

The role of global leadership skills in mcdonalds corporation



Introduction

Recent decades have seen the growth of companies in international business. They undertake activities involving cross border transactions of goods, services, resources between two or more nations. The phenomenon is formally known as globalization which continues to grow due to several factors such as the expanding technology in transportation and communications, the removal of international business restrictions by governments, and hunger of consumers for foreign goods and services.

Companies having a worldwide approach to markets and production or with operations in more than a country are known by several names, like “multinational enterprises,” “multinational corporations,” or “transnational companies.” Included among the well-known multinational corporations operating in multiple national markets is McDonald’s Corporation.

McDonald’s is one of the world’s largest chain of hamburger fast food restaurants, serving nearly 47 million customers daily. At one time it was the largest global restaurant chain, but it has since been surpassed by multi-brand operator Yum! Brands (KFC, Taco Bell and others) and sandwich chain Subway (Breitbart, 2009).

Research Aims and Objectives

The purpose of this study is to analyze McDonald’s as a multinational corporation and determine the application of global leadership skills in its international operations. Specifically, answers to the following specific questions shall be gathered:

1. How does McDonald's Corporation operate in terms of international organization, business objectives, functional areas, management style and company culture, and communication?
2. How is McDonald's corporation perceived in related literature in terms of cultural competency, political competency, international competency, and use of information technology?

Academic Sources & Methodology

The objective of the paper is to analyze the global leadership skills applied by McDonald's Corporation as a multi-national corporation. This would entail a case study of this company and would include its corporate background and analysis of its operations

The data required to make this study were collected from articles and materials related to the subject that were found online.

The qualitative research method was used in this study because the purpose is to investigate the why and how of global leadership skills, not just what, where, when. The main method for gathering was the reading analysis of articles found in different journals and periodicals.

Globalisation

According to Bhagwai (2004), globalisation has many definitions but it is the term “ used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.”

The mainstream press has been using the term since the latter half of the 1980s.

Two key concepts in international human resource management were expounded by Pucik and Saba (1998). One is the concept of an expatriate manager who usually fulfills international assignments across countries and cultures. The other is the concept of a global manager who “ works across cross-cultural and cross-functional boundaries.” Today, the latter is used more often as the number of corporations with multi-country operations increases.

Global Leadership Skills

One of the great concerns of executives of multinational companies is global leadership skills. Khan (2007) says that to be effective, a global leader must have these core skills: cultural sensitivity, diversity management, adaptability and innovation, profitability and productivity management, continuity. These involve, many other things, understanding and the acceptance of other cultures, employment of people coming from diverse groups, keeping pace with and adapting to rapid changes, avoiding losses, and continuous survival and growth.

It is the consensus of CEOs and senior that there is need for new knowledge and skills. Peters and Gitsam (2005) found in a global survey that 76% of CEOs and senior executives polled point out that senior executives must have the necessary knowledge and skills to respond to the challenges and opportunities of the 21st century. There are diverse trends to tackle such as

resource scarcity, climate change, and doing business in emerging markets marked by poverty, corruption and human rights violations.

This points to the crucial need for the global company to have the right strategy as far as its people are concerned. One is having a selection system that enables it to get better people faster. Another is identifying and nurturing exceptional leadership talent that will create a high-performance workforce.

Competences

Bartlett and Ghosal (2003) have identified four competences in global leadership, namely, cultural, political, international systems, and use of technology.

To be culturally competent, leaders must understand their own culture and that of others, know the relevant issues, and appreciate working with others. One will face dilemmas in a multi-cultural environment, like deciding need to follow the orders of the parent company to fulfill the global strategy or to adapt to regional circumstances to have local success.

A global leader is politically competent if he understands the geographical and economic implications of political actions. He has a working knowledge on different governmental structures and decision-making processes across national borders

The internally competent global leader views the world as “ a diverse, heterogeneous community, composed of different, fiscal, social, political, economic, and communication systems.”

It is important for global leaders to have mastery of the use of information technology to create effective relationships of cultural, political, and international understanding.

Global leaders will always be looked up to as far as the success of the corporation is concerned. To be effective, they must be knowledgeable and competent culturally, politically, internationally, and technologically.

To summarize, global leadership skills are needed to sustain the growth and profitability of multinational corporations. Their CEOs and executives must have skills in cultural, political, and international competences as well as proficiency in the use of information technology.

Limitations

The study is a brief analysis of the characteristics of McDonald's in the application of global leadership skills in its operations. The data were gathered from articles in periodicals and journals articles as well as related websites that were retrieved from the internet.

The weakness of the study lies in the fact that the data were collected mainly from secondary sources. It was also limited by the availability of relevant materials which was beyond the control of the researcher and the amount of time he was able to put into the project because of his other academic assignments.

Discussions

This chapter covers the findings of the researcher in his attempt to analyze McDonald's as a multinational corporation and determine the application of global leadership skills in its international operations.

