

McDonalds and its strategic management commerce essay



**ASSIGN
BUSTER**

The vision and mission of the organization defines the expected position and the fundamental purpose of the organization. The purpose of this assignment is to understand the vision and mission of the case company and to identify and understand the strategic aims and objectives of an organization and investigate its progress towards the fulfillment of those aims and objectives. For this different alternative strategies available to the organization are also considered. To fulfill the requirement of this assignment the organization selected for investigation is McDonalds. McDonalds is the leading fast food restaurant chain of the world and is serving more than 58 million customers on daily basis.

McDonald's Vision and Mission Statement

Every organization must have a vision and a mission. Vision and mission statements are the short phrases which sets the whole direction of the organization. Vision statement provides the whole picture of the organization's desired future position in a single phrase. This statement then sets a whole direction of all the strategic aims and objectives of the organization. Below is the vision statement of the case company i. e.

McDonald's:

“ To be the world's 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 statement clarifies the fundamental purpose of the organization. Of course the purpose is to achieve the vision of the organization, but mission

statement goes in further detail and answers the question of the existence of the organization. Mission statement of McDonald's is:

To be the best employer

To deliver operational excellence

Achieving durable profits

Expanding the brand name and extending the strength of McDonald's system through innovation and technology.

Analyzing the vision and mission statement of the case company it is clear that organization's focus is mainly towards the external and internal customers i. e. consumers and employees. Furthermore, the company is committed to innovate and use the latest technology to earn huge profits.

McDonald's Strategic Aims and Objectives

An aim is a broader statement which tells what an organization wants to become and the objectives are the specific targets or tasks which leads towards the fulfillment of the aim of the organization. It is very important for an organization to set such aims which are practically possible and which can be measured. If this is not the case the organization will put its efforts and resources in that direction which is not possible at all. For effective working and success for an organization the aims and objectives must be realistic and it must also be associated with some time frame as if it is not the case then there will be confusion within the organization regarding the time to complete the tasks and projects (Fred David, 2006). Furthermore, the

aims should be measurable, as the progress towards the fulfillment of objectives should be easily measured as if this is not the case then it would be very difficult for an organization to know that whether the desired results are achieved or not.

McDonald's key to success all over the world is their priorities, which are also mentioned on their corporate website. The top priority of the leading fast food restaurant chain is the customers. As per the McDonald's corporate values the reason of the existence of the business are their customers and they work only to fulfill the needs and demands of the customers. As per the company it is not the matter of sales rather it is the matter of providing quality products along with the best services to the customers in affordable prices. The second priority is their employees or workforce.

The company believes that the employees make the dream of the organization come true. The employees are their valuable assets and it is just because of the skills and competencies of their employees which enables the organization to achieve the set goals and targets. The company also believes the quality of their business model. According to the corporate values of the company the business model is set to meet the dynamic customer behavioral changes. The strategic aims and objectives of McDonalds and mentioned below and these shows that what are the top priorities of the company and it gives a hint why the company is so successful all across the globe:

To maintain the leadership in fast food restaurant industry

To serve the customer with good food in a friendly and fun environment
<https://assignbuster.com/mcdonalds-and-its-strategic-management-commerce-essay/>

Providing the quality food and value of money to the customer

Providing the shareholder a positive return on their investments

To meet the social and ethical responsibility

Strategic Plan and its Component parts

Strategic plan of any enterprise is a picture of the desired position of the organization. Strategic plan gives a road path that how the organization will achieve the desired place or position in the given industry (Maches, B. 2010).

Three major components of strategic plan include formulation, implementation and evaluation of strategy carries that information and plan which provides a direction towards the organizational objectives (Kim Warren, 2008).

Strategy Formulation

Strategy formulation process starts with the situation analysis of the organization. Situation analysis is an important part of strategic plan as it gives an overview of the existing position of the organization. Situation analysis includes the analysis of internal and external environment of the organization. Different strategic tools can be used to evaluate this situation i. e. SWOT analysis, PEST Analysis etc. This also includes the evaluation of current mission and vision of the organization. Vision statement clarifies that what an organization want to become and on the other hand mission statements shows that what business the organization operates. Mission contains the products and services, its markets and its employee management policy. The assessment of external factors of the organization

involves the listing down of finite list of factors which are a potential threat or opportunities for the organization in the external environment. By finite list is meant that not all the factors are focused. The priority is given to those factors which have high level of impact or from which high returns can be gained. The internal audit is also done in the situation analysis where the internal strengths and weaknesses of the organization are listed down (Fred David, 2006).

After the clear understanding of the organization's current situation the real work begins where the strategies are formulated. The best practice is to involve the employees in this process as the employees from all levels will share their views and a better strategic decision will be expected. Here the strategies are developed to capitalize the opportunities available which were assessed in the external audit and minimize the threat of the factors. On the other side the strengths of the organizations require such strategies which further enhance them and the weaknesses are tried to be overcome.

The next step in the strategy formulation stage is setting the long term objectives. Long term objectives are those which are associated with the sales and market share growth, it can be the growth of assets; it can be attaining any award from the government body etc. This is a very important phase as the long term goals and objectives show a direction to the whole organization. Long term objectives are set after a through consideration of external and internal strengths, weaknesses, opportunities and threats to the organization. The available resources and the expected resources are listed and based on those resources the long term but achievable, measurable and realistic objectives are set with proper timelines (Fred David, 2006).

<https://assignbuster.com/mcdonalds-and-its-strategic-management-commerce-essay/>

The final stage of strategy formulation process is the evaluation and selection of appropriate strategies to meet the long term objectives. In this the alternative strategies are also identified and evaluated and a contingency planning is also done. For instance in case of any external change which is beyond the change of organization such as change in legislations or change in market conditions then that contingency plan can be used. The existing strategies of the organization are the initial point for strategy evaluation.

