

BUSINESS, MANAGEMENT

# McDonald's Organizational Structure & Its Characteristics – An Analysis

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*A McDonald's in Liberdade, São Paulo, Brazil.*

*McDonald's Corporation's organizational structure evolves over time to facilitate the firm's management of global operations in the fast food restaurant market. (Photo: Public Domain)*

McDonald's Corporation's organizational structure was reformed in 2015 to improve the company's handling of its global operations. A firm's organizational or corporate structure defines the organizational design and system through which organizational components coordinate to achieve business objectives. McDonald's corporate structure facilitates the management of food service markets based on performance levels. As the largest fast food restaurant chain in the world, the company keeps evolving to address current and emerging market issues. Through this structure, the company rolls out new products to maintain its performance in satisfying

customers, especially in the presence of other food service firms, such as Dunkin' Donuts, Burger King, Starbucks, and Wendy's. Various strategic endeavors are supported through McDonald's organizational structure, which is designed to adapt to the changing business environment. The company's structural components are maintained, although adjustments are implemented to respond to market dynamics and pressures. Operational effectiveness and fiscal stability are reached through support from McDonald's corporate structure and its features.

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structure provides support for strategies and tactics. In this regard, strategic alignment is essential between the company's organizational structure, business needs, and related efforts for competitive advantages. Through its corporate structure, McDonald's succeeds in managing efficiency and performance in its operations in the global fast food restaurant industry.

## McDonald's Organizational Structure Type and Features

McDonald's Corporation has a **divisional organizational structure**. Conceptually, in this structure type, the business organization is divided into components that are given responsibilities based on operational requirements. Each division handles a specific operational area or set of strategic objectives. One of the aims of this corporate structure is to support autonomy and organizational flexibility in satisfying business needs in different organizational aspects and markets. McDonald's organizational structure has the following characteristics, arranged according to significance in affecting food service business operations:

1. Global hierarchy
2. Performance-based divisions
3. Function-based groups

**Global Hierarchy.** McDonald's Corporation has a global hierarchy to cover all its operations worldwide. This feature of the organizational structure emphasizes corporate control in the context of managerial control and direction. For example, McDonald's CEO directs the activities of all business areas through this structural characteristic. Mandates and directives are passed from the CEO down to middle managers, and to the restaurant managers and personnel in company-owned operations and among franchisees. This feature of McDonald's corporate structure is typical of most global business organizations.

**Performance-Based Divisions.** Performance-based divisions are the most distinct feature of McDonald's corporate structure. Prior to its reorganization on July 1, 2015, McDonald's had the following geographic divisions in its organizational structure: (a) U.S.,

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company 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 United States division provides the biggest regional sales revenues to McDonald's. The combination of international lead markets also represent a major chunk of the company's revenues. The high-growth markets account for a small minority of McDonald's revenues, even though these markets present considerable potential for business growth based on rapid economic development.

**Function-Based Groups.** McDonald's maintains function-based groups in its corporate structure. For example, in corporate operations, the company has a People group for human resource management, and a Supply Chain and Sustainability group for supply chain management and sustainability endeavors. Each group is under the leadership of a corporate executive or senior manager. This organizational structure characteristic enables McDonald's Corporation to address the basic functions in its business. Groups may be added or changed as the company grows and its target markets change.

## Advantages & Disadvantages of McDonald's Corporate Structure

An advantage of the hierarchy in McDonald's corporate structure is its support for monitoring and control of global operations. Also, the performance-based divisions have the advantage of enabling the company in implementing strategies based on market performance similarities and related indicators. For example, the firm applies similar strategies for all lead markets. However, a disadvantage of McDonald's organizational structure is that it tends to generalize strategies for the performance-based divisions. This issue limits business flexibility. Thus, McDonald's could improve its corporate structure by changing or adjusting how these performance-based divisions are used in strategic implementation.

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