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# **The Effect of Macroeconomics Factors Towards the Starbucks Corporation**

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## **ABSTRACT**

This study is aimed to search for the impact of macroeconomics factors and internal factors for Starbucks Corporation in Washington D.C, United State. This study was carried out by using the secondary data which was get from the annual report of Starbucks corporation from year 2014 until year 2018. The effects of company performance may be caused by internal as well as external factors, likely due to inadequate management or failure of internal procedures, human errors or system failures or due to the changes of macroeconomics situation. It is important for an organization to manage corporate governance efficiently. Multiple regression analysis of financial ratio of the Starbucks corporation is conducted for the year from 2014 until year 2018. The results and analysis indicate that, relative to firm-specific factors, macroeconomic factors (exchange rate) have a greater influence on the company's performance. This study also indicates that it is important for an organization to control its management of corporate governance on issues arising from foreign currency fluctuations.

Keywords: Exchange rate, Corporate Governance, Macroeconomics, Company performance.

## 1.0 INTRODUCTION

Corporate governance is essential in the contemporary world to build an organization's growth and sustainability strategies. Corporate governance is a process and a structured approach used to direct and manage the company's business and affairs towards improving business prosperity and corporate accountability, with the aim of achieving long-term shareholder value while considering the interests of other stakeholders. In this chapter we will focus on the concept of sound corporate governance associated with Starbucks Corporation and the main risks associated with Starbucks Corporation.

### 1.1 COMPANY BACKGROUND

Starbucks is the world's leading specialty coffee roaster, marketer and distributor operating in 78 countries. Starbucks was founded in 1971 in Seattle, Washington. Starbucks Corporation traded common stocks on the NASDAQ in 1985 (the NASDAQ stock market is the American stock exchange). It is ranked second on the list of stock exchanges by market capitalization of listed stocks, behind only the New York Stock Exchange). Global Select Market under the symbol "SBUX".

Originally, Starbucks Corporation purchase and roast high-quality coffees they sell along with handcrafted coffee, tea and other drinks and a range of high-quality food products through company-operated stores. This said business also sells a range of coffee and tea items and licensing their trademarks through other outlets including licensed stores, food service accounts and grocery stores. they are also offer goods and services under the following names, Teavana, Seattle's Best Coffee, Evolution Fresh, La Boulange, Ethos, Starbucks Reserve, and Princi, in addition to the company's flagship Starbucks Coffee brand.

The main goal of Starbucks Corporation is to uphold its reputation as one of the world's most respected and recognized brands. To do this, the focused expansion of their international customer base continues, adding outlets in both new and developed markets such as the U.S. They also have higher growth markets like China, as well as optimizing the mix of business-operated and licensed stores worldwide. Starbucks Corporation control and procedures are usually solely managed by the executive board directors.

### 1.2 CONCEPT OF SOUND CORPORATE GOVERNANCE ASSOCIATED WITH STARBUCKS CORPORATION.

Starbucks Corporation has the best plans to meet the successful corporate obligations. Such approaches should help in the competitive world market to achieve sustainability and growth.

#### 1.2.1 OPENNESS, HONESTY AND TRANSPARENCY

Openness is a willingness to provide the individuals and community with information about the company. In the 2018, 2017, 2016, 2015 and 2014 Starbucks corporate annual report, It included all relevant market data for the registrant's common equity, related investor and issuer concerns,

bond purchases, management's discussion and analysis of financial condition and operating performance, quantitative and qualitative market risk reports, independent public accounting firm's study, controls and procedures of the firm and also other information.

Besides, honesty is may seem to be as obvious quality for companies to have. A sign of authenticity is that shareholders and creditors assume that the company's message is the BOD's true statement. In their annual reports the have stated that “We adopted an ethics code that applies to our Chief Executive, Chief Financial Officer, Controller and other Finance Leaders, which is a "code of ethics" as defined by the SEC's applicable rules. This code can be found on our website”.

"If we make any changes to this Code other than technical, administrative or other non-substantial amendments or grant any exemptions, including implied waivers, to our Chief Executive, Chief Operating Officer, Chief Financial Officer or Controller from the provision of this Code, we shall report the existence of the amendment or exemption, its effective date and to whom it applies." This shows that the Starbucks Corporation have the honesty to make valid statements not only to shareholders, but also to investors and stakeholders.

Transparency refers to the simplicity with which a company's outsider may make a meaningful evaluation of a company. Starbucks Corporation has put in place a number of different processes, protocols, rules, practices to guide their company in accordance with the principles of their mission statement, the law and the regulations, in 2006 that Starbucks Corporation formed a governing committee, to ensure that the things put in place were actually followed. The committee is responsible for monitoring and concentrating on the happiness of clients and investors. In order to get more customer involvement and gain more transparency, Starbucks Corporation participated in many stakeholder meetings, including a health meeting in October 2015, water related concerns in November 2015, a meeting to discuss the fiscal year 2015, and the last meeting was a meeting to seek input from all stakeholders. This shows us that Starbucks Corporation cares what their shareholders think about the company and how they should proceed their shares in the said company. Unlike other businesses they're not waiting until the numbers come in, they're proactive in finding out what the stakeholders feel so they can make changes and, if necessary, keep on the path.

### 1.2.2 REPUTATION

Like an individual, a company or business will be widely known for its reputation. A good reputation is informed by a code of ethics, corporate social responsibility (CSR), fair treatment of employees, consumer behaviour, community involvement and ability to follow both the spirit and the letter of the law. Starbucks Corporation in its 2014 annual report stated that “In the communities where we do business, we are committed to being a highly responsible company. Our focus is on ethically sourcing high-quality coffee, reducing our environmental impacts and contributing positively to communities around the world. Our overall business strategy includes Starbucks Global Responsibility Strategy and commitments. As a result, we agree that we provide value to our stakeholders, including staff, business partners, consumers, vendors, investors, members of the community and others.” This shows that Starbucks Corporation is really concerned about their reputation and has taken several steps to maintain their standard among the competitors.

### 1.2.3 FAIRNESS

Fairness refers to the principle of equal consideration for all shareholders, protecting shareholder rights and treating all shareholders, including minorities. Based on the annual reports, Starbucks Corporation aims to increase the value of its investors and to maintain a good relationship with its stakeholders. This is shown by saying, "At Starbucks, our commitment to good governance, ethical conduct and social responsibility is at the heart of our way of doing business and is strongly aligned with our drive to create and increase shareholder value. We are also committed to maintaining our relationships with stakeholders and gaining input and feedback on mutually important issues in their 2016 annual report. Besides, there are female group presidents in Starbucks Corporation, Rosalind G. Brewer, Rachel A. Gonzalez and Lucy Lee Helm. It shows that Starbucks Corporation is fair enough to provide employees with opportunities to occupy higher positions regardless of gender.

### 1.2.4 INDEPENDENCE

Independence is about processes and mechanisms to mitigate and prevent conflicts of interest altogether. It applies to independent directors and consultants who are exempt of another people's influence. The Board of Directors is the one who sets performance goals including metrics such as earnings per share, operating income and return on invested capital for Starbucks corporation. This shows Starbucks's goals are merely determined by the Board of Directors. In addition, their board of directors also approved the repurchase shares of Starbucks Corporation common stocks under a plan. The control and procedures of Starbucks Corporation are usually managed exclusively by the directors of the executive board.

