Mcdonalds high employee turnover and lean management solution case study example

Business, Company

McDonald's High Employee Turnover and Lean Management Solution

The business concept that drives McDonald's operations, and for this matter, most companies working in the fast food industry, is to maintain low prices in order to have affordable offers for the customers, so that they to remain loyal to consuming fast food products, but this comes with the price of giving small salaries to fast food workers, which is the main cause that generates high employee turnover at McDonald's (Smith, 2006, p. 88).

Companies activating in fast food industries have struggled hard across time to minimize the role of the unions, so that they can lobby against increasing the minimum waste or against imposing a minimum wage for teenagers (Smith, 2006, p. 88), considering that fact that teenagers represent the principal workforce in this industry and for companies such as McDonald's increasing their payment would mean also increasing the price of the fast food products, which would affect the overall success of the business.

Besides the low wages, employees working at McDonald's also face long shifts, sometimes having to work even longer, without being paid for their extra – hours spent at the job, unskilled work, without real career prospects, without benefits, having to deal with a routine work and a greasy work environment, defined as McJob (Nawaz, 2011, p. 5542).

Moreover, while McDonald's employees face these internal problems, they sometimes also face hurried customers, who expect from a fast food fast delivery and are not interested to know any of the restaurant's internal problems, such as newly hired employees that are still accustoming with their jobs, which cause stress for the employees (Jargon, 2013). Therefore, employees leave McDonald’s because they do not resist much in this environment

This is an outside view of what is like to work in McDonald’s, which briefly explains the high rate of employee turnover. Scholars explain the term employee turnover as an action that occurs when employees decide to resign an organization, which means that the organization will have to replace them and this was found as a costly problem for companies that deal with a high employee turnover (Matthis & Jackson, 2012, p. 54).

Companies activating in fast food industry are renowned for the high employee turnover. McDonalds refuses to offer clear information regarding its turnover, which specifically indicates that this aspect is damaging for the company’s operations. However, the fast food restaurants have an average of 60% in terms of annual turnover, as a 2010 report from National Restaurant Association indicates (Jargon, 2013).

In McDonald’s case, the high employee turnover is visible in the fact that people are most of the time in training: the cashiers usually have more experienced staff looking after them, helping them to take orders and to serve the clients and this results in more time to wait for the customers. Equally, people newly employed in the back, to cook McDonald’s products, might damage the quality of the products, because they are not yet accustomed with how to cook them, what ingredient to use, and so on, which might generate customer dissatisfaction. The evidence to support the fact that the high employee retention exists at McDonald’s is precisely the increased negative feedback that McDonald’s customers offer based on their experiences in this company’s restaurants (Jargon, 2013).

Longer waiting time at McDonald’s cues and customers dissatisfied by the quality of McDonald’s products (which are both the result of high employee turnover) may lead to increased costs for the organization, as in this case, the customers might reduce their visits to McDonald’s because having to deal with unpleasant situations, associating like this an isolated negative experience with the brand itself. However, McDonald’s is still the number 1 player in the fast food industry today, but in fact this does not signify that the problem, the high employee retention, does not exist. People having unpleasant experiences at McDonald’s can generate negative word mouth, which can affect the company’s brand awareness and brand equity, decreasing its popularity (Kumar, 2003, p. 234).

Moreover, high employee turnover implies recruitment activities, which represent costly and time consuming processes, focusing the human resources efforts on finding new people and training them the basic skills required for the jobs that they will perform, instead of training the more experienced staff new customer service techniques, showing them real career prospects, motivating the employees and assuring like this the employee retention.

Analyzing McDonald’s employee turnover, Macy, Walker and Terry (n. d., p. 6) observe that employee turnover “ is an invisible cost that drains cash flow because each new employee lowers productivity for the first two months”.

Lean management is utilized in companies that operate in supply chai for meeting performances through applying lean methodologies to: “ eliminate waste, reduce cycle and flow time; increase capacity; reduce inventories; increase customer satisfaction; eliminate bottlenecks; improve communications” (Plenert, 2011, p. 145). Describing the benefits of lean management, Fliedner (2011, p. 1) finds that the philosophy of lean management is focused on practicing activities that lead to generating customer value, otherwise they must be eliminated.

Fliedner (2011, pp. 1-2) also notes that lean management is an integral and comprehensive system containing four interdependent elements: leadership, culture, team, practices and tools, which must work together for achieving performance and where a change intervenes in one of these element, all the others must be adapted accordingly, otherwise the system will break.

As Petschnig (2009, p. 60) observes, although there are theoretical indications regarding what works when aiming to implement the lean management, copying it from other companies will not work, because it must be adapted to the realities and specificities of the companies in which it is implemented.

As lean management is focused on eliminating the activities that do not add value to the business, its main objective should be the optimization of quality, which implies cultural changes in the entire organization, change management processes, acceptance of the process, acceptance of the tools and technical requirements needed for implementing it, a participative team and dedicated and significant training (Plenert, 2011, p. 291).

Implementing lean management in McDonald’s must start with acknowledging that the company faces a high employee retention that harms the business and that often recruitment processes that result from replacing the employees that have quitted the job must be eliminated, as they are counterproductive for business and do not add value to the business, but on the contrary, negatively impacts the company. Therefore, McDonald’s need to apply a cultural change throughout organization, meant to reduce the high employee turnover and to train the employees to add value to the business. The change management processes must facilitate an improved communication, which to encourage employees to give their open feedback to their coordinators, without fearing of the consequences, but also to stimulate the employee performance feedback. The employees must be taught to apply new cultural processes, techniques, tools, technology and this must be a team effort for assuring that everybody will become accustomed with the cultural change, as they all will benefit from the change. Applying lean management in McDonald’s will require the involvement of its leadership, which will work together with the employees for changing the company’s organizational culture, changing the way the teams work and interact, and changing the practices and tools for reducing waste and flow time, and for increasing capacity and optimizing the quality, visible in the satisfaction of McDonald’s customers.

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