasting relationships
- Quality
 - Satisfy the consumers needs and wants

International Management Strategy

○ Goals:

- Drive up sales for the EMEA region
- Keep stores open
- Increase brand recognition within the Spanish region

EMEA Organizational Structure



EMEA Organizational Structure

cont.

- Kris Engskov
 - President EMEA.....\$210,000 plus benefits
- Regional Area Directors
 - Europe, Middle East, and Africa
 - \$125,000 - \$150,000 plus benefits
- European Vice Presidents
 - Finance, Operations, and Human Resources
 - \$90,000 plus benefits
- Spanish Directors
 - Operations, Strategy, New Development
 - \$65,000 plus benefits

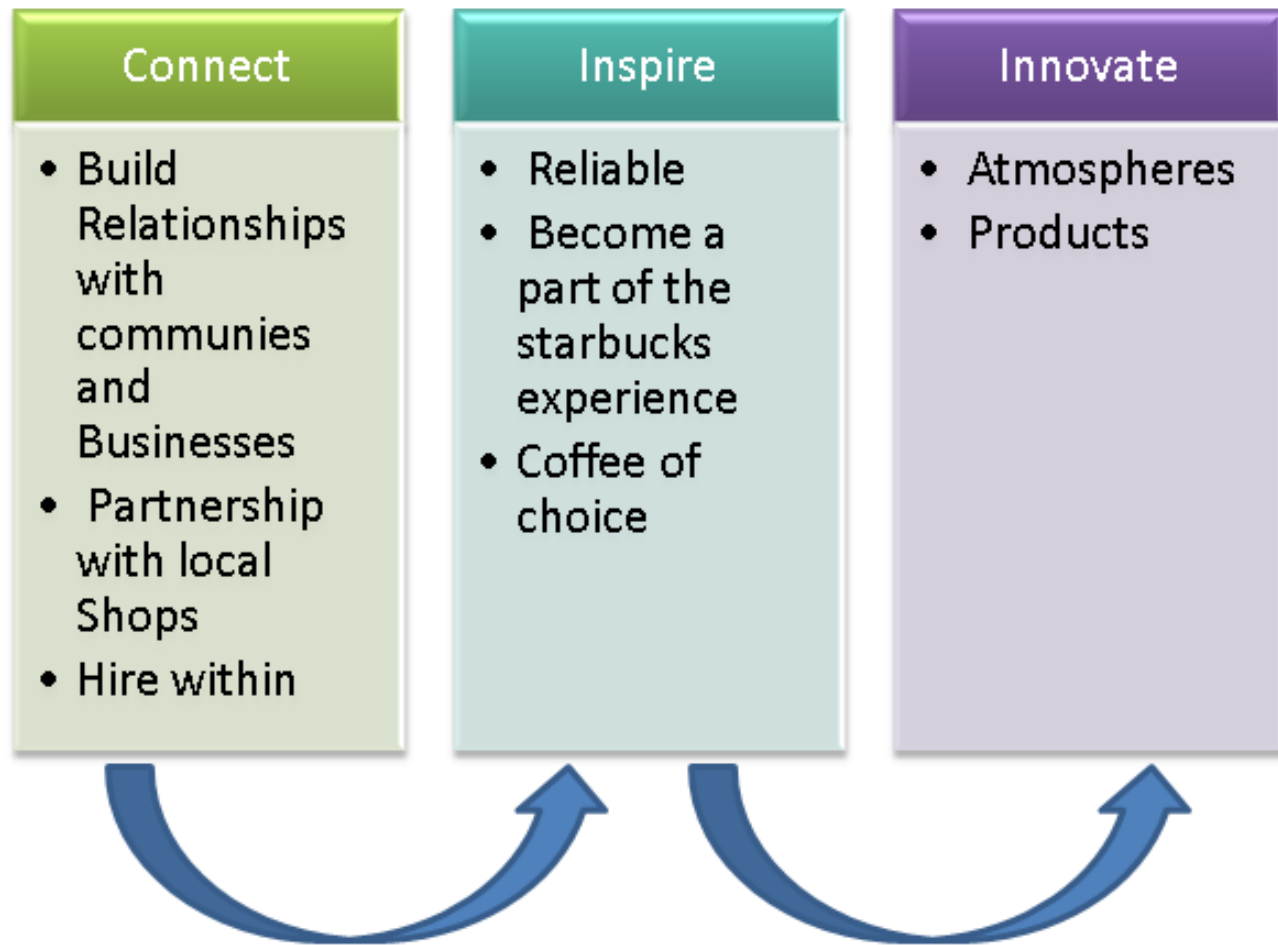
International Management Issues

- Struggling economy, recession
- Highly saturated market
- Specific consumer preference
- Cultural barriers
- Brand Recognition

Policy and Procedures

- Hire locally
- Create partnerships
- Promote brand image
 - high quality coffee
 - “coffee of choice”
- Emerge in the market
- Connect, Inspire, Innovate

Flow Chart



International Management Plan

○ LEAD:

- L – Leadership competency and accountability
- E – Environment that fosters learning and inclusive, safe, high-performing teams
- A – Acquisition of talent, customers and suppliers
- D – Delivering and communicating results through a diversity and inclusion scorecard and enterprise-wide performance metrics

Any Questions?

Thank you!



STARBUCKS COFFEE



STARBUCKS®

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1. Executive Summary

OUR STARBUCKS MISSION

Our mission at Starbucks is to inspire and nurture the human spirit— one person, one cup, and one neighborhood at a time. Howard Shultz, the CEO and acting president of Starbucks believes that “The relationship that we have with our customers has always been core to our brand. Today, these connections are more powerful than ever because of the combined, complementary influence of our global retail footprint, our world-class digital and mobile technologies, and our innovative loyalty programs.”ⁱ

Company Information

Starbucks is a multinational coffee company based out of Seattle, Washington. The company first opened as a local coffee shop in 1971. Since Howard Schultz became the director of Retail Operations and Marketing in 1982, the company began to expand drastically. Today Starbucks has 20,519 stores dispersed throughout North America, Latin America, Asia, and in parts of Europe. For the year 2013 Starbucks Corporation grew 12% in total revenue share in earning \$14.9 billion.

International Management Strategy:

Starbucks, like all multinational companies, values economic stability. However, what differentiates Starbucks is their ability to satisfy their customers through ensuring the delivery and distribution of high-quality products. Furthermore, Starbucks has taken advantage of digital media in allowing customers to purchase products directly on their mobile devices and have provided rewards cards for frequent customers. This has added an accessibility factor which competitors simply do not have. Additionally, Starbucks has a variety of outreach programs which have improved the livelihood of local farmers and communities. As a company, we feel that it is crucially important to treat each country as its own. Every country has cultural differences, economic differences, and social differences. However, the ability to adapt to a given country's culture and social norms is dependent on the success a company will have in that region. Our international management policies and processes primary focus will be on the people and culture of Spain because they control our success.

