



MGT 689-C: Organizational Behavior & Design

School of Business at Stevens Institute of Technology

Spring 2018

Organizational Culture Analysis

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Date: 02/19/2018

McDonald's



McDonald's is my favorite fast food restaurant company and is rated amongst the "Top 200 Regarded Companies, Top 300 World's best Employers and Top 9 World's Most Valuable Brand on the Forbes list". Studying such a top regarded company would help me gain some valuable experience and insights of a large-scale organization. McDonald's is the world's largest restaurant chain by revenue, serving over 69 million customers daily in over 100 countries across approximately 36,900 outlets as of 2016. Although McDonald's is known for its hamburgers, they also sell cheeseburgers, chicken products, French fries, breakfast items, soft drinks, milkshakes, wraps, and desserts. In response to changing consumer tastes across various countries, the company has added to its menu salads, fish, smoothies, and fruit. The McDonald's Corporation revenues come from the rent, royalties, and fees paid by the franchisees, as well as sales in company-operated restaurants.

It was initiated in 1940 with a restaurant opened by brothers Mac and Dick Donald's in California. After since its incorporation in 1955, McDonald's has sold more than 100 billion hamburgers. McDonald's team of experienced managers, high ranking operating system, global infrastructure and one of the well-recognized brand names in the world. It is the biggest fast food retailer capturing the whole world. It has initiated Hamburger University where the assistant managers and the managers are trained. McDonald's corporate culture is based on shared value system and maintains standardized quality process to ensure same quality and reduction in lead time. McDonald's has the vision to be the best employer in each community in the world. The restaurants are run either by franchise, or as corporate itself.

Organizational Culture:

An organization has a personality which we call its culture. And that culture influences the way employees act and interact with others. First culture is a perception. it's not something that can be physically touched or seen, but employees perceive it on the basis of what they experience within the organization. Second,

organizational culture is descriptive. Its concerned with how members perceive the culture and describe it, not with whether they like it. Finally, even though individuals may have different backgrounds or work at different organizational levels, they tend to describe the organization's culture in similar terms. That's the shared aspect of culture.

McDonald's organizational culture supports the company's industry positioning goals. As the biggest player in the global fast food restaurant market, McDonald's uses its organizational culture to attract customers and qualified employees. A firm's organizational culture defines the traditions, habits and values that influence workers' behaviors. To ensure business efficiency in production and service, McDonald's organizational culture encourages learning. In a way, the continuing evolution of the organization reflects the firm's effectiveness in applying its corporate culture to achieve the desired levels of human resource capabilities. This condition highlights the significance of organizational culture as a success factor in McDonald's international business.

McDonald's organizational culture supports operational efficiency to maximize productivity. Service quality is also enhanced through the effects of McDonald's corporate culture.

Features of McDonald's Organizational Culture

McDonald's organizational culture emphasizes human resource development and efficiency. It supports business growth and success in the international fast food restaurant market. This organizational culture has the following characteristics:

- 1. People-Centricity:** McDonald's organizational culture prioritizes employees' needs and development. The company's Core Values and Standards of Business Conduct emphasize the importance of supporting people. This is understandable, considering that McDonald's is a service business. To ensure support for people, the company's organizational culture encourages employees to engage management to help improve processes and procedures.
- 2. Individual Learning:** McDonald's organizational culture highlights the importance of lifelong learning. The belief is that individual learning promotes productivity, quality, and business effectiveness. To facilitate individual learning, the company offers training and development opportunities through Hamburger University, internships, global mobility, and leadership development programs. These efforts ensure that McDonald's maintains an organizational culture that motivates employees to keep learning.
- 3. Organizational Learning:** McDonald's organizational culture also supports organizational learning. The firm aims to use individual learning to develop organizational knowledge to push the business forward to new heights of performance. McDonald's applies this feature of its organizational culture through policies, programs and meetings that encourage employee feedback and knowledge sharing.
- 4. Diversity and Inclusion:** McDonald's official human resource management policy states that diversity and inclusion are key factors in the firm's organizational culture. McDonald's recognizes the importance of diversity and inclusion in optimizing HR capabilities to deal with an increasingly diverse market. To ensure support for diversity and inclusion, McDonald's organizational culture encourages employees, suppliers, franchisees, and customers to give their feedback and engage in meaningful conversations to improve the business.

McDonald's Organizational Culture Advantages & Disadvantages

McDonald's organizational culture has the advantage of enabling the company to improve quality of service through people-centricity, individual learning, and organizational learning. However, excellence and high quality are considerations not effectively covered in the corporate culture. While McDonald's highlights learning and support for people in the organizational culture, there is no emphasis on excellence in individual performance. Thus, a possible improvement is for McDonald's to emphasize excellence and high-quality output in its organizational culture.