## 1.3 MAIN RISK ASSOCIATED WITH STARBUCKS CORPORATION

### 1.3.1 CREDIT RISK

Credit risk is a loss that arises from the inability of a borrower to repay a loan or satisfy contractual obligations. A proper credit risk assessment and management may reduce the severity of the loss. In Starbucks 2018 annual report, we can find that Starbucks Corporation entering into transactions with carefully selected, creditworthy counter-parties, they minimize their credit risk and distribute contracts between several financial institutions to reduce credit risk concentration. They also added that all their receivables consist mainly of receivables from their licensees for product and equipment purchases and royalties, as well as receivables from their consumer-packaged goods ("CPG") and customers of the food service company. An allowance for doubtful accounts is determined on the basis of historical experience, credit risk to the consumer and implementation of the relevant identification process.

### 1.3.2 MARKET RISK

Market risk is the ability for an investor to suffer losses due to factors that affect the overall financial statement quality in which they are involved. Market risk is also referred to as a systemic risk that cannot be removed by diversification. Market risk included recessions, political upheaval, price shifts, natural disaster, and terrorist attacks. In Starbucks 2018 annual report they have stated because of the risk of rising commodity prices such as green coffee and dairy products, the results of their operations are directly affected, and they expect commodity prices, especially coffee, to impact their future operating results.

### 1.4 PROBLEM STATEMENT

Corporate governance is the most important term for everyday business, and it is ideal for capital markets. Corporate governance is "the framework of rules, relationships, systems and processes within and through which corporate authority is exercised and managed. "It includes the mechanisms that hold account of companies and those in charge. Corporate governance impacts how the company's goals are developed and accomplished, how risk is managed and measured, and how performance is structured. Strong corporate governance frameworks enable businesses to create value through creativity, growth, and deliver transparency and control systems that suit the risks involved. Good corporate governance ensures that disclosure and accountability procedures are followed in order to provide reliable and accurate information about the financial, operational and other aspects of the company to regulators and investors as well as to the general public. As mentioned elsewhere in this article, corporate governance is a term that means many things, and the ultimate goal of good corporate governance is to generate profits in a transparent and accountable way. It is therefore important to conduct research to determine how much the company-specific factor and economic variable, which is its macroeconomic factor, influences Starbucks Corporation's performance

### 1.5 RESEARCH OBJECTIVE

The study aims to determine the specific factor and economic factor of the company that affects Starbucks Corporation's performance. The goal of this study is:

1. To examine the company specific or internal factor towards the company performance of Starbucks Corporation.
2. To examine the economy factor which is macroeconomic towards the company performance of Starbucks Corporation.
3. To examine the company specific factors or internal factors and the economy factor which is macroeconomic toward the company performance of Starbucks Corporation.

## 1.6 RESEARCH QUESTION

1. What does the impact of the company specific factors or internal factors and company performance of Starbucks Corporation?
2. What does the impact of the economic factor which is macroeconomic towards company performance of Starbucks Corporation?
3. How does the company specific factors or internal factors and the economic factor which is macroeconomic towards company performance of Starbucks Corporation?

## 1.7 SCOPE OF STUDY

The study was focus on the company performance of Starbucks Corporation. The elements for the company performance are taken from the company performance of Starbucks Corporation website and the company annual report within 5 years (from 2014 to 2015).

## 1.8 ORGANIZATION OF STUDY

This research is made up of five central chapters. First section is the overview of this report, which includes the background of the firm the sound corporate governance associated with Starbucks Corporation, the main risk associated with Starbucks Corporation, research priorities, research issues, study context and study organization. In the second chapter, we discuss the literature review, which is internal and external factors influencing the company performance. Chapter three says methods that used to conduct the research. In chapter four, we will discuss about the findings and results of this study. In fifth chapter is summary and conclusions of this study.

## 2.0 LITERATURE REVIEW

### 2.1 INTRODUCTION

This section will cover the analysis relevant to this examination of past literature. This section will focus on the general concept, definition, importance as well as the methods of different elements such as corporate governance, corporate performance, market risk, credit risk, operational risk, liquidity risk and macroeconomics.

#### 2.1.1 CORPORATE GOVERNANCE

Corporate governance is, according to La Porta et al. (1998), a collection of internal and external reward and control mechanisms to reduce costs associated with the management agency problem. Through Zingales L. (1998) Corporate governance is also defined as ' ownership distribution, capital structure, management compensation structures, takeovers, board of directors, institutional investor influence, commodity market competition, labour market competition, and management organizational structure.

Another study by Cadbury Committee (1992) Corporate governance is the structure that directs and governs businesses. Corporate governance is also concerned with the relationships between the various internal and external stakeholders involved as well as the mechanisms of governance designed to help an organization achieve its objectives. According to Stephen A. Drew et al. (2002) Culture, leadership, alignment, systems and structure are elements that engage in effective corporate governance.

Through Barac (2001) Corporate governance as frameworks, procedures, communities and systems that facilitate effective management operations. It is the process by which a management expert's owners and creditors control and require accountability for the management's assigned resources. According to Asian Development Bank (1999) The definition of good governance also focuses on questions about behavioural standards that help ensure that governments achieve what they promise to their people and take action on it.

In contrast, corporate governance activity has only a small effect on its market value relative to other variables such as business climate, macroeconomic conditions, and management skills, but lack of correlation might also reflect the data's restricted domain. A well-developed corporate governance structure, variations within a single country among companies in corporate governance practices may be restricted according to Bernard Black (2000).

Through Nikita Gajjar (2018) Corporate governance refers to the act of managing an entity Public limited companies raise capital to grow and run a company from thousands of investors. But in the day-to-day operation of a corporation, these owners effectively play no active role, delegating all control to a management team. Ensuring that the management team runs the company in the interests of its owners is what good governance is all about, rather than filling its own pockets.



## 2.1.2 COMPANY PERFORMANCE

According to Judita Narkuniene and Aurelija Ulbinaite (2018), A company's performance assessment defined as a wide and multifunctional process that combines all its significant performance indicators in a way that enables it to assess performance, enable a constant company management process, create values, adjustment, and rapid reaction that leads to the company's improvement and growth. Besides, they have stated that, it is very important to take notice of the non-financial information that is perceived to be complementary to the financial information. Therefore, the performance analysis of the business should not focus solely on financial metrics.

Based on the studies done by Parkinson JE (1997) The mechanism by which those involved in the management of the company are held accountable for their performance in order to ensure that they adhere to the correct objectives of the company. According to K. Bertals (1998), Qualitative requirements such as organizational alignment and development system management are important factors for the overall performance of companies.

According to Arijit Chatterjee and Donald C. Hambrick (2019) CEO Narcissism has to do with extreme and inconsistent performance of the company. Narcissistic CEOs tend to generate more extreme performance than their less narcissistic counterparts, as measured by both accounting and shareholder returns, such as bigger wins and big losses. Besides, Narcissistic CEOs favour bold actions that attract attention, leading to huge wins and losses, as well as wide swings between these extremes.

"Narcissistic personality disorder (NPD) is a pattern of self-serving, narcissistic thinking and behaviour, a lack of empathy and other people's concern, and an overwhelming need for praise." Melinda Smith (2019).

Through Ebrahim Mohammed Al-Matari et al. (2014) Performance assessment has immense importance for an organization's productive leadership and system improvement since only observable items can be controlled. Therefore, enhancing organizational efficiency required certain measures to assess the impact on business success of the degree of organizational effectiveness. Globalization facilitates business activities and high performance, he says, and businesses can have a wider opportunity to grow by eliminating the barriers that exist in corporate trade and financial investment.

According to John Hagel (2013), ROA is the most effective and widely available financial measure to evaluate the performance of the company. It captures in a comprehensive way the essentials of business performance, looking at both the performance of the income statement and the assets needed to run a business. According to Sarah Aliabadi (2013), Some metrics can be used to calculate the company's performance, such as return on investment (ROI), return on equity (ROE), return on assets (ROA) and return on sales (ROS) and return on assets (ROA), and their results also demonstrate that the most important accounting metric for their sample data is return on assets (ROA). For this study we will use return on assets (ROA) as our measure company performance.