International Management Issues:

The European and specifically the Spanish market is a possible risk. In the past sales in this region have not been as high as we anticipated and with the recent recession people do not have as much disposable income. With the hurting economy in Spain, launching a new business venture is much more difficult and there is a possibility people will not want to leave their local café in order to come and try out a new American brand. Also, the entirety of Europe and certainly Spanish people are extremely particular in their beverage options. While we are extremely confident in the quality of our product it is possible that some Europeans will not want to stray from their preferred brand. In Spain, relationships are very important culturally, therefore we must build strong relationships with local businesses and people in order to make a smooth entrance into the market and avoid immediate failure. Finally, brand recognition is an area of concern. While our Starbucks name is known worldwide Spain is much more interested in their local small town brands. While we will have a solid following with the tourists in Spain it is crucial to our business success to establish recognition and brand loyalty with locals. Spain seems to be an area of high risk, however if implemented correctly it can be an extremely profitable market for Starbucks.

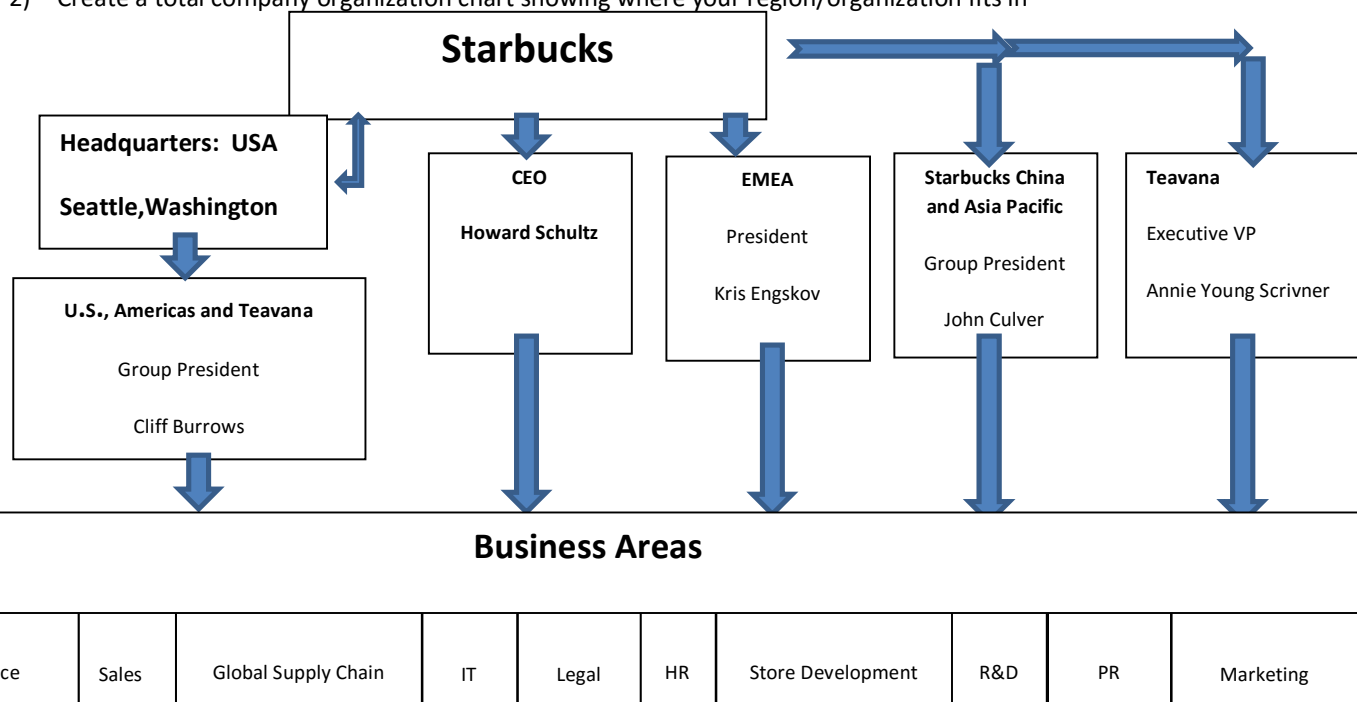
International Management Metric Report:

The international management metric report uses four key parts in order to evaluate and manage our international processes. The acronym LEAD identifies the four elements. The first is leadership, making sure we have the best people for the job. The second is environment, creating a comfortable and safe environment for both our customers and employees. The third is acquisition of talent, finding the best suppliers and employees that we can. Finally, there is delivering and communicating results through a diversity and inclusion scorecard and enterprise-wide performance metrics.

- 1) Company overview (who the company is; describe the company: sales, products/services, location(s), number and types of employees, etc.)

Starbucks is a coffee company which was first opened in 1971 in Seattle’s Pike Place market. However, the company did not make significant strides until Howard Schultz became the director of retail operations and marketing in 1982. Soon after being hired, he invented the coffeehouse concept where Starbucks café lattes were first served in downtown Seattle. He then founded Il Giornale, which offered ... “brewed coffee and espresso beverages made from Starbucks coffee beans.”ⁱⁱ Il Giornale then acquired ... “Starbucks assets with the backing of local investors and changes its name to Starbucks Corporation.”ⁱⁱⁱ From here, Starbucks expanded throughout the United States and now have a strong presence globally. Today Starbucks has 20,519 stores dispersed throughout North America, Latin America, Asia, and in parts of Europe. For the year 2013 Starbucks Corporation grew 12% in total revenue share in earning \$14.9 billion. The company grew in all markets in which stores are currently operating. For example, the China and Asia Pacific region marked the largest growth rate over the last year at 27% which consists of 13 stores and the America’s, which is Starbucks largest segment, grew at a rate of 11%. Some other accomplishments noteworthy over the past year were that the Latin America segment grew to 700 stores, China and Japan opened their 1,000th store, and Canada exceeded \$1 billion in revenues for the first time. Starbucks is continuing to plan to expand by opening 1,500 new stores within the next year; which would add to their current 20,519 stores in 62 countries and 200,000 current employees.

- 2) Create a total company organization chart showing where your region/organization fits in



3)

State the company international management strategy (what does it want to accomplish? What outcomes; what development? Why?

