

# McDonald's

[Business](#), [Company](#)



Strengths. McDonald's is ranked first place in the 2008 Fortune Magazine's list of most admired food service businesses. They have achieved this because of a strong combination of a sophisticated and complex logistic network in terms of quality, control, delivery timing, quantity scheduling and costs analysis, and diversified operations around the globe (Watson, 2006). Their global supply chain is remarkable; they use suppliers around the world for their core product, the hamburger.

Raw material is procured from vendors worldwide, transported to distribution centers, and then assembled to the final product at McDonald's restaurants to be consumed by customers. Their diversified operations led them to have presence in almost all nooks and corners of the world, which made them a household name. Furthermore, the brand McDonald's is extremely familiar to the public, which attracts consumers to the branches of the business and serves as its leverage for acceptability in markets that they choose to penetrate.

Another cause of success attributed to McDonald's operations in foreign markets is the fact that, next to preserving an effective brand image and constant standards the world over, its advertisements and the products that they offer has a local feel, which makes it easier for people to identify with it.

Weaknesses. One of the major weaknesses observed from the fast food chain is its late adoption of healthy food in their menu. They have long been criticized for the largely unhealthy food that they serve to customers, for advertising their products as fun rather than focusing on its health value.

In fact, it was only recently in March that McDonald's made the move to incorporate the nutritional information in the product wrappings. The business also announced its decision to focus more on healthy food, and thus will come out with more salads, chicken and such other food that promote health, instead of focusing mainly on hamburgers. But before that, an agreement between the business and Walt Disney ended their ten year promotional partnership partly because McDonald's reputation for unhealthy food does not benefit Disney from its connection with them.

Another increasing source for worry is that the McDonald's branches' customer service and cleanliness, which used to be consistently good, regardless of the location, is now being attributed as one of the reasons why an increasing number of people are becoming dissatisfied with the performance of the fast food chain to their customers. Opportunities. The transition of McDonald's from mainly being a company-operated restaurant into more of a franchised or has a developmental license structure business is seen as an opportunity for overall profitability, so it is one of the areas that the business needs to look deeply into.

The beverages market also promises a viable avenue for McDonald's. This section of its beverage business may necessitate a lot of changes for the business; all of them serving as a leverage for the projected potential introduction of frappes, smoothies and such other beverage choices. The expected growth in beverages category will offer the company opportunities for expanding its revenue base. And then there is always the opportunity to expand further. The world market has great potential for McDonald's

continuous growth, as it has been from the time that they started doing business.

Threats. Commodity prices increase of the raw materials the company uses for making their products will have an effect on their operating costs. Seeing that the world economy is not stable, this may be a very worrying threat for the business. The business likewise has to guarantee the standards of their food safety and quality, which should always be high. Any situation which would involve food-borne infections or any other issue regarding food safety that McDonald's might be implicated in can adversely affect its sales and profitability or lead to more serious consequences.

Moreover, such incidence could unfavorably have an effect on the price and accessibility of concerned ingredients. The stiff competition in the worldwide industry of fast food also presents a threat which the company needs to be constantly on the look out for. Main Strategic Choices Business. For more than forty years, McDonald's focused its business on aggressive growth of its franchise concept (Kincheloe, 2002). Over a period of decades, the company was opening as many as seventeen hundred new stores annually.

But it has decided to re-define growth and rather than expand horizontally, decided to grow based on existing locations. In order for the business to carry out its business strategy fruitfully, the business has deemed that it is required to do extremely well at building up and carrying out a balanced local/global strategy when it comes to managing and building its global workforce. The McDonald's Corporation continually experiments with

different ways of doing business, which makes them adaptable to the changes that are constantly happening in the industry which they play in.

Functional. McDonald's reorganized to respond more effectively to its newly declared customer. Instead of following the centralized functional configuration typical of low-price companies, it reorganized by region to a local value creation configuration. For the first time, regional market-facing units were given resources to customize local menus and store layouts. As a result, some local franchisees installed wood paneling in dining rooms, created separate seating areas with sofas and coffee tables, introduced custom-ordered sandwiches, and hired tuxedoed doormen to greet customers.

Moreover, McDonald's has exceptional functional strategies that they practice within most of their business functions which they successfully integrate in the business, helping them achieve the notable uniformity in their products and services in the thousands of branches spread across most of the globe. Corporate. To fuel growth, McDonald's was organized to support its primary customer: real estate developers and multisite franchise owners who controlled valuable real estate. It should come as no surprise that the business was configured as a low-price company with a very large and powerful centralized operating core.

Powerful operating core tightly controlled brand concept, franchising, real estate development, procurement, menus and food preparation. In addition, McDonald's corporate strategy of localization not only accommodates local initiatives and sensibilities but also, as the company is well aware, blunts the

arguments of its critics. Reflecting the corporate strategy of horizontal integration, McDonald's also adds new brands to the current portfolio to make sure that they are scoping out the widest possible market.

Global. One of the most notable strategic choices that McDonald's has made is with respect to their workforce. McDonald's worldwide labor force strategy is intended to be in parallel with and support the implementation of its overarching strategic objective, which is to be the preferred place to eat by everyone around the globe (Morgan, et. al. , 2006). The business has a wide-ranging plan that gives the company a general structure for building up strategies to reach this objective.

Further, so that McDonald's may effectively carry out its worldwide labor force strategy, the firm has deemed that its requirements include excelling at development and implementation of an evenhanded global/local move towards management and development of its worldwide labor force.

McDonald's and Wal-Mart: A Comparison of Strategic Choices For firms like Wal-Mart and McDonald's, as the United States becomes saturated, growth must come from overseas. These two big companies have deported their operations to other countries quite extensively, reason for them being known as a household name across the globe.

Geographical expansion works for both these big players wanting to expand their service territories, since they need a physical location to serve its customers. Both have been extremely successful as diversified companies through offering customers the best buy or lowest total cost in their categories. This strategy employed by these two businesses has always

depended on continually growing market share, volume purchases, a superb supply chain, and employee relations, all factors which have been observed to be in a good state for Wal-Mart and McDonald's, which is why they are leaders in their respective fields.