

Management Of Best Practices in Multinational Companies: Starbuck's Best Practices in The Lebanese Market

Mariam Derghan

Beirut Arab University, Lebanon

mariam.derghan.md@gmail.com

Abstract. This paper investigates how a Multinational Corporation (MNC), Starbucks in this case, adopts best practices to produce optimal results in the Lebanese market mentioning the difficulties and factors that influence the application of best practices. The ability of a MNC to effectively adapt a best practice to a host environment depends on the style of management of the company. After a face-to-face interview with the District Area Manager of the Starbucks Mena region and plenty of information gathered from the company's website and documents, Starbucks Lebanon adopts a combination of two different management styles introduced by Professor Howards: Polycentric and ethnocentric approaches.

Keywords. Multinational corporation; management styles; best practices; Starbucks; polycentric attitudes; ethnocentric attitudes.

1. Introduction

The identification and transfer of best practices are emerging as one of the most critical and widespread practical management issues of the latter half of 1990's (Szulanski, 1996). Best Practices is a practice that is positively related to better performance for a firm that adopts it (Laugen et al., 2005), Szulanski, 1996). It has been shown by examination and experience that adopting best practices leads to producing optimal results and is established as a standard suitable for a business to become more competitive, increase sales and develop new markets, reduce costs and become more efficient. Best practice outcomes can also be evident as the improvement of the skills of the workforce, use of technology more effectively, reduced waste, improved quality, and response more quickly to innovations.

Reusing organizational practices in multiple locations is a fundamental way for MNCs to leverage knowledge to seek competitive advantage (Jensen & Szulanski, 2004). Multinational firms tend to be more progressive, dynamic, and headed to the future than local companies, which avoid foreign frontiers and their potential risks and opportunities (Perlmutter, 2017). While companies can't use the same strategies in all developing countries, they can generate synergies by treating different markets as part of a system (Khanna, Palepu & Sinha, 2015).

Here the questions arise: To what extent MNCs' managers have been able to implement best practices? What are the factors that influence the implementation of some particular best practices? Why is the implementation of best practices varied from one country to another?

This study investigates how well a Multinational Company, Starbucks in this case, adopts Best Practices in general, the difficulties (if any) of implementing some best practices in the Lebanese market, and how it has affected its operations. A face-to-face interview was conducted with Mrs. Layla

Elas, District Area Manager of Starbucks Mena region, at Starbucks Galaxy in Beirut. Information derived from the interview was triangulated with information gathered from the company's website, articles, newspapers, and journals.

2. Literature Review And Hypothesis Development

2.1 Management Styles:

The ability of an MNC to effectively adapt a best practice to host environment depends on the style of management of the company (Friel, D., & de Villechenon, F. P.2018).

Executives can draw their firm's profile in three different dimensions (EPG profile);

(E) ethnocentric; home-country oriented, (P) polycentric; host-country oriented, and (G) geocentric; world-oriented (Perlmutter H., 1969).

2.1.1 Ethnocentric dimension (E)

The manager's relations with subsidiaries in developing countries are said to be of an Ethnocentric attitude with high overseas holdings when they maximize their home-country control on their foreign subsidiaries. All the managerial decisions, mission, vision, and objectives are formulated by the MNCs at their headquarters, and the same is to be followed by the host company (Aa & Anthonsen 2011).. Their methods of operations should be adopted in the host country, almost all decisions making comes from the headquarter, and if some product is to take place, they manufacture the simple product leaving the more complex products for the home country. The criteria for men and products are "homemade". Ethnocentric managers show superiority, trustworthiness, more reliability, and trust only for managers from their home country to implement their strategies in their foreign subsidiaries (The Tortuous Evolution of Multinational Corporation, 1969).

2.1.2 Polycentric dimension (P)

Another style of management is the Polycentric approach, in which, by experience or by an inclination of a top executive (usually one of the founders), begins with the assumption that host-country cultures are different and that foreigners are difficult to understand. The rationale behind this approach is that the natives of the host country know their culture better and can run a business more efficiently than their foreign counterparts. They know what is best for them, and part of the firm located in the host country should be as "local in identity" as possible (The Tortuous Evolution of Multinational Corporation, 1969). The nationals here are recruited for managerial positions to carry out the operations of the subsidiary company. Keeping the vision and mission in mind, they have the freedom to formulate business strategies. In contrast, the parent country nationals hold critical positions at the corporate headquarters and analyze the subsidiary's operations from the home office.