Howard Schultz, now acting CEO and President of the company, states that “The relationship that we have with our customers has always been core to our brand. Today, these connections are more powerful than ever because of the combined, complementary influence of our global retail footprint, our world-class digital and mobile technologies, and our innovative loyalty programs.”^{iv} This is carried out through Starbucks mission of inspiring and nurturing ... “the human spirit – one person, one cup and one neighborhood at a time.”^v The C.A.F.E, or Coffee and Farmers Equity practices, is the most noteworthy program that has ensured high quality products and improving the livelihood of farmers economic conditions; while reducing our carbon footprint. The C.A.F.E accomplishes this by valuing product quality, economic accountability, social responsibility, and environmental leadership. The product must meet all of Starbucks high quality standards where they have ... “established Farmer Support Centers in key coffee-growing regions to provide local farmers with resources and expertise that can help lower their cost of production, reduce pest and disease, improve coffee quality and increase the yield of premium coffees.”^{vi} These centers are placed in key coffee-growing regions where experts will work directly with farmers to ensure high-quality Arabica coffee. They are able to accomplish this “Through training on soil management, field-crop production and milling processes, farmers can improve the quality and size of their harvest.”^{vii} Economic accountability is ensured by suppliers submitting ... “evidence of payments made throughout the coffee supply chain to demonstrate how much of the price that we pay for green coffee gets to the farmer.”^{viii} Social responsibility is addressed by a third-party who evaluates ... “the rights of workers and ensure safe, fair, and humane working and living conditions. Compliance with minimum-wage requirements and prohibition of child and forced labor is mandatory.”^{ix}. For example, in 2013 Starbucks committed \$11.9 million of loans, where \$1.3 million was allocated for the Fair Trade Access Fund ... “set up by Incofin Investment Management, Grameen Foundation, and Fairtrade International.”^x They provide ... “financial and technical assistance to address the needs of smallholder farmers by investing in Fairtrade producer organizations and cooperatives in Paraguay, Peru, Chile, Honduras, and Nicaragua.”^{xi} A third-party also deals with environmental leadership, where they ... “manage waste, protect water quality, conserve water and energy, preserve biodiversity and reduce agrochemical use.”^{xii} By ... “Building more energy efficient stores and facilities, conserving the energy and water we use, and scaling front-of-store recycling for customers...”^{xiii} Starbucks is reducing their environmental footprint from their operations. These goals are shown in diagram 1.3, 1.4, and 1.5 below.

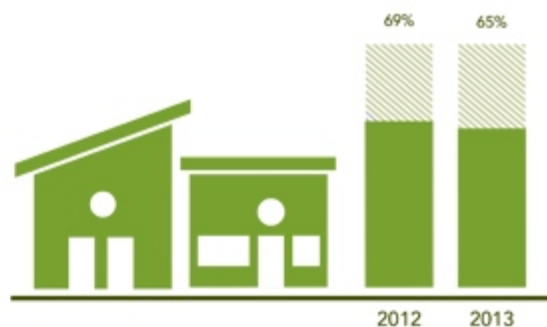
GOAL

Build all new, company-operated stores to achieve LEED® certification

PROGRESS

We now have LEED certified stores in 18 countries and have integrated green building strategies into all renovations and new construction. We have experienced some challenges and complexities in our high-growth markets.

IN PROGRESS



Percentage of new company-operated stores built to achieve LEED® certification.

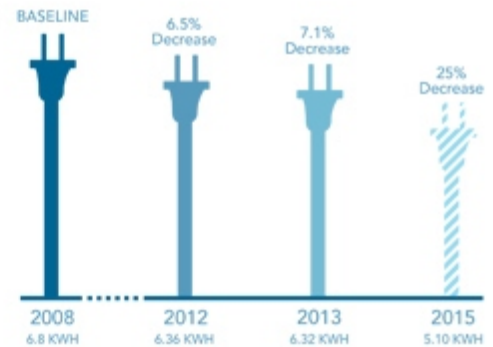
GOAL

Reduce energy consumption by 25% in our company-operated stores by 2015

PROGRESS

Our energy efficiency improved slightly in 2013, with many of our conservation measures offset by a significant increase in food transactions and oven use. We are exploring new approaches to better address the energy demands of our evolving business.

NEEDS IMPROVEMENT



Average electricity use per square foot/store/month U.S. and Canada company-operated stores. Percentage change to the 2008 baseline.

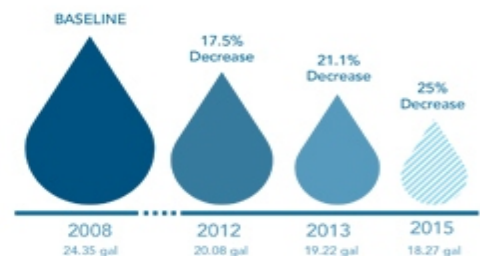
GOAL

Reduce water consumption by 25% in our company-operated stores by 2015

PROGRESS

Water consumption decreased more than 4% over the prior year, bringing us to a total decrease of 21.1% since 2008.

ON TRACK



Average water use per square foot/store/month U.S. and Canada company-operated stores. Percentage change to the 2008 baseline. 2012 results previously reported as 17.7% due to difference in rounding methodology.

Starbucks also is dedicated to serving the community. The company has volunteered 600,000 hours of work by serving local communities throughout the world. Starbucks goal is to have 1 million hours of community service by the year 2015 and additionally 10,000 veteran jobs within the next 5 years. One way in which Starbucks has successfully served the public has been through its community stores. These stores work with non-profit organizations to fulfill particular community needs. As of March 2013, \$800,000 has been generated which has revitalized educational programs, health, housing, and safety issues within these communities. For example, Since 2005 Starbucks has committed \$2.6 million to support the Guatemala Education Initiative. This loyalty program was accomplished by teaming up with Save the Children in hopes of bringing education programs to remote coffee-producing villages in that country. In 2011, Starbucks launched a three-year project to improve education, health and nutrition for coffee-farming families in Guatemala's Huehuetenango region. Since the program's inception 10,000 pre and primary level school students attend schools in 24 communities in Guatemala. Students have received an enriched education in learning how to improve their health, along with gaining the ability to perform basic reading, writing and math skills.

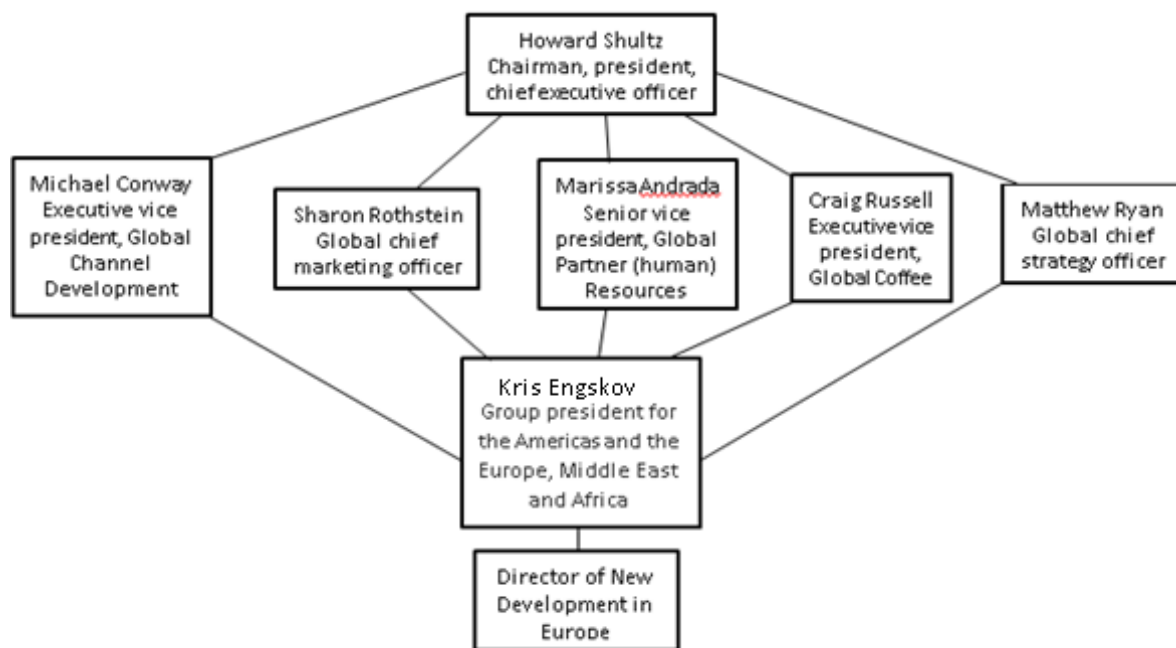
Starbucks had been able to maintain the integrity of their business while expanding products into new channels, brands, and markets. Howard Schultz explains that "Throughout 2013, we once again delighted our customers with iconic beverages as well as new menu choices. Pumpkin Spice