### 2.1.3 MARKET RISK

According to Pierre-Yves Moix (2001), Market risk is defined as the risk resulting from changes in the prices of financial assets. Exposure to risk factors, such as commodity prices and instance equity, as well as foreign exchange rates and interest rates can also segregate market risk. According to Stephen A. Ross (2018), Market risk is one that impacts, to a greater or lesser extent, a large number of capitals. Competitive risk or sometimes referred to as the systematic risk that has broad effects on the business. To some extent, the market risk affects almost all assets. Often referred to as non-diversifiable risk is market risk.

According to Emilia Milanova (2010), Understanding the market risk is a natural part of the bank's operation and can be a significant source of profit and share value. The income volatility is an important and key factor in the interest rate risk assessment, since reduced earnings and direct losses can unexpectedly threaten the financial stability of the company, lose its capital adequacy, decrease market confidence and decrease its liquidity.

According to Stephen A. Ross (2018), Market risk is crucial to the expected return of the assets. The specific measure called the beta coefficient. A beta coefficient will show how much market risk a specific asset has with respect to an average asset. Beta is used in the capital asset pricing model (CAPM), which uses beta and expected market returns to calculate the expected return of an asset. Through, Reserve Bank of Australia Bulletin (1996), Market risk evaluation within the banks centered on the adequacy of the so-called Value-at-Risk (VaR) models. For a given portfolio of investing, such equations were generated to estimate.

### 2.1.4 CREDIT RISK

According to Tony Van Gestel and Bart Baesen (2018) There is no doubt that credit risk management is one of the most important issues in financial risk management. According to the Central Bank Of Malaysia (2018) Credit risk, or the risk of not repaying the money owed, has been popular in the history of banking. Credit risk is the risk of failing to fulfil a counterparty's obligations to repay the money they owed.

Through Tony Van Gestel and Bart Baesen (2018) Credit risk assessment is a process that involves identifying potential risks, assessing these risks, managing them accordingly, and applying risk models effectively. Efficient credit risk management tools are necessary to allow the exponential growth of consumer credit. Before specific automatic decision-making tools, credit borrowing would have stopped banks from increasing the loan book with the pace they have. According to the Central Bank Of Malaysia (2018) A broad approach to credit risk management is important, involving both on- and off-balance sheet activities, capturing credit risk sources beyond those related to the provision of finance, such as the purchase of debt securities, and entering into securities financing transactions and derivatives contracts. This also involves a sound understanding of credit risk interlinkages with other risks.

According to Tony Van Gestel and Bart Baesen (2018) The credit risk analysis is given by both credit scores and credit ratings. If scores are obtained in equal score sections or hazard categories, the score results in a "score." Score terminology is particularly used in retail environments where

most statistical scoring systems score large customer databases automatically. Ratings are assigned to bond issues and take both objective and subjective elements into consideration. The goal of the contextual components is to gather insights and possible development. Ratings are the product of a manual process that may take days to weeks to complete.

#### 2.1.5 OPERATIONAL RISK

According to Marsha, C.L. (2001) Operational risk is defined as the potential for any interruption in the business processes of the company. The disruption may be caused by one-off events, ranging from rogue trading and accounting errors to terrorist activities and landmark legal settlement, and inappropriate sales practices and systems that fail to sabotage, regulatory violations, and acts of God. Based on the study done by Rodney Coleman (2010) operational risk is Often known as "Oprisk" is operating hazard. This risk This threat is recognised by its money-making practices as the everyday risks of running a business beyond those. According to Acharrya, M. (2006), Operational risk is the term hazards of direct or indirect loss due to deficiencies in internal processes, individuals and systems or external events.

According to Marshal, C.L. (2001) A number of common justifications exist for businesses to handle their operational cost, such as regulatory uncertainty, mergers and acquisitions, consolidation of best practices, duplication of risks, emerging products and services, and allocation of resources. Through Neil Cantel et al. (2012), Operational risk is becoming increasingly important as awareness grows that this is where most business risks can continue to be shielded.

According to Marshal, C.L. (2001) through audit and internal control. Accounting control systems are designed by senior management to develop strategic plans and policies. To ensure that operation is kept in check, diagnostic controls and series of limitations and sanctions are used. Internal and external review concentrate on verifying the presence of assets and liabilities that are the responsibility and accountability of the company. Operational risk management uses similar statistical approaches but moves beyond them to assess and allocate resources on the basis of the resulting threat assessments. Besides, Insurance can be used to transfer some operational risk from the insured to the insurer. Insurer can reduce risk using pool of non-correlated exposures by diversification.

#### 2.1.6 LIQUIDITY RISK

According to Antonio Castagna and Francesco Fede (2013) Liquidity risk is the case that the bank will obtain fewer amounts of cash reserves in the future to satisfy its transaction commitment than anticipated. In addition, the amount of economic losses due to the fact that the algebraic sum of positive and negative cash flows and existing cash available at that date differ from some expected level on a given date. Based on the study done by Jose A. Lopez (2008) Liquidity risk also has various definitions. Liquidity is generally defined as a financial company's ability to fulfil its debt obligations without incurring inappropriately large losses.

Antonio Castagna and Francesco Fede (2013)If a bank is unable to fund its future payment obligations because it receives less money than expected from customers, from the sale of assets, from the interbank market or from the central bank, this risk may result in an insolvency situation

if the bank is absolutely unable to meet its obligations, even by using very expensive alternatives. Based on the liquidity risk management guide, regulators around the globe identified liquidity risk as another important area to address immediately. Illiquidity will directly affect the day-to-day operation of the bank and will result in the loss losing credibility.

Antonio Castagna and Francesco Fede (2013) The liquidity risk assessment tool is referred to as quantitative liquidity risk, a series of tools for measuring and controlling numerical liquidity risk. These measures are intended to monitor the net cash flows that a bank could expect to receive or pay in the future and to ensure that it remains solvent. Nevertheless, cash flows classified by taxonomy are generated by two groups of variables. Based on the liquidity risk management guide, they stated that a regular cash flow forecast is a prudent step for any business to take, whether or not a business is experiencing tight liquidity. To order to identify key areas of liquidity risk, financial metrics can be used. Three main categories are measures of operational cash flows, liquidity ratios, and financial strength (leverage) to assess both short-term and long-term liquidity risk.

### 2.1.7 MACROECONOMICS

Based on (Brouwer, 2003) said that, Governance efficiency is concerned with macroeconomic results, as it provides a vital basis for the efficient distribution of capital resources. Macroeconomics means economists that have examined an economy as a whole's performance and actions (chen, 2018).

Macroeconomic emphasis on overall inflation, unemployment, growth rate, and gross domestic product changes in the economy. Mostly government employed macroeconomic model to assist them in formulating economic policies and strategies. The government will attempt to develop its fiscal and monetary policies through central bank to keep the economy in its view. Good governance can reduce their risk of macroeconomic disruption by including the forms of shock an economy is subjected to and making it easier for official decision-makers and private decision-makers to cope with when negative shock happens. However, good governance also contributes to greater economic and financial growth, affecting higher incomes and stock prices through good governance rather than the other way around. Therefore, if there are more foreign investors and a greater board of directors, the company's corporate governance quality can improve the firm stock price.

Foreign direct investment is important for economic development and growth, not only because it can finance the economy's expansion of capital stock and manufacturing base, but it also transfers sources such as less developed skills and technologies in the recipient country (Brouwer, 2003). According to Abraham Lioui (2016) external macroeconomic risks are considered to be the risks that affect a project or organization as a result of the wider domestic economy performance. These risks include the normal fluctuations in the economic activity of a country, foreign exchange rates, inflation and interest rates.