2.1.3 Geocentric dimension (G)

Finally, the Geocentric management approach, whose ultimate goal is a worldwide approach, is a collaborative approach between the headquarters and the subsidiaries. Senior executives with this orientation do not equate superiority with nationality. They seek 'best men' regardless of nationality to solve the company's problems anywhere in the world. Senior executives attempt to build an organization in which the subsidiary is not only a good citizen of the host nation but is a leading exporter from this nation in the international community and contributes to increasing the supply of hard currency, new skills, and knowledge of advanced technology (The Tortuous Evolution of the Multinational Corporation, 1969).

2.2 Factors that influence the application of best practices at MNCs

According to Forbes (2018), multinational companies are among the most powerful actors in the global space. There are some 60,000 MNCs worldwide, controlling more than 500,000 foreign subsidiaries worldwide. Globalization is the most critical challenge facing large corporations (Khanna, Strategies that fit Emerging Markets, HBR). It may take months or even years to implement a best practice.

Implementing a best practice is hard work, and rewards may not be immediately realized, but everyone benefits when a best practice is risen and shared with others (Dan Markiewicz, 2018). The achievement of positive early results when implementing best practices may be a source of motivation and an impulse for change initiatives. On the other side, if an implementation isn't done correctly, unintended consequences would occur; such as an increase in cost (cost of training and the time wasted) and a decrease in staff morale (when one tries his/her best and does not accomplish the desired result).

The effective implementation of best practices depends on multiple contextual conditions such as:

- culture,
- religious beliefs,
- business readiness to accept the change,
- resources available in the host country (budget, staff training, involvement of employees, logistics, and communication).

Certain cultural factors impact the implementation of best practices. Literature concerning culture's impact on operation management often builds on the studies of Hofstede (Kull & Wacker, 2010), which was extended into nine dimensions in the GLOBE-study of 62 societies. According to House, Hanges, et al. (2004), the cultural context will influence "the perception, understanding, interpretation, motivation, acceptance and successful implementation of best practice. Among the cultural dimensions that must be studied before any MNCs adapt practices are: future orientation, institutional collectivism, Human orientation, uncertainty avoidance, assertiveness, power distance, in-group collectivism, performance orientation, and Gender Egalitarianism (table 1).

Table 1: Cultural factors that impact the implementation of best practices:

Cultural dimension	Description
Future Orientation	The extent to which individuals engage in future oriented behaviours such as delaying gratifications, planning and investing in the future
Institutional Collectivism	The degree to which a collective's institutional practices encourage and reward collective distribution of resources
Humane Orientation	The degree to which a collective encourages and rewards individuals for being fair, altruistic and generous, caring and kind to others
Uncertainty Avoidance	The extent to which a collective relies on social norms, rules and procedures to alleviate unpredictability of future events.
Assertiveness	The degree to which individuals are assertive, confrontational and aggressive in their relationships to with others
Power Distance	The degree to which members of a collective expects power to be stratified and concentrated at higher levels.
In-group collectivism	The degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.
Performance Orientation	The degree to which a collective encourages and reward group members for performance improvement and excellence.
Gender Egalitarianism	The degree to which a collective minimizes gender inequality

Source: House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.). (2004).

The ability of an MNC to effectively transfer a best practice to another country depends on the nature of the practice itself. When adapting best practices, MNCs have to ensure that the overall meaning of the practice is not dramatically changed to guarantee that its potential benefits can be realized (Friel D. & De Villechenon, F.P. 2018). Concerning implementing new practices, the resistance may be extreme if the practices come from a foreign source due to the commonly labeled syndrome "not-invented-here" (Pascale & Sternin, 2005). Pascale and Sternin (2005) explain that forced adoption of foreign practices can be interpreted as a statement from headquarter that the performance unit is not good enough and might therefore be perceived as an insult.

Similar organizations may share best practices through a process of benchmarking. The problem is that practices that work incredibly well in one circumstance can be ill-suited for another circumstance. In other words, "what works well in one country may not work well elsewhere." Technical, cultural, and political incompatibilities' or misfits trigger different patterns of adaptation of best practices among adopters (Ansari et al., 2010) and (Sturdy, A. 2004). In a much-cited paper concerning the transfer of technology across nations, (Kedia & Bhagat, 1988) conceptualize that the effectiveness of such a transfer depends on the cultural dimensions of the two nations.

"Successful companies develop strategies for doing business in emerging markets that are different from those they use at home and often find novel ways of implementing them, too" (Khanna, Palepu & Sinha, 2015). The geographical location of a subsidiary is relevant for the type of best practice implementation.