Latte celebrated its 10th year, while new creations debuted, including Hazelnut Macchiato, a fantastic

single-origin coffee from Ethiopia, and a wonderful Starbucks Reserve® coffee from Colombia."^{xiv} Along with coffee products, Starbucks opened Teavana® Fine Teas + Tea Bar store in New York City, a state-of-the-art juicery in California, Evolution Fresh™ was expanded to over 8,000 locations, and new bakery items are

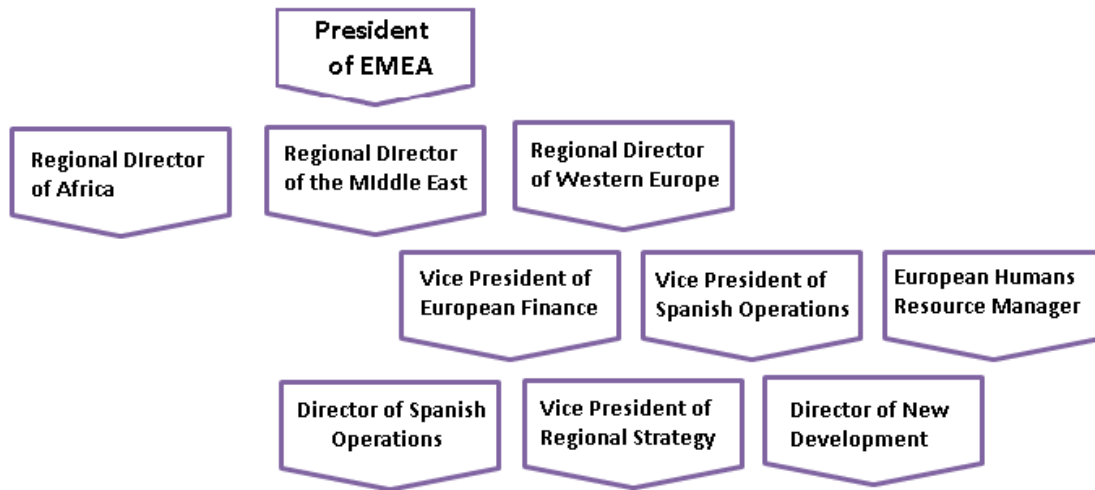
provided in 3,500 stores in the United States today. Also “In our thousands of stores, our engaging, talented baristas and beautiful new store designs are enhancing the Starbucks Experience; indeed, our fleet of new stores is among the best performing in the company’s history.”^{xv} Additionally, 7 million people have My Starbucks Rewards Cards which generated \$4 billion in 2013 and mobile apps have contributed to another \$4 million of products purchased by consumers. “The value that these assets and capabilities bring to our brand, and how that is translating into record financial performance, cannot be understated. Few if any companies can match the diversity of our customer touch points. Like a flywheel effect, the momentum from the intersecting nature of this unique network drives our business every day, giving Starbucks a potent competitive advantage.”^{xvi}

4. International Management Department PLAN



Shown above is an international management chart for Starbucks Corporation. The chart displays the flow of leadership. At the top is the CEO and president Howard Shultz, who overlooks all business proceedings both in the United States and internationally. Beneath Shultz are five of the executive officers who oversee business on a global scale specifically. These persons are Michael Conway, Sharon Rothstein, Marissa ANdrada, Craig Russell, and Mathew Ryan. The specific responsibilities they cover are global channel development, global marketing, global partner or human resources, global coffee, and global strategy, respectively. On the next tier is Cliff Burrows, the president for the Americas, Middle East, Africa, and most importantly Europe. Burrows is the major player for Starbucks when it comes to their regional operations in the EMEA area.

Specific to the Western European and Spanish management for Starbucks Corporation there is not one person responsible. Rather, there is a team of people who each covers a certain responsibility for this region. All of these people work together when it comes to the company’s store locations and operations within the European Union and Western Europe. Additionally, within this group of managers there is an individual whose main focus is on the construction of new store locations. This person is the Director of new Development for the European region. This individual would research new site locations and oversee the construction of new Starbucks stores, working along with a regional team.



The flow chart above shows the organization for Starbucks' international, western European region. The leadership for the Western European region begins with Kris Engkov, the president of the entire European, Middle Eastern, and African regions. Then concentrates on a regional director for Europe, who oversees vice presidents of Finance, Operations, and Human Resources. Beneath these people are Spain specific directors, such as directors of Spanish operations, regional strategy, and new development. Reporting back to these directors are a number of other people and teams who each have a more refined and specific focus within the Western European and Spanish market. These teams in particular will be responsible for the construction and development of any potential new Starbucks store locations in cities around Spain.

The management participation compensation plans will be very similar to those currently used, both in the European and local United States markets. At the top, the group president of all of Europe, Middle East, and Africa will receive an annual salary of around \$210,000 plus benefits. Then working closely with this manager, the three regional area directors of Africa, the Middle East, and of Europe will make between \$125,000 and \$150,000 annually, including personal benefits. The regional management team specific to Europe, such as the vice presidents of European Finance, Operations, and Human Resources, will earn around \$90,000 annual salary along with benefits. Then finally, the Spanish team of managers, in charge of local operations, strategy, and new development each earn about \$65,000 annually also receiving benefits. Starbucks is excited about the European division and is looking to improve the performance in this region of the world. As of now these key players in the Western European market for Starbucks are compensated well; however this is not set in stone.

This plan has been decided and will be overseen by Cliff Burrows, the group president. While, he will continue to be evaluated by global managers, the performance reflects the team as a whole. There will be monthly meetings within the European management group to determine short term and long term goals. During these meetings strategy will be discussed and changes will be highlighted and implemented. There will also be an evaluation section to ensure forward progress is being made and to resolve any potential issues that arise along. This international management team is critically important and Starbucks is looking for great things from the European market, especially Spain and its new development projects.