### 2.1.8 EXCHANGE RATE

According to Charles (2006) Floating exchange-rate appreciation decreases export markets productivity and has a negative impact on export driven economies ' domestic stock markets. However, for an import-controlled state, it has a positive effect on the stock market by increasing input costs. Indeed, countries such as import-oriented Kenya may experience price instability in the face of volatility in exchange rates because their economy is solely dependent on imports of raw materials, capital goods and consumer goods, hence the need to manage the foreign exchange market.

Based on the study done by Farah M. Musa, Exchange rates play an increasingly important role in any economy, as they directly affect the level of domestic prices, the profitability of traded goods and services, resource allocation and the determination of investment. For industrialized countries, the influence of exchange rate fluctuations on trade was observed more than in less developed economies. In a nation, trade and investment are likely to be affected by the foreign exchange market happenings. Therefore, a steady exchange rate is likely to have positive effects on household income and demand, corporate investment, export and job decisions, economic, debt and monetary policies of the government and trade balance (Adebiyi, 2006).

## 3.0 METHODOLOGY

### 3.1 INTRODUCTION

Introduction Research methodology is a rigorous way of solving a specific problem. According to Rajasekar, S, Philominathan, P, and Chinnathambi research methodology, or researchers ' methods for performing a sequence of tasks to predict, clarify and interpret events, is the philosophy of how to do research. The aim of this research is to understand the specific factors of the organization and the macroeconomic impact towards the Starbucks Corporation's performance. IBM Statistical System for Social Sciences (SPSS) version 25 is the tool used to collect and analyse results.

### 3.2 SAMPLING TECHNIQUES

The company-specific factors and the macroeconomic impact against Starbucks Corporation. Starbucks Corporation's organizational results was chosen as examples to execute this analysis in a more practical way. Annual report of this firm from year 2014 until 2018 are used to determine the relationship between dependent variables which is company performance (ROA) and independent variables which is company specific factor or internal factor and macroeconomic factors.

### 3.3 RESEARCH DESIGN

This study used a descriptive research design. According to Burns (2010) state that, Descriptive research development is a collection of parameter descriptive methods and procedures. Through Churchill (2007) Usually, a descriptive research model is concerned with assessing the rate of occurrence or the association between variables. The model is suitable as it helps to define, analyse existing relationships, and contrast variables in a specific study. In this case, the relationship between return on assets and exchange rate was determined. The dependent variable was the external factor which is exchange rate while the independent variable was the internal factor, return on asset for the company performance.

#### 3.3.1 INDEPENDENT VARIABLE

Independent variables are variables that can influence a difference in the dependent variable and have a positive or negative correlation for the other dependent variables (Kuncoro, 2009). Independent variables used in this study is return on assets (ROA).

#### 3.3.2 DEPENDENT VARIABLE

The dependent variable is 'dependent' on the independent variable. The effect on the dependent variable is measured and reported as the experimenter adjusts the independent variable. In this study we will focus on the internal and external factors which is current ratio, quick ratio, average collection period, debt to income, operational ratio, operating margin, corporate governance index, Gross Domestic Product (GDP), exchange rate, interest rate, standard deviation and Inflation rate.

### 3.4 STATISTICAL TECHNIQUES

This study focuses on the Starbucks Corporation. The data used to run this research are gathered from annual reports of this company from year 2014 until 2018. The financial information is contained in the statement of income and the balance sheet in the annual report is used to assess the company's financial performance by calculating the financial ratios such as return on assets, return on equity, quick ratio, current ratio, average collection period, debt to income, operational ratio, operating margin and corporate governance index. In addition, this study also focusses on Gross Domestic Product (GDP), exchange rate, interest rate, standard deviation and Inflation rate. Ordinary Least-Square (OLS) regression or more commonly known as linear regression is the important methodology used to do this work. It is much simpler and more practical to use Ordinary Least-Square (OLS) to predict regression than other possible approaches.

### 3.5 DATA ANALYSIS

In this study, one dependent variable which is return on assets (ROA) and two categories of independent variables which is firm-specific or internal factors and macroeconomics factor were used. This basis for the analysis is shown as follows:

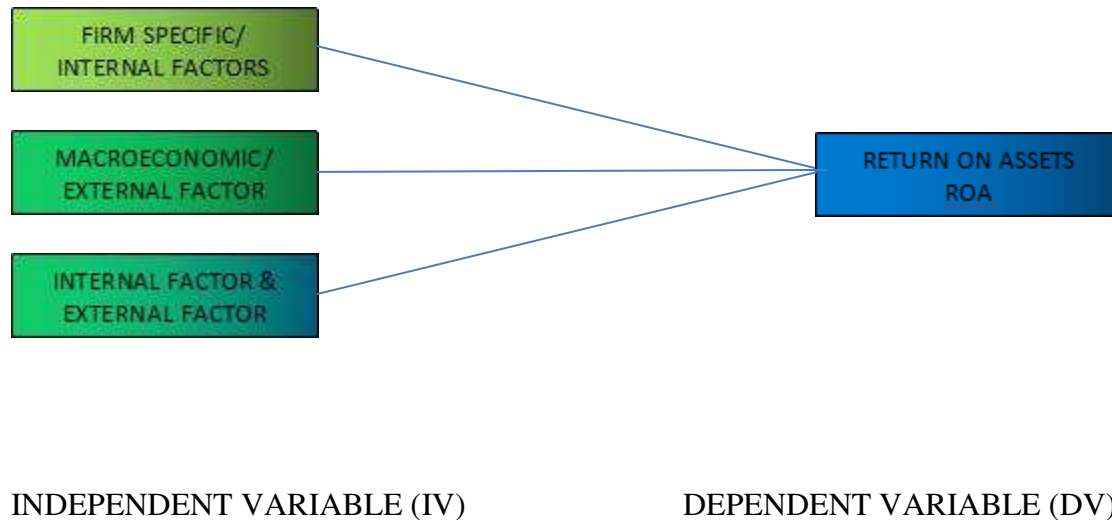


FIGURE 3.5.1

According to Hiestand (2011) The data were pooled using a pooled model as the models provide a constant intercept and slope coefficient. The pooled multivariate regression method was used to calculate the particular internal or firm factors or external factors or macroeconomic factors that affect the output or return on assets of the company. The hypothesis was illustrated in Model 1, 2 and 3.

### Model 1

Internal / Firm Specific:

$$ROA = a_0 + a_1 CR_i + a_2 QR_i + a_3 ACP_i + a_4 DEPT_i + a_5 OR_i + a_6 OM_i + a_7 INDEX_i + \epsilon_{it}$$

### Model 2

External / Macroeconomics:

$$ROA = a_0 + a_1 GDP_i + a_2 INFLATION_i + a_3 ER_i + a_4 IR_i + a_5 STDV_i + \epsilon_{it}$$

### Model 3

Internal/ Firm Specific and External/ Macroeconomics:

$$ROA = a_0 + a_1 CR_i + a_2 QR_i + a_3 ACP_i + a_4 DEPT_i + a_5 OR_i + a_6 OM_i + a_7 INDEX_i + a_8 GDP_i + a_9 INFLATION_i + a_{10} ER_i + a_{11} IR_i + a_{12} STDV_i + \epsilon_{it}$$



## 4.0 FINDINGS

### 4.1 INTRODUCTION

In this chapter, the analysis such as descriptive statistics, correlation, model summary, coefficient and anova is used to explain the significance level of internal and external factors that affecting the Starbucks Corporation performance.