The above literature led to analyzing the different management styles executives in headquarters of multinational corporations may adapt. In this sense, managers of Starbucks Lebanon best practices can be identified according to the EPG Profile, thus the following hypotheses are formulated:

H1	Starbucks Lebanon's executive adopts an Ethnocentric profile to run the coffee-house
H2	Starbucks Lebanon's executive adopts a Polycentric approach to run the coffee-house
H3	Starbucks Lebanon's executive adopts a Geocentric approach to run the coffee-house

2.3 STARBUCKS LEBANON-BEST PRACTICES AND LIMITATIONS

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Nearly 40 years later, the company has become one of the most recognizable coffee retailers, with over 25,000 retail stores located globally. The number one leading chain registered a market cap of \$82.67 billion on Dec. 2018; Starbucks' explosive success is among the many great American business stories of our time. Connected with millions of customers every day in 70 countries around the globe in America, Europe, the Middle East, Africa, and China, Starbucks offers a range of exceptional products with more than 30 blends and single-origin premium coffees. With premium coffee, tea, ready-to-drink beverages such as bottled Frappuccino coffee drinks, iced coffee, energy coffee drinks, and bottled iced and juiced teas, Starbucks also offers fresh food such as baked pastries, sandwiches, salads, oatmeal, yogurt parfaits and fruit cups (Starbucks Company Profile).

Multinational corporations are attracted to developing countries for various reasons:

- The countries may be rich in natural resources such as oil, minerals, and tourism. Lebanon is a touristic country with valuable natural resources, as well as a study beacon for Arabic students with reputable universities.
- The costs of labor are much lower than in more developed countries, thus lower cost production allow firms to sell their products at lower prices and make higher profits.

- In many developing countries, government regulations are much less severe than those in developed countries; Where in developing countries, they offer tax concessions to attract direct investment.

Lebanon became the second market in the MENA¹ region to open a Starbucks, in 1999, at Hamra Square. Alshaya Group, one of the most influential retailing franchisees in the region, operates 43 Starbucks branches in Lebanon (alshaya.com, 2022), each with a Lebanese Manager employing an average of 360 Lebanese team- partners (employees). Starbucks MENA has only the beverage approval from the United States headquarters.

Starbucks Lebanon participates in social contribution programs. Starbucks in Middle East and North Africa, formed a four-year coalition with the Association for Forests Development and Conservation (AFDC) in Lebanon, which organized volunteer efforts to reforest some burnt areas. Hundreds of Starbuck partners (employees) and customers joined hands with the AFDC and were able to replant 140,000 square meters of land (mena.starbucks.com). Starbucks Lebanon is planting the roof of some government schools and teaching children the value of going green. They also participate in fundraising events for Children with Cancer and for the Infirmary of older people. Starbucks partners (employees) are involved in many other activities, such as cleaning the 'Sofar' sidewalk, painting and refurbishing governmental schools, and building playgrounds. (Layla Elas)

3. On the Workforce Level

The researcher conducted an in-depth interview with the district area manager Mrs. Layla Alas and retrieved the following information:

Emphasizing the premise that training is a fundamental right of the employee, at Starbucks, a Barista has an opportunity to advance to higher positions (the case of Mrs. Layla, who started as a barista 19 years ago and is now a District area manager), "Employees at Starbucks are being trained for six weeks with specialists before they receive the job. A training module is delivered from the United States headquarters where; Lebanese managers can tweak and adapt it to meet the demands of their personnel and the coffee machine location.

Employees who have received training provide excellent customer service. Offering employees numerous perks and benefits such as in-store discounts, recognition programs, and health insurance coverage since the first labor day to Part-time and full-time partners aside from their dependents; makes Starbucks an enjoyable workplace. At Starbucks, we do not reckon the probation period. Teamwork is essential at Starbucks, and everyone's opinion counts. Employees are the most valuable internal customers; Starbucks' success depends on employees' success; they are the heart of the Starbucks experience, where a meeting is planned every morning before opening the coffee house, and personal objectives and daily targets are set. Whenever employees achieve the company's goal, an incentive is received quarterly; this incentive is a recognition card holding his/her name beside the reason for such an appreciation (like a certificate of appreciation or involvement card). These motivational practice influences employees in other Starbucks MENA regions. However, it does not attain much admiration and motivation among Lebanese employees. So after Lebanese managers communicated with their headquarters in Kuwait, they introduced the AlShaya instore-Card along with the recognition card, where a certain amount of money is deposited in that card and discounted from any purchase at any store of the AlShaya group.