Vision

"To be the best quick service restaurant experience". Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile.

Mission

"Is to be our customer's first choice, when it comes to, top quality products, outstanding service / cleanness and great value for money ". Accordingly, their operations have been aligned around a strategy called the Plan to Win centering on five basics for an exceptional customer experience - People, Products, Place, Price and Promotion.

Values:

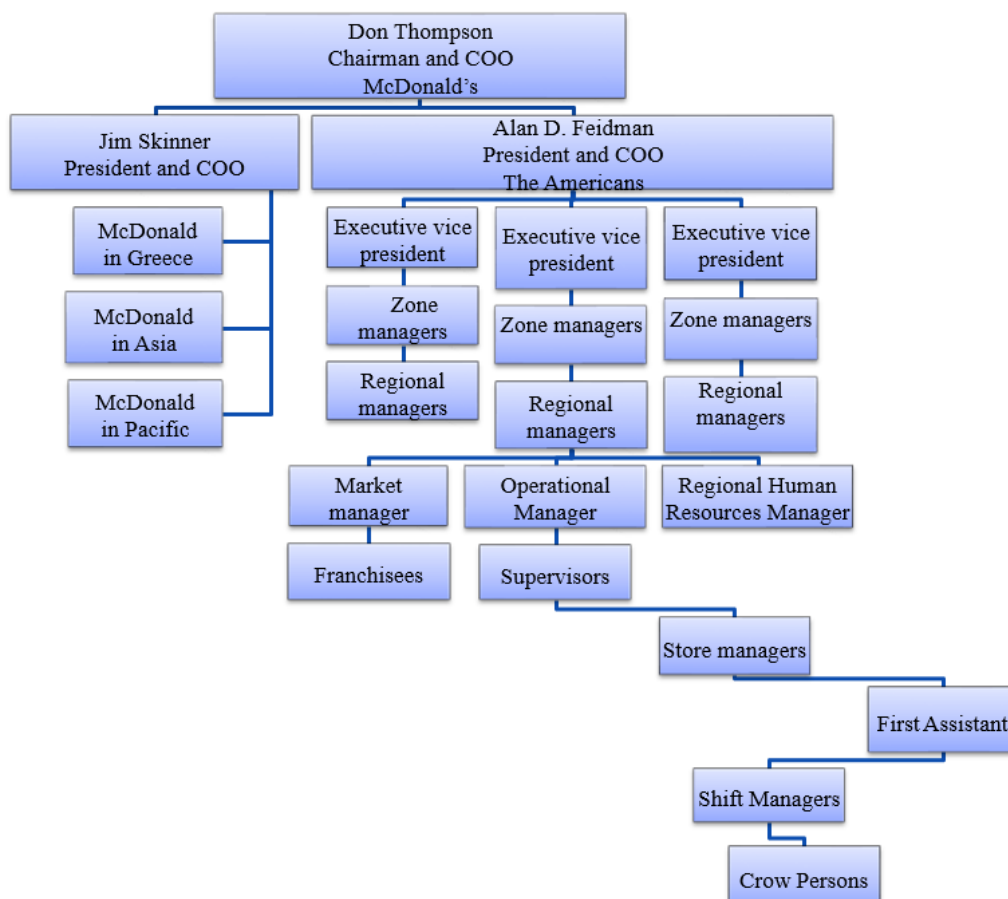
1. Responsible Leadership: We are committed to using our scale for good: good for people, for our industry, and for the planet. From simplifying ingredients to being nutritionally mindful; from reducing our waste impact to advancing the industry on sustainable and humane sourcing; from being a good employer for millions to giving help to those most in need via RMHC.

2. Inclusiveness: McDonald's is one of the world's most universal, democratic brands. We welcome customers of every culture, age and background, and we proudly invest in all the people our success rests on – our crew, our suppliers and our community.

3. Progressiveness: We are a restless company: always innovating, always moving forward. From our original business model to the invention of the drive thru and the Happy Meal, we're working to do things better tomorrow than we do today.

4. Local Integration: McDonald's has traveled far but we stay in sync with society in each of our countries, responding to local needs and integrating with local culture. Our restaurants are typically locally-owned, staffed by crew who live nearby, and who proudly give back to their community via hundreds of thousands of local programs.

Organizational Structure of McDonald's



McDonald's has a divisional organizational structure. Each division handles a specific operational area. The aim of this organizational structure is to support autonomy and organizational flexibility. McDonald's organizational structure has the following characteristics, arranged according to significance:

Global Hierarchy. McDonald's has a global hierarchy to cover all its operations worldwide. This feature of the organizational structure emphasizes corporate control. For example, McDonald's COO directs the activities of all business areas. Mandates are passed from the COO down to Regional managers, and to the restaurant managers and personnel. This characteristic of McDonald's organizational structure is typical of most global business organizations.