For the first specific question, the research found the following data related to the corporation in terms of international organization, business objectives, functional areas, management style and company culture, and communication:

International Organization – McDonald's is a giant global foodservice corporate retailer. More than 32, 000 restaurants, of 75% are owned and operated by independent local businessmen. These are spread over 117 countries and serve more than 60 million people each day. Some of its foods loved by patrons are World Famous Fries, Big Mac, Quarter Pounder, Chicken McNuggets and Egg McMuffin. (McDonalds. com, “ Getting to Know Us”)

Approximately 2, 800 employees provide a wide variety of support functions to the restaurants through a network of divisional, regional and local-country offices. McDonald's celebrated its 40th year of service in 2008. (McDonalds. com, “ An American Icon Turns 40”)

The revenues of the corporation come from various sources. One is the sales in company-operated restaurants and the other comes the rent, royalties, and fees paid franchisees. The large size of its operations can be seen from its revenues which reached US\$22. 8 billion and realized an operating income of \$3. 9 billion in 2007.

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Business Objectives – The business direction of McDonald's is specific. It aims to be the world's best quick service restaurant experience. It wants to make each customer satisfied with its outstanding quality, service, cleanliness and value.

Three strategies are implemented worldwide by the corporation. It does its business to make it as the best employer of its people in each location, sees to it that each restaurant manifests excellence in its operations, and insures that the organization grows through innovation and technology.

Functional Areas – McDonald's insures that optimum effectiveness is maintained in each functional area of the business, namely, production, finance, marketing, research and development, human resources, and administration.

Materials are carefully selected to manufacture its products. The same painstaking attention is given to the selection of equipment to enable its employees to provide excellent service to maintain excellence in production performance.

A high performance in Finance is achieved by effectively controlling expenditures in each restaurant. All financial transactions are recorded. All financial documents and reports are produced on time.

Marketing the company and its products is done through a variety of activities. These include market research, advertising, promotion, packaging, pricing and distribution.

The company maintains a continuing program in Research & Development. It undertakes studies to study the needs and wants of its market target. It has a continuing program of introducing new products and changing and improving existing ones.

The labor factor is an area of concern of the corporation in Human Resources. The right policies and procedures are in place for systematic recruitment, selection and training of the workforce. The welfare of the employees is assured with the implementation of health and safety measures. A system is also provided to handle disputes, complaints, or grievances that may arise.

In Administration, the proper department maintains effective communication with the employees, undertakes all necessary documentation, and keep all related record.

Management Style and Company Culture - Two totally different management styles and company cultures can be seen in the McDonald's business.

McDonalds Worldwide shows a very autocratic with a tall hierarchical structure and a role culture. It is said that it is a typical big American company where jobs are very important to employees. The role culture found in McDonalds indicate that to the employees their jobs are very important and they work hard to get promoted because large compensations are given on the higher positions.

On the other hand, one can observe that McDonald's restaurants are organizations characterized by a flat structure and a person culture. The

employees are involved in restaurant service and there are no large
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differences in compensation. A very large number of employees are usually low paid young people, like working students. This makes personnel training a key factor in the success of McDonald's restaurants.

McDonald's is obviously succeeding in having different kinds of management style and company culture. The global business is nurtured by McDonald's Worldwide while service to the ultimate customer is handled by the McDonald's restaurants.

Communication - An excellent job is being done by McDonald's in communicating with its publics. Its visual symbol is represented by a logo with a very colorful combination of red and yellow, the corporation's colors.

McDonald's is very easy to find off and online. Outdoor signs are found in high traffic locations. On the internet, its website loads quickly, is not cluttered, and is easy to navigate. It provides all the information one needs with respect to the food the restaurants serve and their locations.

Managers of McDonalds restaurants make full use of computers and ICT not only to keep abreast of information but also to control the restaurant's financial and product aspects.

The second objective of this paper is to determine how McDonald's is perceived in related literature in terms of cultural competency, political competency, international competency, and use of information technology.

Cultural competency - An article entitled " Embrace, Empower...Excel" indicates McDonald's formally acknowledged the significance of a having diverse workforce in the mid 1970's. It affirmed its commitment to this policy <https://assignbuster.com/the-role-of-global-leadership-skills-in-mcdonalds-corporation/>

when the first official head of diversity was appointed in 80 to oversee a related program that was launched in the U. S. A. and other countries. (“ Embrace, Empower...Excel”)

McDonald’s trains its people to work with others who are different from themselves. This is done in seminars and workshops, which include themes like “ GenderSpeak”, Hispanic Career Development”, “ Diversity & Inclusion from a White Male Perspective”, and “ Asian Career Development”.

A number of Employee Networks, originating out of our U. S. based headquarters, are found McDonald’s. These include McDonald’s African American Council, Women’s Leadership Network, Working Mom’s Council, Young Professionals Network, Asian Employee Network, and Hispanic Employee Network.