¹ Starbucks MENA region, including Starbucks Lebanon, where MENA stands for the Middle East and North Africa

Compared to other MENA region Starbucks teams, the Lebanese partners, derived from a collectivist society, are eager to learn and do not hesitate to new ideas. The advantage the Lebanese teams have over others is their learning ability; there is nothing complicated for them.

High-level employees (general and branch managers) meet monthly and share information about their different branches. They discuss the main ideas and suggestions and make a small presentation showing their achievements. Upper managers work on the floor with employees for 9 hours/per week. Training does not stop at lower and entry levels; Starbucks pursues vertical and horizontal training (Mrs. Layla, 2019). Managers can access training (in English and Arabic) with their employees through a program called "learning link" where each user has a username and a password.

The Lebanese culture tends to be very formal in business settings calling their manager or supervisor by their titles. But at Starbucks, we call each other and superiors by their first name.

Starbucks Lebanon reflects the Lebanese identity in several ways: Starbucks offers the famous Lebanese Turkish coffee accompanied with Turkish delight and a cup of water. Another Lebanese identity one can touch the outdoor and indoor smoking area (Starbucks all over the world is tobacco-free). On the other hand, knowing that Starbucks has its sound system, "Hear Music" (a music company acquired by Starbucks back in 1999), a particular music track with Lebanese classical music is played at Starbucks Lebanon. Mrs. Layla pointed out that: " Starbucks around the globe does not employ cleaning-specialty people. Baristas are responsible for all cleaning done at the place, it's a team effort to keep the store clean. In Lebanon, Starbucks outsources a cleaning agency where non-Lebanese employees clean the bathrooms."

Having those facts, one can conclude that Starbucks operates ethnocentric for some things and polycentric for others.

Last but not least, Exporting the finest Arabica coffee beans (to preserve Starbucks tradition), Starbucks deals with local suppliers; having the approval of the mother company, they buy the Sugar, Milk, and Water from the Lebanese market. As to the Ready-to-drink coffee category, cold teas, and juices, Starbucks and PepsiCo Lebanon have been partners for more than 20 years (Mrs. Layla).

Intending to apply the drive-thru and the online delivery concept at Starbucks Lebanon, the company found significant resistance from the customers and technological failure due to the Lebanese infrastructure, so the money invested in the programs applied for such a business was a loss.

4. CONCLUSION, FURTHER LIMITATIONS, AND RECOMMENDATIONS

As we can notice from the above meeting with the Starbucks District Manager and the literature presented, the company adopts a combination of two different management styles introduced by Professor Howards; the polycentric and ethnocentric approach to running their coffee houses.

Therefore, H1, and H2 are accepted and verified, while H3 is ruled out.

H1	Starbucks Lebanon's executive adopts an Ethnocentric profile to run the coffee-house	verified
H2	Starbucks Lebanon's executive adopts a Polycentric approach to run the coffee-house	verified
H3	Starbucks Lebanon's executive adopts a Geocentric approach to run the coffee-house	Ruled out

This combination turned out to be an effective style for Starbucks Lebanon due to its profit in the financial statements and widely spread in the Lebanese territory.

In answering the questions, stated before:

- 1) To what extent MNCs' managers have been able to implement best practices?

Managers at Starbucks effectively adopt some best practices, such as holding regular meetings and engaging workers in setting daily objectives, focusing on team efforts, rewarding employees' efforts, and drawing a career path where they can scale up to higher positions. The fact that managers are public figures among employees and work on the floor creates a bond of trust between them. They follow Alshaya's motto: "Act Small, Think Big, and Be You!"

- 2) Why is the implementation of best practices varied from one country to another? What are the factors that influence the implementation of some particular best practices?

Sometimes Starbucks' Lebanese Managers find some difficulties adapting practices concerning employees and customers due to Lebanese mentality and beliefs. However, the headquarters are flexible enough with the subsidiaries where modification is easily applied with acceptance from headquarters. Daily communication and emails are being exchanged with the regional headquarters. Diversification of employees based on nationality (as applied abroad) is not desired in Lebanon. Since Lebanese people adhere to patriotism, they will not support the idea that refugees are taking their jobs, leading to higher unemployment rate.

Another limitation managers may face; is the technological infrastructure. Although employees at Starbucks are open to knowledge and receive adequate in-house training in how to use technology, some gaps in using the system are still found. Many times, the system collapse, and electric power is cut. Power generators are introduced to every Starbucks coffee house (an extra cost not found abroad).