### 4.2. DESCRIPTIVE STATISTICS

Descriptive Statistics			
	Mean	Std. Deviation	N
ROA	.046900	.01928	5
CURRENT RATIO	1.386960	.0423638	5
QUICK RATIO	1.001380	.0231296	5
AVERAGE-COLLECTION PERIOD	25.379900	2.9674054	5
DEBT TO INCOME	.536920	.0882390	5
OPERATIONAL RATIO	.063400	.0192872	5
OPERATING MARGIN	.042360	.0187476	5
GDP	2.3960	.53984	5
Inflation	1.5000	.89163	5
Interest Rate	1.870203213691644	.445591666929489	5
Exchange Rate	1.1720	.09284	5
Stdv	.619720078286571	.151301504037485	5
Index	.800	.0000	5

TABLE 4.2.1: Descriptive Statistics of dependent variable and company internal and external factors of Starbucks

Descriptive statistics are used to describe the basic features of the data in this study. In generally, the mean shows an average data meanwhile the standard deviation is how's the fluctuations of the said data. The higher the standard deviation the more the fluctuate, low standard deviation means less fluctuate. In addition, the higher the standard deviation indicates the high volatility. Meanwhile, low standard deviation means it is indicating the market's volatility is considered less.

Based on the table 4.1 above, the mean for return on asset (ROA) is 0.04690. This shows in five years 2014 - 2018, the Starbucks Corporation averagely achieved a 4.69 USD of income from 1 USD of the assets. In other words, every dollar that Starbucks Corporation, invested in assets in five years produces \$4.69 of net income which Starbucks Corporation is effectively can earn some return on its investment in assets. Next, the standard deviation for Starbucks Corporation is 0.0928,

Standard deviation of Starbucks Corporation is only 9%, shows Starbucks Corporation's standard deviation are close to its mean in this data set. This means it has low fluctuation which means less sensitive for five years from 2014 to 2018. Besides from the table 4.1, the mean and standard deviation of the current ratio is 1.386960 and 0.423638. In general, current ratio which has a mean value between 1.2 to 2 is the best for a company. In this case the Starbucks Corporation has a current ratio of more than one which is 1.4, this shows that the Starbucks Corporation have enough liquid assets to cover its short-term liabilities and it is able to cover all its short-term obligation. The standard deviation shows current ratio is low have low fluctuation about only 4% and this shows it do not fluctuate much from its mean.

Table 4.1 shows, quick ratio of Starbucks Corporation which has 1.001380 of mean and 0.231296 of standard deviation. The mean of 1 quick ratio shows Starbucks Corporation have the ability to pay off its current liabilities with its quick assets. Starbucks Corporation is able to pay off its obligations without having to sell off any long-term assets. The standard deviation of 23% fluctuating to its mean which shows quick ratio highly sensitive to the changes for five year from 2014 to 2018. Meanwhile, the average collection period with a mean of 23.799 and a standard deviation of 2.9674. This shows it is averagely taking 23 days to collect its debts from its account's receivables. This is considerably not bad because Starbucks Corporation collects its debt within 30 days. Starbucks Corporation is highly fluctuating to its mean because having 3 % of standard deviation.

The table 4.1 shows, Debt to income of Starbucks Corporation has 0.53692 of mean and 0.088239 of standard deviation. In general, a debt to income ratio must be maintain below 36%. In this case, Starbucks Corporation takes nearly 54% of its income to pay off its debts. This is because Starbucks Corporation are solely concerning to pay off its debts rather than put aside some of its income for investment. Starbucks Corporation might invest but in a low percentage. The standard deviation of 8% shows that it's not too close to the mean, less fluctuation in other word. Then the operational ratio's mean is 0.06400 and has a standard deviation of 0.192872. This shows, the average operational ratio for Starbucks Corporation is 6.4% of the company's net sales are operating expenses. This shows only few percentages of operating expenses that Starbucks Corporation hold for these 5 years. This shows it is effectively managing its operating costs. The standard deviation shows 19.28% are fluctuating to this data. Furthermore, operating margin of Starbucks Corporation consists of 0.04360 of mean and 0.187476 of standard deviation. The average operating margin is shows Starbucks Corporation makes 4.36 USD as a profit on 1 USD of sales after paying all its variable costs of production such as wages and raw materials before paying its interest or taxes on its profit. The standard deviation shows 18.74% of variation within these five years.

In addition, the mean for GDP is the highest among the other variables which is an average of 239.6% in the data set. The standard deviation is 0.5398 which is highly fluctuated. Then, inflation and interest rate which mean more than one which is, 1.5 and 1.87 respectively. This both also have normal standard deviation which is not too high or too low, 0.8913 and 0.4456 respectively. Mean and standard deviation of exchange rate is 1.720 and 0.09284 respectively. This shows the exchange rate has an averagely 17.20% in these five years from 2014 to 2018. The standard deviation shows it is less fluctuating to the mean with only 9.3%. The standard deviation of the Starbucks Corporation has a mean of 0.6197 in the data set and standard deviation of 0.1513 which

is gives a less sensitive to the changes in these five years. Lastly, the corporate governance index which averagely 80% in the data set meanwhile no standard deviation or 0 standard deviation which does not give impact to any changes in these five years.

### 4.3 CORRELATION

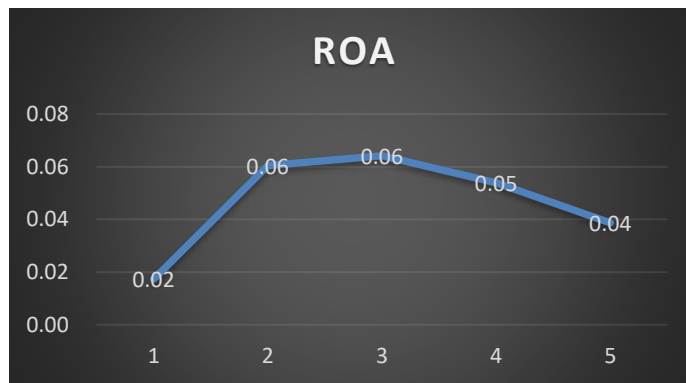
		Correlations											
		ROA	QUICK RATIO	AVERAGE-COLLECTION PERIOD	DEBT TO INCOME	OPERATING MARGIN	INDEX	GDP	Inflation	InterestRate	ExchangeRate	Stdv	
Pearson Correlation	ROA	1.000	0.395	-0.261	-0.484	0.816		-0.347	-0.416	0.953	-0.974	0.619	
	QUICK RATIO	0.395	1.000	0.092	0.248	0.542		-0.897	-0.318	0.635	-0.194	-0.297	
	AVERAGE - COLLECTION PERIOD	-0.261	0.092	1.000	0.853	-0.470		0.244	-0.693	-0.090	0.375	-0.156	
	DEBT TO INCOME	-0.484	0.248	0.853	1.000	-0.626		0.089	-0.534	-0.251	0.634	-0.644	
	OPERATING MARGIN	0.816	0.542	-0.470	-0.626	1.000		-0.707	0.039	0.803	-0.785	0.526	
	INDEX						1.000						
	GDP	-0.347	-0.897	0.244	0.089	-0.707		1.000	-0.101	-0.522	0.204	0.184	
	Inflation	-0.416	-0.318	-0.693	-0.534	0.039		-0.101	1.000	-0.537	0.293	-0.087	
	InterestRate	0.953	0.635	-0.090	-0.251	0.803		-0.522	-0.537	1.000	-0.861	0.429	
	ExchangeRate	-0.974	-0.194	0.375	0.634	-0.785		0.204	0.293	-0.861	1.000	-0.730	
	Stdv	0.619	-0.297	-0.156	-0.644	0.526		0.184	-0.087	0.429	-0.730	1.000	
	Sig. (1-tailed)	ROA		0.255	0.336	0.205	0.046	0.000	0.284	0.243	0.006	0.002	0.133
		QUICK RATIO		0.255	0.441	0.344	0.173	0.000	0.020	0.301	0.125	0.377	0.314
AVERAGE - COLLECTION PERIOD			0.336	0.441	0.033	0.212	0.000	0.346	0.097	0.443	0.267	0.401	
DEBT TO INCOME			0.205	0.344	0.033	0.129	0.000	0.443	0.177	0.342	0.125	0.120	
OPERATING MARGIN			0.046	0.173	0.212	0.129	0.000	0.091	0.475	0.051	0.058	0.182	
INDEX			0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
GDP			0.284	0.020	0.346	0.443	0.091	0.000	0.436	0.183	0.371	0.383	
Inflation			0.243	0.301	0.097	0.177	0.475	0.000	0.436	0.175	0.316	0.445	
InterestRate			0.006	0.125	0.443	0.342	0.051	0.000	0.183	0.175	0.030	0.235	
ExchangeRate			0.002	0.377	0.267	0.125	0.058	0.000	0.371	0.316	0.030	0.081	
Stdv			0.133	0.314	0.401	0.120	0.182	0.000	0.383	0.445	0.235	0.081	