Performance-Based Divisions. The performance-based divisions are the most distinct feature of McDonald's organizational structure. McDonald's used performance as basis for the new divisions in its organizational structure: (a) U.S., (b) International Lead Markets, (c) High Growth Markets, and (d) Foundational Markets and Corporate. The U.S. accounts for more than 40% of McDonald's revenues, and the lead markets for 40%. The high-growth markets account for 10% of revenues.

Function-Based Groups. McDonald's maintains function-based groups in its organizational structure. For example, under corporate operations, the company has a human resource management group, a supply chain and franchising group, and a legal group. This characteristic of the organizational structure enables McDonald's to address the basic functions in its business.

Leadership Style: Directive & Supportive Leadership

McDonald's is a global fast food chain known for its quality food and great customer experience. Through strict and clear policies and under the Directive and Supportive Leadership style. Actively responding to the changing needs of its customers, it has been able to maintain its brand essence along with rising profits. A perfect blend of the four management functions namely, planning, organizing, leading and controlling has been the key driver behind McDonald's success.

- Both styles are chosen according to the specific conditions like time, place and situation for higher efficiency.

- Supportive Leadership is most effective for the workplace environment.

Internal/External Assessment

Porter's Five Forces

Competitive Rivalry or Competition with McDonald's (Strong Force)

McDonald's faces tough competition because the fast food restaurant market is already saturated. This element of the Five Forces analysis tackles the effect of competing firms in the industry environment. In McDonald's case, the strong force of competitive rivalry is based on the following external factors:

- High number of firms (strong force)
- High aggressiveness of firms (strong force)
- Low switching costs (strong force)

The fast food restaurant industry has many firms of various sizes, such as global chains like McDonald's and local mom-and-pop fast food restaurants. Also, most medium and large firms aggressively market their products. In addition, McDonald's customers experience low switching costs, which means that they can easily transfer to other restaurants, such as Wendy's. Thus, this element of the Five Forces analysis of McDonald's shows that competition is among the most significant external forces on the business.

Bargaining Power of McDonald's Customers/Buyers (Strong Force)

McDonald's must address the significant power of customers. This element of the Five Forces analysis deals with the influence and demands of consumers. In McDonald's case, the following are the external factors that contribute to the strong bargaining power of buyers:

- Low switching costs (strong force)
- Large number of providers (strong force)
- High availability of substitutes (strong force)

Because of the ease of changing from one restaurant to another (low switching costs), customers can easily impose their demands on McDonald's. In relation, because of market saturation, consumers can choose from many fast food restaurants other than McDonald's. Also, there are many substitutes to firms like McDonald's. These substitutes include food outlets, artisanal bakeries, as well as foods that one could cook at home. Based on this element of the Five Forces analysis, McDonald's must develop strategies to increase customer loyalty.

Bargaining Power of McDonald's Suppliers (Weak Force)

Suppliers also influence McDonald's. This element of the Five Forces analysis shows the impact of suppliers on firms. In McDonald's case, the weak bargaining power of suppliers is based on the following external factors:

- Large number of suppliers (weak force)
- Low forward vertical integration (weak force)
- High overall supply (weak force)

The large population of suppliers weakens the effect of individual suppliers on McDonald's. This is especially so because of the lack of regional or global alliances among suppliers. In relation, most of McDonald's suppliers are not vertically integrated. This means that they do not control the distribution network linked to McDonald's facilities. Also, the relative abundance of materials like flour and meat reduces suppliers' influence on McDonald's. Thus, this element of the Five Forces analysis shows that supplier power is a minimal issue for McDonald's.

Threat of Substitutes or Substitution (Strong Force)

Substitutes are a significant concern for McDonald's. This element of the Five Forces analysis deals with the potential effects of substitutes on firm growth. In McDonald's case, the following external factors make the threat of substitution a strong force:

- High substitute availability (strong force)
- Low switching costs (strong force)
- High performance-to-cost ratio (strong force)

There are many substitutes to McDonald's products, such as products from artisanal food producers and local bakeries. Consumers can also cook their food at home. It is also easy to shift from McDonald's to these substitutes (low switching costs). In addition, these substitutes are competitive in terms of quality and consumer satisfaction. In this element of the Five Forces analysis of McDonald's, substitutes are a major issue that the company must address through approaches like product quality improvement.