4. Particular International Management Issues

Since we as a company already have a few store locations within the Western European, specifically Spanish region of the world we have a better understanding of what to expect while conducting business. Relaxing and enjoying a very good cup of coffee is a cultural norm throughout Europe and certainly within Spain. Unlike in the United States, where speed is valued, in Spain people appreciate the flavor of coffee and the people they enjoy it with. Therefore it is much more common for people to order coffee or espresso, sit down, and chat and enjoy the coffee for hours. It is very important that the Starbucks café locations are comfortable and accommodate a number of guests over long periods of time.

The specific coffee types often ordered in Spain are also different than typically found in the United States. Most coffee drinkers are actually ordering espresso instead of the CoffeeMate style of drink we are accustomed to in the US. Therefore our menu in this region will differ slightly. Many more items such as cappuccino, lattes, and espresso shots will be featured rather than iced beverages or Frappuccino's. Many drinks like a "café solo" or "café con leche" are the most common and also very inexpensive to make. The simplicity of typical beverage orders in Spain will reduce our inventory costs in the Spanish stores. However, the classic American Starbucks menu items will also be available for the large number of tourists who need their "coffee fix."

However, we may continue to have some difficulty appealing to the Spanish population because we are a large coffee chain instead of a comfortable mom and pop coffee shop. Right now a significant portion of our sales within Europe are from tourists and not fulltime residents; while we benefit from the revenue of first time customers^{xvii}. It is much more important in our industry to accumulate a larger percentage of returning customers and develop our brand loyalty in Europe. This will be no easy task because many people within Spain are not nearly as focused on chain restaurants and prefer to spend their time at a local outdoor café. It is very important that we adapt our business model abroad to accommodate these preferences. Starbucks in Spain should feel like a trendy coffee shop, comfortable to spend hours in chatting with friends or getting some work done, rather than a quick pit stop during the morning bustle.

Another issue we have been faced with not only in Spain but across Europe is the economic crisis in this area. Since the recession in 2009 our sales in the European market have been hurt and not able to recover just yet. We are directing substantial resources to aid in the improvement of this economic downtime for our stores. However, the issues lie with our local customers in this area. The unemployment rate in Spain in particular is currently at about 25%, which is incredibly high. This means that people no longer have the disposable income they are accustomed to spending on an afternoon coffee. While the expense is not great, it adds up over time and our former customers are acting much more frugal with their money. This means less revenue for Starbucks, a bad thing. The economic issue in Spain is one our international management team needs to focus a majority of their efforts towards, and a main reason why there have been recent staffing changes to Starbucks' global management teams.

Cultural Difference between United States and Spain

<u>Cultural Factor:</u>	The United States:	<u>Spain:</u>
RELIGION	Prodi stent (51%) Roman Catholic (24%) Merman (2%) Other Christians (2%) Judaism (2%)	Catholicism Islam Judaism Protestantism Hinduism
Education	High School graduate 68% Some college: 58% Bachelor degree: 31% Each state creates their own curriculum	Higher education- 16 years Most students attend university and get higher education because the enemployment rate is so high and education is so inexpensive
Economics	Largest and most technological economy in the world US business firms enjoy flexibility to expand, lay off workers, and expand World leading technology innovator, second largest industrial output in the world (cars, motors etc) Fair degree of acceptance for new ideas, and willing to try something new (business practices, innovation, or foods)	Currently in a recession however improvements in late 201 Unemployment rate around 25% Imports have been high since there is a reduction in national consumption Part of the European Union which helps with the debt situation Moderate labor costs and lower inflation has increased foreign investor interest Democratic government
Politics	Democracy Equal rights Americans are aggressive and promote based on merit or based on what one has done or can do	Constitutional monarchy There is still king in Spain but the executive, judicial, and legislative branches hold most of the power There are 17 autonomous regions within Spain with independent government entities
Family	7% of facilities are traditional (mom, dad, and children) 68% are some combination of this (single mom, grandparents raising kids, adoption, etc.)	The typical Spanish family is changing drastically. Most children live with their parents until they are young adults Divorce rates are rising in spain and people are getting married and having children much ater
Class Structure	People look after themselves and their families, do not rely on authorities	Similar to the United States Upper class, upper middle class, middle class, and lower/unemployed class
Languages	English, Spanish Chinese Tagalog, French	Castilian Spanish 76% Catalan 17% Galician 7%
History	3 rd largest country in the world y size and population	Powerful world empire in the 16 th and 17 th century Devastating civil war in 1936 to 1939 1986 Spain joined the EU
Natural Resources/ Geography	Agricultural- wheat, fish, pork, dairy products, beef, cotton, forest products	High pollution of Mediterranean Sea from sewage and production of oil and gas Controls a number of territories in northern Morocco

Theory Foundation:

During the course of the year, one of the most important topics we discussed was how to develop a successful international strategy. The text refers to strategic management as “the formulation and implementation of a strategy- is a critical function in today’s global business environment”.¹ Not one single strategy is the end all be all for success. However, the book states that the success of a companies strategy should be “formulated and implemented wisely” because strategic management sets the course for the future. It is important that the company can answer these two questions “where are we going” and “how are we going to get there?”² International Management strategy requires a company to understand the social norms, global issues, and cultural differences. Understanding this determines success because as a company you must evaluate every potential threat and opportunity to make sure it makes sense for your company.

When evaluating the target market that Starbucks want to expand in, there are three basic steps in formulating a strategy to expand globally. The book breaks down international management strategic planning into three steps: (1) scan the external environment for opportunities and threats (2) conducting an internal resource analysis of company strength and weaknesses (3) formulate goals in light of the external scanning and analysis. Within each of steps, there are also four common approaches to implementing a strategy that the company comes up. The four approaches are focusing on economic imperative, addressing political imperative, emphasizing quality imperative, and implementing administrative coordination. Once Starbucks has been able to analyze each of these categories mentioned above, the company can then come up with an accurate analysis of goals and benchmarks. This will allow Starbucks to implement the most practical strategy based on their research and goals of the company.

Plan Basis:

Starbucks has a strong presence in the United States. While Starbucks has also expanded into the international markets, one of the biggest challenges they seem to face is the number of stores opened to closed ratio. According to their annual financial report, in the EMEA that consists of UK, Germany, France, Switzerland, Austria and the Netherlands has the highest percentage of stores closed. By expanding into Spain, our focus is to not only drive up sales for the EMEA region, but also to retain a high percentage of the stores opened that allows our company to become a global presence in Spain. The approach we took in creating this focus was by scanning the external environment and opportunities of Spain through the economic, quality, political imperatives, along with the administrative coordination.