TABLE 4.3.1: Correlation of dependent variable and company internal and external factors of Starbucks

Table shows the correlation between the dependable variable which is return on assets (ROA) and the independent variable which are current ratio, quick ratio, average-collection period, debt to income, operational ratio, operating margin, GDP, inflation, interest rate, exchange rate, standard deviation and the corporate governance index. The statistical relationship between the return on assets (ROA) and the other independent variables is determined and measured by the Pearson correlation. Meanwhile, this study also focusses on the significance level of the return on assets (ROA) with other independent variables as well. The significance will be determined by the p-value. This table will be explained in detail with the trend analysis of Starbucks Corporation.

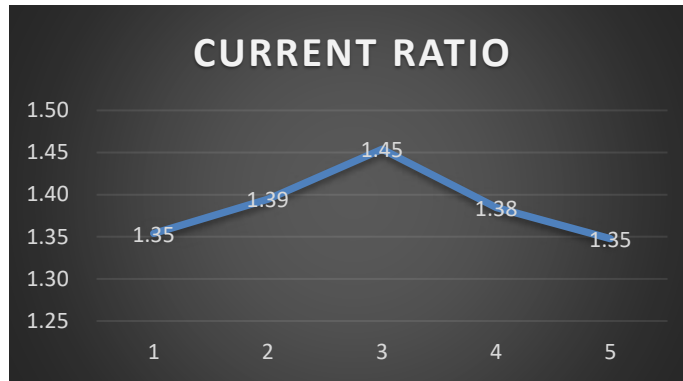
First of all, this study shows the return on assets (ROA) is significantly correlated to the liquidity ratio which is current ratio and quick ratio which is 0.059 and 0.255 respectively. This shows, the return on assets and current ratio are significant with p-value <0.10, whereas, quick ratio is not significant because p-value >0.10. According to Rehman (2015) there will be always a positive relationship between liquidity and return on assets. This implies that when return on assets increase, the current ratio and quick ratio also increase as well. This shows when the company's profit increases, the cash reserve of the company also increases. The company should be effective enough to manage its liquidity and should remember that both illiquidity and excess liquidity are "financial distress" for a company.

Trend analysis for ROA and Liquidity:



GRAPH 4.3.1

According to John Hagel (2013), ROA is the most effective and widely available financial measure to evaluate the performance of the company. This graph shows the trend of company performance of Starbucks Corporation from the year 2014 to 2018 which is for 5 years. As we can see from the graph above the ROA for Starbucks Corporation rise and fall during the five years. In year 1 (2014), the ROA is just 2% while increasing drastically to 6% in the second year (2015). In the third year (2016) the ROA remain constant at 6%. Meanwhile, in the fourth year (2017) the ROA started to decline from 6% to 5%. In the fifth year it declined from 5% to 4%.



GRAPH 4.3.2

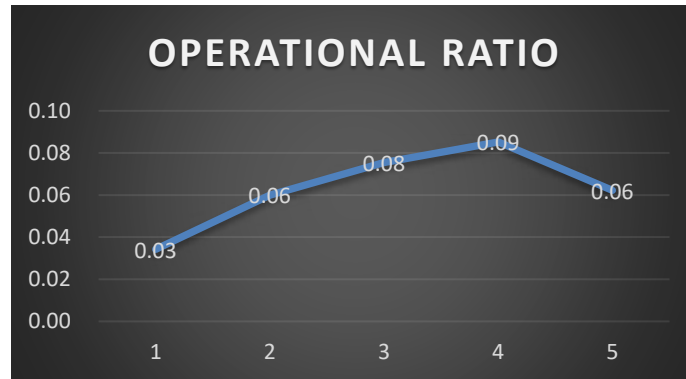
According to Naugler (2011) In terms of current liabilities, the current ratio calculates the volume of total short-term resources. Above graph shows the trend of current ratio for Starbucks Corporation. As we can see, in the first year to the second year which is 2014 to 2015, the current ratio rises from 1.35% to 1.39%. In the third year which is 2016 the current ratio at its peak which is 1.45%. In the fourth (2017) and fifth year (2018) the current ratio moving down from 1.38 % to 1.35%.

From the graph 4.1 and 4.2 are having a positive relationship. That is, when return on assets (ROA) increase, the liquidity ratio which is current ratio also increase and vice versa.

Secondly, the table 4.2 shows that the return on assets (ROA) and the average collection periods are negatively correlated with the p - value  $>0.10$  which is 0.336 this implies that return on assets and account receivable are not significant. According to Takon et.al (2013), The higher the sum of receivables, the greater the number of risks, but also the greater the "profitability" of the receivables. This shows when account receivable increases, the company's profits will be increases as well. Next is return on assets (ROA) and debt to income ratio are negatively correlated with the p - value  $>0.05$  which is 0.205. This implies that the return on assets and the debt to income ratio are not significant in this case.

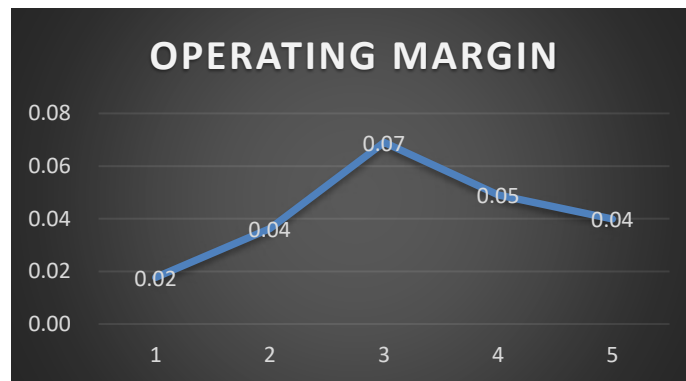
Then, return on assets (ROA) is positively significantly correlated to the operational ratio and also operating margin. The p-value for operational ratio and operating margin are  $<0.10$  which is 0.051 and 0.046 respectively. According to Tulsian, M. (2014), A higher operating ratio means that the company was able to increase its revenue. This shows when operating ratio increases, the ROA also increases as well. According to Elaine et.al (2011), Operating margin (EBIT margin) declined over the time, indicating less profit of the company. This implies that when the company's operating margin increases, the profit also will be increase.

Trend analysis for ROA and operational risks:



GRAPH 4.3.3

According to Tulsian M (2014), The main objective of the operational ratio is to assess the operational efficiency with which the processes of production and/or acquisitions and transactions are performed. As we can see from the graph above, in the first year to the third year which is 2014 to 2016, the operational ratio rises drastically from 3% to 8%. Meanwhile, In the fourth year to the fifth year which is 2017 to 2018 the operational ratio declines from 9% to 6%.