Threat of New Entrants or New Entry (Moderate Force)

New entrants can impact McDonald's market share. This element of the Five Forces analysis refers to the effects of new players on existing firms. In McDonald's case, the moderate threat of new entry is based on the following external factors:

- Low switching costs (strong force)
- Moderate capital cost (moderate force)
- High cost of brand development (weak force)

Because of the low switching costs, consumers can easily move from McDonald's toward new fast food restaurant companies. Also, the moderate capital costs of establishing a new restaurant makes it

moderately easy for small or medium-sized firms to affect McDonald's. However, it is expensive to build a strong brand that could match the McDonald's brand. Thus, this element of the Five Forces analysis shows that the threat of new entrants is a considerable issue for McDonald's.

Systems and Control:

McDonald's case, bureaucratic control as the major method, mixing with normative control, makes the most workable and effective controlling system at McDonald's. Bureaucratic control is known as a top-to-bottom method of control, where managers attempt to affect workers' behavior through punishments and bonus regarding their working performance.

Since McDonald is a global fast food chain retailer, top-to-bottom control seems to work best for its own good. Hierarchical system makes sure all employees are allocated to be in a specific position of the fast food production chain, with strict company rules and procedures. According to Robert, who has a full-time job at McDonald's, part-time employees have been given no hours as punishment of perceived transgressions.

McDonald's bureaucratic control is also shown in scientific management system. This can be easily spotted in every single outlet of this giant chain fast food retail in any location over the world. Sociologist George Ritzer brought out the term of 'McDonaldization', which referred to 'a reconceptualization of rationalization, or moving from traditional to rational modes of thought, and scientific management'. Scientific management involves the shift of major use of human labor to machinery. Technology replaces most of the labor work. At McDonald, bottom employees are not even required to know how to cook or bake. They only have to be trained to follow the exact procedures of how to operate all the machines used to produce McDonald's fast food. Hence, the major decisions, such as what kind of new products is coming out, does not relate to the bottom employees at all. All they must do is to follow the instructions to behave in work. Therefore, bureaucratic control is applied at McDonald's.

Lifecycle Position:

McDonald's can be considered in the growth phase since they are still building more franchises, bringing in new menu's items, learning from the customer's implementing changes and still in its development phase.

Startup Phase: This is that time of the company when its starting off.

Growth Phase: This is that phase which indicates the increase in demand of the company, increase in projects and employees indicating increase in the size of the organization.

Maturity phase: This phase starts after the growth phase when the company seems to be stable.

Organizational Decline: When the organization starts making heavy losses or loses important clients that help the company survive then the company's decline phase starts.

The Renewal Phase: If the organization has a leader with a lot of versatile capabilities to help the organization survive then possibly the organization can resurrect to the growth phase.

Death Phase: The time when the company decides to close on all its services when it has lost all of its hopes of survival.

Opportunities for McDonald's

McDonald's opportunities are linked to its global growth and employee satisfaction. McDonald's main opportunities are as follows:

1. Improve and develop Employee's skills
2. Managing workforce diversity
3. Work Ethics and Behavior
4. Expansion in developing countries

Considering its dependence on Western markets, McDonald's can grow and expand in developing countries, such as Asian economies. The company can train their employees to improve their skills for improving work efficiency. The work ethics and cultural differences need to be monitored for employee satisfaction.

Challenges for McDonald's

McDonald's weaknesses are linked to the company's employees and processes. are as follows:

1. Embrace Diversity
2. Monitoring Work Ethics
3. Refine quality and productivity

McDonald's needs to help its employees to embrace the cultural diversity and understand various cultures and behaviors for better teamwork. Work ethics have to be monitored and strategically maintained for employee's job satisfaction. Training employees to improve their quality and productivity at workplace.

Summary

McDonalds though being one of the most valued and top regarded company, has some flaws and needs to improve on them yet it's one of the most successful fast food restaurant company. There are various opportunities which can be used to develop McDonald's furthermore i.e. expanding in the middle east and developing countries and diversifying the product line. Since it's a large sized organization based across various continents we need to carefully evaluate the organizational culture. On evaluation I've found that McDonalds is facing various challenges that are aggressive competition, low product diversification which is leading to some amount of market decline. McDonalds has strong corporate values and the industry where it is operating is highly competitive. To maintain the customer value and satisfaction it must improve on the products they are offering. McDonalds should initiate with new product line or new items in the menu, so customers are not bored with similar products. McDonald's can improve its business viability through continued global expansion, especially in high-growth markets. Also, the company can reduce risks by developing new products or entering new industries related to the fast food restaurant industry. Adding on to the recommendations, the organization must practice more flexibility, build a team atmosphere, strike a good balance between leadership and management. In stores, the crew needs to be given perks that are more valued and regular feedback system has to be engaged to ensure job satisfaction. Considering the following points McDonalds can ensure much better organizational culture in the future.

"There is always space for improvement, no matter how long you've been in the business."

-Oscar De La Hoya

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