As discussed previously, the basis of our entire strategic implementation came from the four common approaches. From an economic imperative, we decided that in the stores we open in Spain, we will hire local managers with previous industry experience that understand the community and the culture. This will reduce our labor costs and provide an advantage for local leadership. Also we will be differentiating our sores and design; however purr products will differ slightly based on local preference. Starbucks stores have a welcoming and inviting atmosphere which is very popular within the Spanish culture, wherefore this element will remain the same during our global expansion. Although, there will be some product differentiation, such as a focus on espresso and hot beverage products rather than iced coffee and cold drink options. There will be a greater focus on our highest quality coffee and espresso products because unlike most of the American consumer base, the Spanish people like to enjoy a quality beverage while spending time with friends. Our goal in this new region is to satisfy this social need.

Emphasizing the quality imperative will be extremely valuable in our success. We will have a large focus on our quality and service in these new restaurants. All of our employees will be local in order to minimize training time and costs. All employees will be trained on the importance of excellence customer service while still providing the customers with space. Many Starbucks customers and customers in Spain in general prefer to purchase their food and beverages then be left alone. Unlike in some of our other store locations, customers may occupy a table for as long as they wish after making a purchase. This is something

¹ Fred Luthans and Jonathan Doh, International Management: Culture, Strategy, and Behavior, Chapter 8

² Fred Luthans and Jonathan Doh, International Management: Culture, Strategy, and Behavior, Chapter 8

that is very important in the Spanish culture and we will be sure to embody this in our restaurants. There will also be a large focus on our TQM, total quality management. We will be providing our world renowned Starbucks bean coffee and espresso throughout our Spanish region. The quality of our product is incredibly important throughout our restaurants worldwide so we want to make sure we continue this trend to our newest locations.

Expanding into Spain, we understand that one of the biggest threats is their current economic situation. The unemployment rate is as high as ever and for most, the ones with jobs are usually ones that have a locally owned business. More specifically, there is a high volume of small locally owned coffee shops that are doing everything they can to stay in business. As a big corporation and given the current circumstances, we at Starbucks find this as an opportunity to not only grow but also help the Spanish people. We are looking to be welcomed into the Spanish market without upsetting local business. Since “mom and pop” coffee shops are very common throughout Spain we are hoping to reduce their effect on us as competition. In order to encourage the continued success of existing business while advancing our own success and increasing profits for Starbucks we plan to begin a partnership with local business. We will begin to provide our Starbucks brand coffee and espresso beans to existing coffee shops in the area. This will allow us to increase our overall profits, expand our brand recognition of the Starbucks name and products throughout Spain, and reduce the negative effects of competition on our Starbucks store sales.

Lastly, from an administrative coordination standpoint we closely evaluated situations and circumstances in which we would need to adapt given the Spanish culture. One area we may run into trouble in Spain would be the store hours of operation and staffing the restaurants during that time. It is still common throughout Spain to participate in siesta. Siesta is a period of time each afternoon, usually between 2 pm and 6 pm where most people return home, enjoy a large lunch, and rest for a few hours. Most retail stores close during this time, however it is common for cafes and restaurants to remain open during this time. While this is a convenience for the customers it may pose a challenge for our employees. It is likely that many employees will not want to work during this siesta period or possibly early in the morning, since Spanish days typically begin later than those in the United States. We will include this in our international store policies and make sure our restaurant managers are aware of this while staffing and scheduling employees.

According to the book the overall strategy that we are implementing as we expand to Spain is a transnational strategy. Transnational strategy is defined as the “integrated strategy emphasizing both global integration and local responsiveness”.³ From a global perspective, we are continuing to have “genuine service, an inviting atmosphere and a superb cup of expertly roasted and richly brewed coffee every time”⁴ and will continue to being an active helper within the community. Entering an unstable economy in Spain, Starbucks is aware that they will need to adapt to its new market. For instance, prices will be dropped so we can reach all potential customers. Culturally, the Spaniards cup of choice is either espresso or your traditional hot coffee. Iced coffee and tazo teas are not products that will fare well in our Spanish stores. Adhering to these cultural responsiveness will position Starbucks to do well in its new market place, and will help to reach brand recognition.

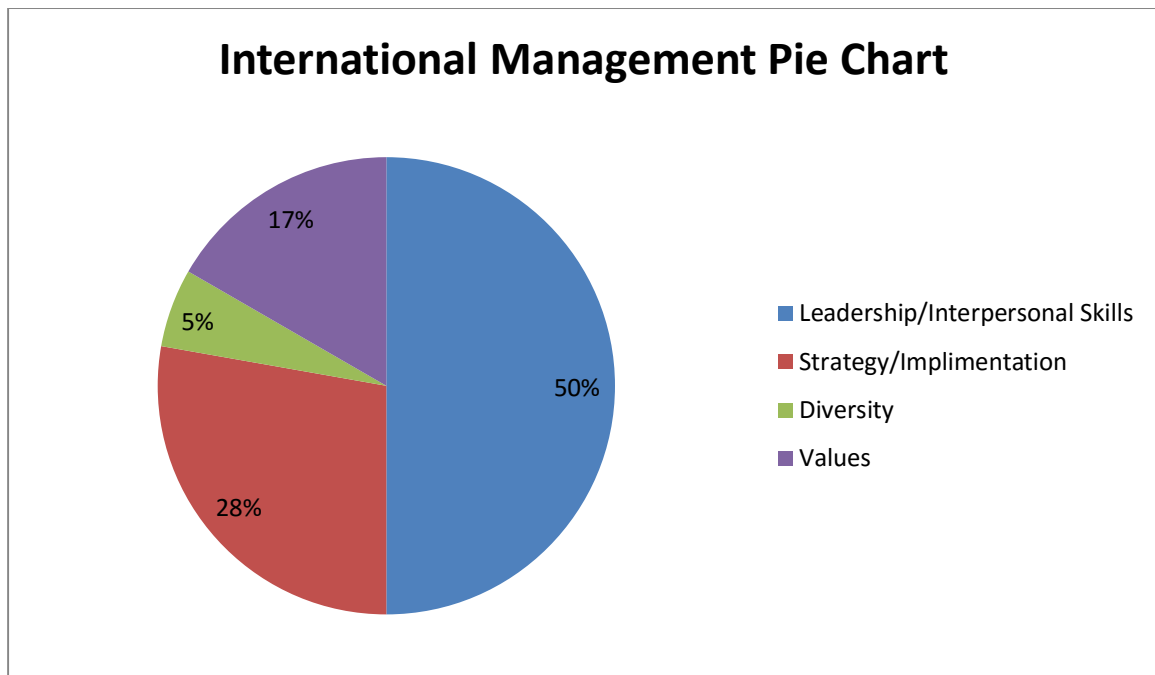
Policies and Procedures:

As a company, we feel that it is crucially important to treat each country as its own. Every country has cultural differences, economic differences, and social differences. However, the ability to adapt to a given countries culture and social norms is dependent on the success a company will have in that region. Our international management policies and processes primary focus will be on the people and culture of Spain because they control our success. One of the biggest cultural importance in Spain is building strong lasting relationships. In business the Spanish tend to only do business with people they trust, and have pre-existing relations with. To make our presence known everything we do will stem off our motto: Connect, Inspire, Innovate. Entering a new country, we will need to build relationships right away with people in the community

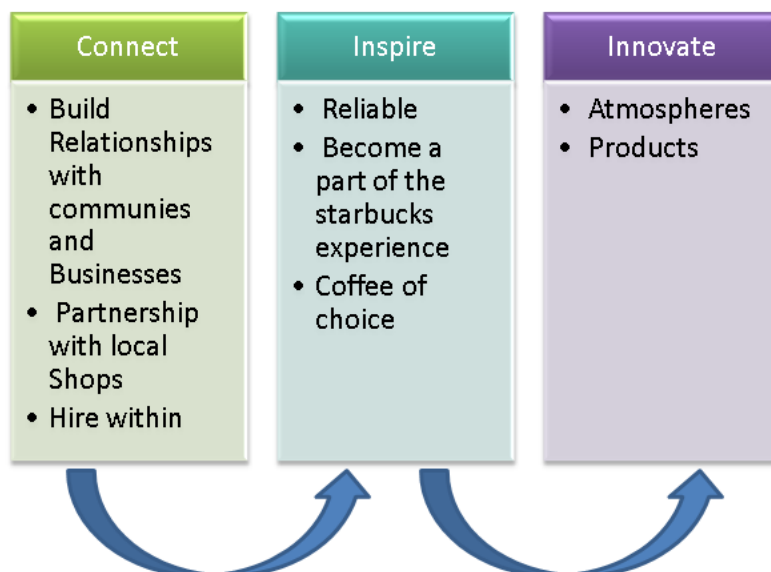
³ Fred Luthans and Jonathan Doh, International Management: Culture, Strategy, and Behavior, Chapter 8

⁴ "Company Information." *Starbucks Coffee Company*. N.p., n.d. Web. 01 Dec. 2014.

as well as local businesses. In order to accomplish this, we will connect with local coffee shops and create partnerships. Through the help of these partnerships, we will be able to establish our product within the market. This will also help us connect with the consumers of our coffee. Our plan is to also hire from within. Hiring people inside of Spain will allow us to hit the ground running. These people understand the culture and how to run an affective business in Spain. Connecting with the people of Spain and continuing to build strong relationships we hope to inspire. Inspire these people that our coffee is the best, we want to be known as the coffee of choice, the cup of coffee that everyone wants. To inspire them to feel a part of the overall Starbucks experience: A welcoming neighborhood to enjoy a great cup of coffee. We want to not only grow in the market but also be recognized as the highest quality of coffee. Lastly, by connecting and inspiring consumers of our product we can innovate. The key to innovation is understanding your customers wants and needs the only way to achieve those is through connection and inspiration of your customers.



7. Policies and Procedures Flow-Chart:



8) International Management Metrics Report (What data will be collected, how, and analyzed)

Starbucks Corporation conducts Global Reporting Initiative Performance Indicators every year. The Global Reporting Initiative (GRI) covers the following categories: (1) Strategy and Analysis, (2) Organizational Profile, (3) Report Parameters, (4) Governance, Commitments & Engagements, (5) Economic Performance Indicators, (6) Environmental Performance Indicators, (7) Labor Practices and Decent Work Performance Indicators, (8) Human Rights Performance Indicators, (9) Society Performance Indicators reviews and/or impact assessments, and (10) Product Responsibility Performance Indicators. All of the following GRI's can be found and are explained in further detail on the company's website at www.starbucks.com. The (1) Strategy and Analysis section includes a statement from the CEO about the importance of sustainability and how it coincides with their organizational strategy. Impact, risks and opportunities for the company are also covered. The following areas are covered in more detail on the 2012 Global Responsibility Report: Year in Review section of the Starbucks webpage at <http://www.starbucks.com/assets/581d72979ef0486682a5190eca573fef.pdf>

Additionally, the following (2) Organizational Profile information can be found on the Starbucks Corporation Fiscal 2013 Annual Report: the "Name of the organization, Primary brands, products and/or services, Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures, Location of the organization's headquarters, Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report, Nature of ownership and legal form, Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries, Scale of the reporting organization including: number of employees, net sales, total capitalization broken down in terms of debt and equity, quantity of products or services provided, Significant changes during the reporting period regarding size, and structure or ownership."^{xviii} This information is explained in further detail at [http://news.starbucks.com/uploads/documents/Starbucks Fiscal 2013 Annual Report - FINAL.PDF](http://news.starbucks.com/uploads/documents/Starbucks_Fiscal_2013_Annual_Report_-_FINAL.PDF) this section also includes awards received in the fiscal period which can be found at Our Company- Learn More about Us Career Center section.

Reporting Parameters section covers the "Reporting period (e.g. fiscal/calendar year) for information provided Reporting cycle (annual, biannual etc.) Contact point for questions regarding the report or its contents Process for defining report content including: materiality, prioritizing topics within the report and identifying stakeholders the organization expects to use the report Boundary of the report (e.g. countries, subsidiaries, leased facilities, joint ventures, suppliers State any specific limitations on the scope or boundary of the report Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers/ acquisitions, change of base years/periods, nature of business, measurement methods). Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report Table identifying the location of the Standard Disclosures in the report, and Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)."^{xix} The following can be found on the year in review section of the website <http://www.starbucks.com/assets/581d72979ef0486682a5190eca573fef.pdf> as well as the annual report [http://news.starbucks.com/uploads/documents/Starbucks Fiscal 2013 Annual Report - FINAL.PDF](http://news.starbucks.com/uploads/documents/Starbucks_Fiscal_2013_Annual_Report_-_FINAL.PDF) (4)

Governance, Commitments & Engagements includes "Governance structure of the organization including committees under the highest governing body responsible for specific tasks, such as setting strategy or organizational oversight. Indicate whether the chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement) For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or nonexecutive members. Mechanisms for shareholders and employees to

provide recommendations or direction to the highest governance body Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance). Processes in place for the highest governance body to ensure conflicts of interest are avoided. Processes for determining qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social performance and the status of their implementation, Internally developed statements of mission and values, codes of conduct, and principles relevant to economic, environmental and social topics . Procedures of the highest governance body for overseeing the organization's identifications and management of economic, environmental, and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles."^{xx} The following can be found on www.starbucks.com/responsibility Year in Review, www.starbucks.com/assets/581d72979ef0486682a5190eca573fef.pdf and on the annual report www.starbucks.com/assets/581d72979ef0486682a5190eca573fef.pdf.