GRAPH 4.3.4

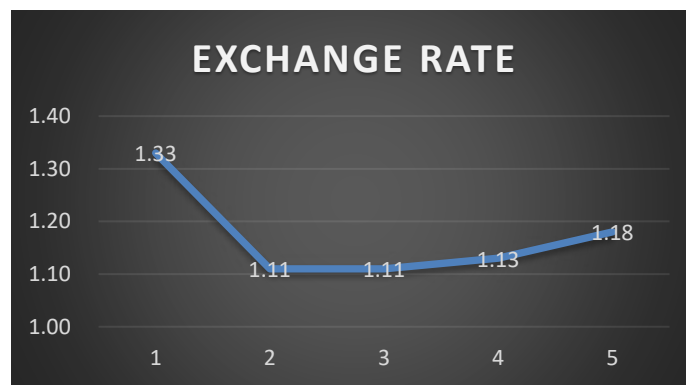
According to Akhil (1991) the operating margin ratio, also referred to as the operating profit margin, is one of the profitability ratios which Measure the percentage of total revenue. Above graph shows the trend of operating margin for Starbucks Corporation. As we can see, in the first year to the second year which is 2014 to 2015, the operating margin rises from 2% to 4%. In the third year which is 2016 the operating margin at its peak which is 7%. In the fourth (2017) and fifth year (2018) the operating margin graph slope down from 5 % to 4%.

Based on the graph 4.1 which is return on assets (ROA) followed by graph 4.3 and 4.4 which is operational ratio and operating margin shows a positive relationship. That is when return on assets (ROA) increases, the operational ratio and operating margin also increases as well and vice versa.

On the other hand, for the macroeconomics return on assets (ROA) is negatively correlated to the GDP with p-value  $>0.10$  which is 0.284. This shows the ROA and GDP are not significant to each other. Besides, the inflation is also negatively correlated with p-value  $>0.10$  which 0.243, this is also indicates that the ROA and inflation are not significant to each other.

Apart from that, return on assets (ROA) is negatively correlated to exchange rate with p-value  $<0.05$  which is 0.002, this shows exchange rate are most significant to the return on assets (ROA). According to Okika Christian et.al (2018), currency exchange rate volatility can lead to significant gains or losses for a firm. This shows when the exchange rate of currency increases or decreases, the profit will be decreases or increases as well. This study measures USD against Euro currencies. So, when USD increase, Euro will increase as well and as a result price will be increases. This situation will cause purchasing power to decline and it will drag down the company's profits.

Trend analysis for exchange rate and return on assets:



GRAPH 4.3.5

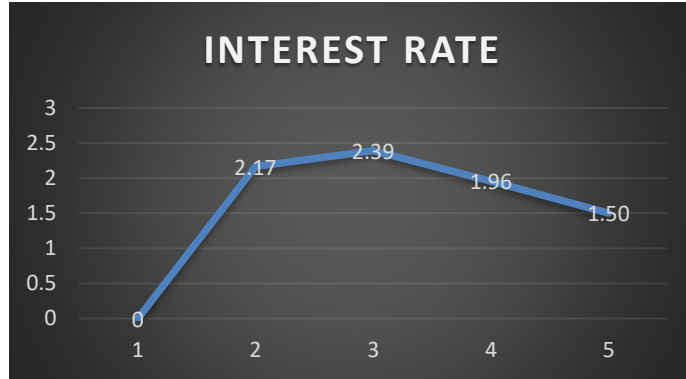
This graph shows the trend of exchange rate for Euro against USD from the year 2014 to 2018 which is for 5 years. As we can see from the graph above the exchange rate rise and fall during the five years. In year 1 (2014), it is just 1.33% while decreasing drastically to 1.11% in the second year (2015). In the third year (2016) the exchange rate remains constant at 1.11%. Meanwhile, in the fourth year (2017) the exchange rate started to increase from 1.11% to 1.13%. In the fifth year it rose to 1.18%.

Based on the graph 4.1 which is return on assets (ROA) and 4.5 which is exchange shows a negative relationship. That is when the exchange rate increases, the return on assets (ROA) increases and vice versa.

Next, return on assets (ROA) is positively correlated to the interest rate with p-value  $<0.05$  which is 0.006. This shows, the interest rate is also significant to return on assets (ROA).



Trend analysis for interest rate and return on assets (ROA):



GRAPH 4.3.6

The graph above shows the inflation rate in United States from 2014 to 2018 for 5 years. As we can see here, the graph shows the interest rate slowly rising the declining during the five years. In year 1 (2014), it is 0% while increasing drastically to 2.17% in the second year (2015). In the third year (2016) the interest rate rose to 2.39%. Meanwhile, in the fourth year (2017) the interest rate started to decrease from 2.39% to 1.96%. In the fifth year it declined to 1.50%.

Based on the graph 4.1 which is return on assets (ROA) and 4.6 which is exchange shows a positive relationship. That is when the inflation rate increases, the return on assets (ROA) also increases as well and vice versa.

However, the corporate governance index is not significantly correlated to the company's return on assets (ROA). This shows, the corporate governance index is not affecting the company's performance. This is because, the company is focusing more on achieving their profits.

#### 4.4 MODEL SUMMARY

##### Model 1: Return on Assets (ROA) and Internal Factor

Model Summary <sup>a</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.839 <sup>a</sup>	0.703	-0.186	0.0209087	3.090

**a. Predictors: (Constant), OPERATING MARGIN, AVERAGE-COLLECTION PERIOD, QUICK RATIO**

**b. Dependent Variable: ROA**

TABLE 4.4.1: Model Summary of Starbucks' return on assets and internal factors

Based on the table above, model 1 shows model summary of the return on assets (ROA) and the internal factors which is operating margin, average-collection period and the quick ratio. The Adjusted R-Square is -0.186 with a Durbin Watson of 3.090. This implies that the internal factors of the firm can't explain the performance of the firm. This interpreted that the Starbucks Corporation does not affected by these internal factors.

##### Model 2: Return on Assets (ROA) and External Factors

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.974 <sup>a</sup>	0.949	0.932	0.0049889	

**a. Predictors: (Constant), Exchange Rate**

**b. Predictors: (Constant), Exchange Rate, Interest Rate**

**c. Dependent Variable: ROA**

TABLE 4.4.2: Model Summary of Starbucks' return on assets and external factors

Based on the table above, the model 2 shows the model summary of the return on assets (ROA) and the external factors which is exchange rate and interest rate. The Adjusted R-Square for the exchange rate is 0.932. The standard error of the estimate is 0.00498. This shows about 93.2% of the variance in the dependent variable which is return on assets (ROA) is explained by the external independent variable which is exchange rate. This result implies that the Starbucks Corporation's performance is mainly explained by the only macroeconomics factor which is exchange rate. The balance about 6.8% of Adjusted R-Square is unable to explained.

Model 3: Return on Assets (ROA) with Internal Factors and External Factors

Model Summary <sup>c</sup>						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.974 <sup>a</sup>	0.949	0.932		0.0049889	

**a. Predictors: (Constant), Exchange Rate**

**b. Predictors: (Constant), Exchange Rate, Interest Rate**

**c. Dependent Variable: ROA**

TABLE 4.4.3: Model Summary of Starbucks return on assets and internal and external factors

Based on the table above, the model 3 shows the model summary of the return on assets (ROA) and the internal factors which is current ratio, quick ratio, average-collection period, debt to income, operational ratio, operating margin, and corporate governance along with the external factors which is GDP, inflation, interest rate, exchange rate, and standard deviation. As we can see the Adjusted R-Square is 0.932 which defined by the exchange rate alone. The result of the model summary is solely defined by the exchange rate only. This shows only exchange rate is affecting the Starbucks Corporation's performance. The balance about 6.8% of Adjusted R-Square is unable to explained. This shows that the Starbucks Corporation's performance is unable to be explained by the internal factors. According to Okika Christian et.al (2018), currency exchange rate volatility can lead to significant gains or losses for a firm. This shows when the exchange rate of currency increases or decreases, the profit will be decreases or increases as well. This study measures USD against Euro currencies. So, when USD increase, Euro will increase as well and as a result price will be increases. This situation will cause purchasing power to decline and it will drag down the company's profits.