By implementing best practices and introducing environmental awareness through social projects among employees, customers, and students, Starbucks can effectively and efficiently meet the general public's expectations effectively and efficiently by gaining more market shares.

For 10,452 km², having 40 branches and attaining 43 by the end of the year, Starbucks is considered a successful business in Lebanon.

To attract more customers, Starbucks must introduce a menu with more accessible prices for the same experience acquired and open healthier store portfolios by opening new branches in strategic locations such as the Airport.

4.1 Suggestions for future research:

This study proposes factors that may influence best practice implementation in subsidiaries of multinational corporations. As this model was developed using only one corporation, Starbucks Lebanon, in this case, future research is encouraged to conduct similar studies on a higher number of subsidiaries in the Lebanese market to increase generalizability.

1. REFERENCES:

- [1] Aa, O. A., & Anthonson, H. S. (2011). *Management of best practices in multinational companies: A comparative case study concerning implementation of operations best practices in two subsidiaries of the Jotun Group* (Master's thesis, Institutt for industriell økonomi og teknologiledelse).

- [2] Ansari, S. M., Fiss, P. C., & Zajac, E. J. (2010). Made to fit: How practices vary as they diffuse. *Academy of management review*, 35(1), 67-92.
- [3] Friel, D., & de Villechenon, F. P. (2018). Adapting a lean production program to national institutions in Latin America: Danone in Argentina and Brazil. *Journal of International Management*, 24(3), 284-299.
- [4] Howard Schultz, <https://www.forbes.com/profile/howard-schultz/#251fb30b52c6>
- [5] House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.). (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Sage publications.
- [6] Jensen, R., & Szulanski, G. (2004). Stickiness and the adaptation of organizational practices in cross-border knowledge transfers. *Journal of international business studies*, 35(6), 508-523.
- [7] Kedia, B. L., & Bhagat, R. S. (1988). Cultural constraints on transfer of technology across nations: Implications for research in international and comparative management. *Academy of Management review*, 13(4), 559-571.
- [8] Khanna, T., Palepu, K. G., & Sinha, J. (2015). Strategies that fit emerging markets. In *International Business Strategy* (pp. 615-631). Routledge.
- [9] Kull, T. J., & Wacker, J. G. (2010). Quality management effectiveness in Asia: The influence of culture. *Journal of operations management*, 28(3), 223-239.
- [10] Laugen, B. T., Acur, N., Boer, H., & Frick, J. (2005). Best manufacturing practices: what do the best-performing companies do?. *International Journal of Operations & Production Management*.
- [11] Pascale, R. T., & Sternin, J. (2005). Your company's secret change agents. *harvard business review*, 83(5), 72-81.
- [12] Perlmutter, H. V. (1969), The Tortuous Evolution of the Multinational Corporation, *Columbia Journal of World Business*, Vol. 4, pp. 9-18
- [13] Perlmutter, H. V. (2017). The tortuous evolution of the multinational corporation. In *International Business* (pp. 117-126). Routledge.
- [14] Raval, D., & Subramanian, B. (2000). Effective transfer of best practices across cultures. *Competitiveness Review: An International Business Journal*.
- [15] Ryan C. Larson 08', Starbucks a Strategic Analysis, Past Decisions, and Future Options <https://www.biu.ac.il/soc/sb/stfhome/bijaoui/891/case/2009/starbuck08full.pdf>
- [16] Starbucks Evolves Structure in EMEA to Accelerate Long-term Strategic Growth 10/18/18 <https://investor.starbucks.com/press-releases/financial-releases/press-release-details/2018/Starbucks-Evolves-Structure-in-EMEA-to-Accelerate-Long-Term-Strategic-Growth/default.a>
- [17] Starbucks: ^[1]_[SEP]
- [18] <https://mena.starbucks.com/en>
- [19] <https://news.starbucks.com/press-releases/starbucks-2018-investor-conference>
<https://www.starbucks.com/about-us/company-information/starbucks-company-profile>
- [20] Starbucks Stores in Lebanon <https://www.alshaya.com/en/brand/starbucks/lebanon/>
- [21] Learn About the Structure of Starbucks [https://www.thebalancesmb.com/is-starbucks-](https://www.thebalancesmb.com/is-starbucks-a-franchise-1350973)
- [22] [a-franchise-1350973](https://www.thebalancesmb.com/is-starbucks-a-franchise-1350973) ^[1]_[SEP]
- [23] Sturdy, A. (2004). The adoption of management ideas and practices: Theoretical perspectives and possibilities. *Management Learning*, 35(2), 155-179.
- [24] Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic management journal*, 17(S2), 27-43.