Economic Performance Indicators include "Management approach disclosures, direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to Capital providers and governments, Financial implications and other risks and opportunities for the organization's activities due to climate change, and Coverage of the organization's defined benefit plan obligations."^{xxi} This is explained in further detail at www.starbucks.com/responsibility Year in Review, www.starbucks.com/assets/581d72979ef0486682a5190eca573fef.pdf on the annual report, www.starbucks.com/assets/581d72979ef0486682a5190eca573fef.pdf and by searching for the FY12 Report Forest Carbon goal Environment - Climate Change, along with the Carbon Disclosure Project, and Conservation International and Career Center sections within the Starbucks website www.starbucks.com . (6) Environmental Performance Indicators were "Management approach disclosures, Materials used by weight or volume, Percentage of materials used that are recycled input Materials, Direct energy consumption by primary energy source, indirect energy consumption by primary source, Energy saved due to conservation and efficiency, Improvements, Initiatives to provide energy-efficient or renewable Energy based on products and services, and reductions in energy requirements as a result of these initiatives, Initiatives to reduce indirect energy consumption, and reductions achieved. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation."^{xxii} The following can be found on the Environment Conservation International, and Climate Change section within the website www.starbucks.com . (7) Labor Practices and Decent Work Performance Indicators are "Management approach disclosures, and Percentage of employees covered by collective bargaining agreements." This can be found on the About us and career center page, along with Starbucks responsibility policy www.starbucks.com/responsibilitypolicy

Human Rights Performance Indicators include Management "approach disclosures, Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights, Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor, Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor, and Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations."^{xxiv} This information can be found within Starbucks policies, global human rights statement, ethical sourcing statement, and social responsibility standards. (9) Society Performance Indicators reviews and/or impact assessments include "Management approach disclosures, Public policy positions and participation in public policy development and lobbying, Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country."^{xxv} The following can be found on policies/ business ethics section of the website, compliance section of the website, and on www.starbucks.com/responsibility page. (10) Product Responsibility Performance Indicators include "Management approach disclosures, and Practices related to customer satisfaction, including results of surveys measuring customer satisfaction."^{xxvi} This can be found on the FY12 Global Responsibility Report, Business Ethics and Compliance Section, and on the www.starbucks.com/responsibility page.

8. Considered successes for the international management plan? How will it be measured?

At Starbucks we have developed a global strategic LEAD model for diversity where we focus on four key aspects. The four elements are combined in an acronym of the word LEAD.^{xxvii} The L stands for leadership, competency and accountability. We are looking for strong leaders, both in our existing stores and any future restaurants worldwide, who embody the Starbucks culture. We strive to hire people who can lead capably and are willing to act responsibly, taking credit for their actions and achievements, as well as their weaknesses. We encourage feedback from both our employees and customers. Our view on the global strategic model is not simply a clever phrase for a Manual, we believe it is important for all of our employees and managers to know and adhere to. This is why we look for the right people for the right job. There will be an open flow of communication between hourly employees, store managers, area directors, and upper management All employees in a position of leadership will be evaluated on a quarterly basis in accordance to these core values and will be guided to make any necessary changes or recognized for a superior performance in leadership.

Next, there is an E for environment, one that fosters learning, inclusive, and safe, high-performing teams. Starbucks considers all of our people to be a unit; we want to ensure that this sense of community reaches all parts of the company including individual stores^{xxviii}. While different store locations often compete for sales numbers or performance we want to encourage everyone on the Starbucks team to work together. We also want to avoid any conflict within a particular department or store. Each restaurant, office, and department should feel safe, welcoming, and inclusive. While this is mainly the responsibility of the managers and team leaders, it is important that all members work together to achieve this comfortable workplace. We will make sure that our area directors spend time in each of their designated store locations throughout a one month time period. The area directors will be evaluating how they feel the store is doing in regards to a comfortable, inclusive, supportive Starbucks environment. We will also be using guest comments through our website to find out more about how our customers are feeling. Any issues we encounter in regards to the environment will be addressed to the managers as well as the hourly employees. At the end of the day each location is still a team and everyone needs to work together in order to achieve the best possible results within their area.

Since we ask for the best from our people at Starbucks we also look for the best people. While hiring new employees and contracting to suppliers, we search for high quality, honest, and credible vendors and people^{xxix}. We have found in the past it is much easier to build our culture with our people than it is to force them to believe in it. Also, often times it only takes one good person to inspire a team to perform better. The same way one negative or dishonest person can discourage or mislead an entire group. This aspect of our model is typically achieved during our hiring process and done through our human resources department by each region. We need to make sure great talent is acquired in our new Spanish region in order to set a solid groundwork for our company to grow and prosper there. Typically, any people or suppliers who do not seem to fit our ideal companions stand out early on, and we faze them out of our operations. Here at Starbucks we want everyone to have an opportunity to work and develop into admirable talent.

Finally, there is D, the piece of the model that brings it all together, delivering and communicating results through a diversity and inclusion scorecard and enterprise-wide performance metrics^{xxx}. These are the specific standards and indicators we use throughout the company to judge and evaluate the performance overall. Each position and level has their own detailed outline for what is required and desired for various positions. These scorecards are used for evaluation as well as tracking individual and group progress throughout the company. These help our managers and regional directors to understand what is working or not working and why. We hope that an early implementation of our LEAD model will help our development in the Spanish market to evolve much faster and smoother than it may without these strategic guidelines.

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- i "STARBUCKS CORPORATION Fiscal 2013 Annual Report," last modified 2014
http://news.starbucks.com/uploads/documents/Starbucks_Fiscal_2013_Annual_Report_-_FINAL.PDF
- ii "Starbucks Company Timeline," last modified 2014
<http://globalassets.starbucks.com/assets/5deaa36b7f454011a8597d271f552106.pdf>
- iii "Starbucks Company Timeline," last modified 2014
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- iv "STARBUCKS CORPORATION Fiscal 2013 Annual Report," last modified 2014
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- v "STARBUCKS CORPORATION Fiscal 2013 Annual Report," last modified 2014
<http://www.starbucks.com/about-us/company-information/mission-statement>
- vi "Starbucks Responsibility," last modified 2014
<http://www.starbucks.com/responsibility/sourcing/coffee>
- vii "Starbucks Responsibility," last modified 2014
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- xiv "STARBUCKS CORPORATION Fiscal 2013 Annual Report," last modified 2014
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- xv "STARBUCKS CORPORATION Fiscal 2013 Annual Report," last modified 2014
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- xvi "STARBUCKS CORPORATION Fiscal 2013 Annual Report," last modified 2014
<http://www.starbucks.com/about-us/company-information/mission-statement>
- xvii http://news.starbucks.com/uploads/documents/Starbucks_Fiscal_2013_Annual_Report_-_FINAL.PDF
- xviii "Global Reporting Initiative Performance Indicators Starbucks Fiscal 2012," last modified 2014
<http://globalassets.starbucks.com/assets/79decb3b5f814b8086ebfc6f137aadd1.pdf>
- xix "Global Reporting Initiative Performance Indicators Starbucks Fiscal 2012," last modified 2014
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- xxi "Global Reporting Initiative Performance Indicators Starbucks Fiscal 2012," last modified 2014
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