## 4.5 COEFFICIENT

### Model 1: Return on Assets (ROA) and Internal Factors

Coefficients <sup>a</sup>									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	0.116	0.544		0.213	0.866	-6.799	7.031		
QUICK RATIO	-0.153	0.608	-0.184	-0.251	0.843	-7.880	7.575	0.552	1.810
AVERAGE-COLLECTION PERIOD	0.002	0.005	0.239	0.343	0.790	-0.056	0.059	0.609	1.642
OPERATING MARGIN	1.052	0.846	1.028	1.243	0.431	-9.702	11.807	0.434	2.304

a. Dependent Variable: ROA

TABLE 4.5.1: Coefficients of Starbucks' return on assets and internal factors

Table above explains the coefficients of the dependent and independent variable which is return on assets and the internal factors such as quick ratio, average collection ratio and the operating margin ratio. This shows all the internal factors are not significant to the return on assets (ROA) with the p-value more than 1.0. This implies that these factors are not affecting the company performances of Starbucks Corporation.

### Model 2: Return on Assets (ROA) and External Factors

Coefficients <sup>b</sup>									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	0.283	0.032		8.965	0.003	0.183	0.383		
Exchange Rate	-0.201	0.027	-0.974	-7.498	0.005	-0.287	-0.116	1.000	1.000

a. Dependent Variable: ROA

TABLE 4.5.2: Coefficients of Starbucks' return on assets and external factors

Table above explains the coefficients of the dependent and independent variable which is return on assets and the external factors such as exchange rate and the interest rate. This shows the p-value for both exchange rate and interest rate is less than 0.05. This implies the both external factors which is exchange rate and interest rate are more significant to the return on assets (ROA) of Starbucks Corporation.

Model 3: Return on Assets and Both Internal and External Factors

		Coefficients <sup>c</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	0.283	0.032		8.965	0.003	0.183	0.383		
	Exchange Rate	-0.201	0.027	-0.974	-7.498	0.005	-0.287	-0.116	1.000	1.000

a. Dependent Variable: ROA

TABLE 4.5.3: Coefficients of Starbucks' return on assets and internal and external factors

Table above is the result of the coefficient of the return on assets and the both factors that is internal and external factor. Since there is no internal factor that significant to the return on assets (ROA) of the Starbucks Corporation, the table only contained the external factor which is affecting the company performance. This shows exchange rate affecting the Starbucks Corporation with p-value less than 0.05. The P-value for exchange rate is 0.005, meanwhile the t-value for exchange rate is -7.498. This indicates that there will be a difference between return on assets and exchange rate. For example, when exchange rate increase and the price of goods will be decrease and vice versa, this will be affecting the return on assets. This is explained by Okika Christian et.al (2018), when the exchange rate changes, many importing and exporting companies choose to keep their prices constant and simply lower or increase the price mark up. This practice is called price-to-market behaviour. He added that, if a country's export price rises by a higher rate than its exports, its trading conditions have improved favourably. Increasing terms of trade show higher demand for exports from the country. This, in effect, results in increased export profits, resulting in increased demand for the currency of the state (and an increase in the value of the currency). If the export price rises at a lower rate than its import, the value of the currency would fall compared to its trading partners. This will make a difference in the company's performance or profits.

## 4.6 ANOVA

### Model 1: Return on Assets (ROA) and Internal Factors

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	3	.000	.791	.657 <sup>b</sup>
	Residual	.000	1	.000		
	Total	.001	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), OPERATING MARGIN, AVERAGE-COLLECTION PERIOD, QUICK RATIO

TABLE 4.6.1: Anova of Starbucks return on assets and internal factors

Table above shows the Anova result for the Starbucks Corporation performance. This shows the significant level of internal factors towards the return on assets (ROA) of Starbucks Corporation. As we can see, the internal factors such as operating margin, average-collection period, and quick ratio are not significant to the return on assets of Starbucks Corporation. This implies when the p-value more than 0.10, which is, 0.657.

### Model 2: Return on Assets (ROA) and External Factor

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	1	.001	56.220	.005 <sup>b</sup>
	Residual	.000	3	.000		
	Total	.001	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), Exchange Rate

TABLE 4.6.2: Anova of Starbucks return on assets and external factors

Table above shows the Anova result for the Starbucks Corporation performance. This shows the significant level of external factors towards the return on assets (ROA) of Starbucks Corporation. As we can see, the external factor which is exchange rate is significant to the return on assets of Starbucks Corporation. This implies when the p-value less than 0.10, which is, 0.005.

Model 3: Return on Assets (ROA) and Both Internal and External Factor

ANOVA <sup>c</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	1	.001	56.220	.005 <sup>b</sup>
	Residual	.000	3	.000		
	Total	.001	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), Exchange Rate

TABLE 4.6.3: Anova of Starbucks return on assets and internal and external factors

Table above shows the Anova result for the Starbucks Corporation performance. This shows the significant level of internal and external factors towards the return on assets (ROA) of Starbucks Corporation. As we can see, the external factor which is exchange rate is the one that significant to the return on assets of Starbucks Corporation among other internal and external factors. This implies when the p-value of exchange rate is less than 0.10, which is, 0.005 with mean square of 0.001. This shows, fluctuations in exchange rate is influencing the company's profitability. According to Okika Christian et.al (2018), exchange rate fluctuations affect the prices of a country through consumer and intermediate import prices.

## 5.0 DISCUSSION AND CONCLUSION

### 5.1 INTRODUCTION

The aim of this study is to determine the factor that affecting Starbucks Corporation performance. The determinants of this study are internal factors such as current ratio, quick ratio, average-collection period, debt to income, operational ratio, operating margin and corporate governance index as well as the external factors which are the GDP, inflation, interest rate, exchange rate and standard deviation. In this study we investigated the internal and external factors in order to achieve our objective. In this chapter, we will discuss about the findings and the conclusion.

### 5.2 DISCUSSION

The aim of this study is to identify the factors that affecting the performance of Starbucks Corporation. This study has done to achieve its objective which is as follows:

1. To examine the company specific or internal factor towards the company performance of Starbucks Corporation.
2. To examine the economy factor which is macroeconomic towards the company performance of Starbucks Corporation.
3. To examine the company specific factors or internal factors and the economy factor which is macroeconomic toward the company performance of Starbucks Corporation.

As we can from the table 4.3.1, 4.5.3 and 4.6.3 which is the correlation table, coefficient table and the anova table, we agree that only macroeconomics factor which is exchange rate are affecting the Starbucks Corporation performance.

### 5.3 CONCLUSION

Based on the findings, Starbucks Corporation is affecting by exchange rate solely. This is because the exchange rate in this study is measures using Euro against USD. This shows when the USD rate increase, the export goods price will be increase as well. Meanwhile the country that use Euro to import goods will increase its price too. This makes the company that import goods, increase its product price. When the price of the company's product increase, it will reduce the purchasing power of consumers. This will reduce the company's profitability. In other way, when the export goods price decrease, import goods price will increase too. The company will reduce its products price which increase the consumer's purchasing power. For example, Euro currency users can purchase more when the USD rate decline. This will result an increase in the company's profits. Apart from that, Starbucks Corporation also need to concern about their internal factors such as their corporate governance in order to sustain their business to exists forever.



## 6.0 REFERENCES

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