Social responsibility is fulfilled partly by different McDonald’s programs. Healthy Growing Up encourage students from kindergarten through third grade to adopt lifelong habits of good nutrition, exercise, and positive self-esteem. In Book Some Time Together, McDonald’s and the American Library Association encourage families to read together through their local libraries.

A high performance culture is supported by its talented employees as mentioned in an article entitled “ Human Resource Strategy.” The necessary processes have been designed, tools provided, and knowledge transferred to enable the leaders to maintain business performance. Managers also undergo a comprehensive diversity training to handle cultural differences effectively. (Scribd, “ Human Resource Strategy”)

The success of McDonald's can be seen in its awards and achievements such as HR Excellence Awards 2009: Best Learning and Development Strategy – McDonald's Restaurants and HR Excellence Awards 2007: HR Initiative “ The People Project”.

Political competency – McDonald's does a lot of balancing act in countries hosting its restaurants. It has no choice but to operate in ways that blend with its external environment in its host countries. One can image this with the fact that the company derives approximately 80% of its revenues from eight countries like Canada, Brazil, Germany, France, Japan, UK, Australia and US. (Vijayarani, 2005)

A clear policy has been developed by McDonalds on how to deal with public issues. As a general rule, no contributions are given to any candidate for public office, political parties, or political organizations. This rule, however, is not absolute because the company is allowed to do it in certain cases where it is appropriate and redounds to the best interests of the Company.

(McDonalds. com, “ Political Contributions Policy”)

Company employees are not prevented from participating as individual citizens in the political process. However, they should not involve the company, use its resources, or pressure other employees to support their private political agendas.

The political climate in a country where McDonald's restaurants operate have an impact on its operations. One example is Russia where it showed a strong entry in 1990. This was not to last for a long time because of

conditions and elements in the public sector notwithstanding the great
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appetite of the people for the new food discovery. Prasanna and Rathore (2008) told us what happened when “ its growth was restrained due to Russian bureaucracy.” (Prasanna & Rathore 2008)

An example of a political issue created by the McDonald’s restaurant business can be seen when the agriculture minister of Italy defended his sponsorship of McDonald’s all-Italian burger in response to criticisms stating that local agriculture would not be favorably affected by it. (CBS News. com, 2010)

Government taxation has affected McDonald’s as it has done to other multinational corporations. The announcement of new taxes imposed by the British government for profits earned on intellectual property rights abroad made McDonald’s to decide to move its headquarters from London to Geneva. (Swiss News, “ British tax hike forces McDonald’s to Geneva”)

International competency – McDonald’s Corporation has shown its international competency by adopting the right model that is appropriate where its restaurants are located. It collects ordinary franchise fees and marketing fees based on sales as a traditional franchisor. However, the company also collects rent where it owns or leases properties on which McDonald’s franchises are located.

The business model in the United Kingdom is different where 70% of the restaurants are owned by the company. In this case, the training of the franchisees and their rest is done at Hamburger University in Oak Brook, Illinois.

In New Zealand, McDonalds had meals approved by the Weight Watchers. In return, the company used the Weight Watchers logo on its menu boards.

(Lilley, 2010)

Use of information technology – McDonald's Corporation is making full use of the information technology.

In the United Kingdom, wireless networking, PlayStation 2 video games consoles, internet terminals, flat screen televisions and music videos are being introduced into the menus of McDonald's fast food restaurants to attract more customers.

McDonald's Corporation recently inked seven-year contract with a premier provider for a full complement of IT infrastructure services, including mainframe, enterprise servers, end-user computing, and help desk to support more than 6, 000 desktops. This is just part of the services spelled out in the terms of the contract.

A private networking site for more than 650, 000 hourly employees in 15, 000 locations in the United States and Canada known as StationM has been launched at McDonald's. This enables its crew members to connect with each other in their exclusive social networking space just like in facebook.com. (McDonalds.com, " Taking Cues from Facebook ...")

Conclusions

Based on these findings, the researcher concluded that McDonald's is performing quite well in terms of international organization, business

objectives, functional areas, management style and company culture, and communication.

The best practices performed by successful global corporations can be found McDonalds. It has a decentralized organizations around the world and a complete understand of its markets. Its global teams work harmoniously in pursuit of the company objectives.

McDonald's is also perceived in a favorable light on the mass media and the internet as a global organization that manifests the characteristics of cultural competency, political competency, international competency, and effective use of information technology

Recommendations

The world keeps changing and providing new kinds of challenges to multinational corporations. This makes it necessary for them to adopt new strategies and new kinds of activities in order to survive and grow in a changing business environment.

McDonald's will continue to prosper in its global business by integrating the leadership skills and technical abilities of its executives to enable them to develop innovative ideas on how to cope with the diverse conditions in the global market.

Another recommendation is for the corporation to eliminate the typical Western bias towards poor countries. The principle is to operate in ways that take into account the expectation of people who are affected by the business.

The corporation should also make more efforts to develop native capability. This refers to the recruitment and training of the locals to become global leaders which ultimately will redound to the best interest of the corporation.

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