Strategy Implementation

The next step in a strategic plan includes the strategy implementation.

Developing an effective strategy does not ensure that the strategic plan will be successful. It was in the old times when the strategic planning was done only at the level of strategy formulation stage. Experiences of different organizations and further studies revealed that strategy formulation does not ensure the success of strategic plan. Implementation is another important part of the strategic plan. In the implementation phase the process of shifting the responsibilities to the middle and lower level of management is developed. As in the strategy formulation stage it was mentioned that to involve the employees of all the levels is important, so if any organization has done this during the strategy formulation then the strategy implementation process will be a lot more easier. This is because the middle and lower level staff will have a clearer view of the strategies developed and they would be in a better position to implement those strategies in real practice (Kim Warren, 2008).

Strategy Evaluation and Control

After the implementation of strategic plan it is important like all other plans and project to evaluate the progress of that plan. Implementation phase end with the start of evaluation process. This is a continuous process until the strategic aims and objectives are not met (Fred David, 2006). There are many organizations such as McDonalds, who have strategic aims and objectives that shows continuity and a continuous process is required for that for instance one of the strategic objectives of the company is to provide the value to the customer. This is an objective which shows continuity as the fast food chain is aimed to provide the customer value to their money so for that strategy evaluation is required. This process ensures that the implemented strategies are progressing towards the achievement of organizational aims and objectives or not. In this process the required results or outcomes are compared with the actual results and if there is any kind of difference then with the change in strategies of taking appropriate steps that difference is tried to be eliminated or at least minimized.

Factors affecting McDonald's Strategic Plan

Several internal and external factors can affect the strategic plan of McDonalds. These may include factors such as management's vision, financial factors, technological changes, legislative factors or market competition. As mentioned in the strategic plan earlier that the strategies are developed by considering the existing resources of the organization. It also includes the existing technology possessed by the company. If the existing system of McDonalds becomes obsolete with the introduction of newer version of the same system then the organization need to adapt that

system to sustain in the market. In this case the strategic plan requires a change (Kim Warren, 2008). Same is the case with the market condition. If at the time of strategic planning the market conditions are evaluated and after implementation the market condition changes and requires a change then the strategic plan will also require a change. That is the reason it is suggested that McDonald's strategic plan should be flexible enough that can meet the changing market conditions. Furthermore the strategic plans are also depend on the vision of the management of the organization. If the management decides to go with a differentiation strategy because of the market need then the existing strategic plan will be changed. Financial aspects cannot be neglected in the strategic planning. Every strategy requires financial resources and if the financial resources are not sufficient enough to meet the new strategy then it will require a change in the strategic plan. However, these constraints can be minimized during the strategy formulation process by intensive research and evaluation of the internal and external factors, but still the dynamic market conditions and growing consumer needs cannot be predicted.

McDonalds and Strategic Options

If there is some change in the external environment of the company then in response to that the company opts strategic option. Moreover, strategic option is also chosen by an organization to grow and it tells that how the company wants to grow and what are the ways through which the complete advantage is taken by an organization over its competitors. By manipulating and taking advantage of the opportunities available for an organization the company can have a positive outcome. There are two

renowned methods or ways which can be chosen by any organization to gain a competitive advantage over the other organization (Fred David, 2006).

These two strategic options include the cost leadership strategy and differentiation strategy.

Under cost leadership strategy the organization cut down its cost of production or cost of goods sold and hence increases their profit margins. As the business world today is highly competitive and in the fast food restaurant industry the customers have so many options such as KFC, Pizza Hut etc. which are also providing high quality products. So in such scenario it is not possible for McDonalds to increase the prices of their products. So, cutting the cost of production and other operational cost will be the best strategy to increase their profit margins. The internal capabilities of McDonalds will require a focus and needs to be enhanced in order to achieve the goals of this strategic option.

Another strategic option available for McDonalds is to offer such products and services which are unique in nature and are not available in the market. In this way the customer will have no other option to get the desired product or service. This will keep the customer intact with McDonalds and hence the profit margins of the organization will keep on growing. A best example of this is the ice cream provided by McDonalds. No other fast food chain provides the best quality ice cream and people are fond of McDonalds Ice Cream and this has been a unique product of the fast food chain which attracts millions of customers. Another unique feature of McDonalds is their quality customer services. In this era the customer service has gained utmost importance and McDonalds customer services is helping them to <https://assignbuster.com/mcdonalds-and-its-strategic-management-commerce-essay/>

increase their market share. Even if the restaurant is packed with the customers the customer services quality remains the same which makes the fast food chain number one in the world.

Strategic Option – a Helping Hand to achieve Strategic Objectives

Strategic options help the organization to achieve the organization strategic aims and objectives. However, a combination of the available strategic options is a good option for any enterprise as this can have a dual positive effect in the organizational performance and profit margins can also be increased with a wide margin. Using integrated strategic options allows the firm a more leverage to take decision on marketing mix. McDonalds can use either of the strategic option discussed earlier, but the more appropriate is to use the mix of both the strategic options. This will help to achieve the strategic objectives of the organization which were mentioned earlier in the document. Using a differentiation strategy, McDonalds will be able to charge the premium prices against the product features. However, keeping the legislation under consideration is also important before charging the premium prices from the customers (Kim Warren, 2008). On the other side of the picture the cost leadership strategy will provide the company a more leverage to reduce their prices or provide discount offers to the customers as the company have more margin due to the increase in profit margin.

McDonalds can offer different discount deals on their core products as these are also provided by their major global competitor KFC. So, if the fast food chain is following an integrated strategic option then it can attain competitive advantage on either side of the court. This will fulfill the first and

important strategic objective of McDonalds i. e. to maintain the market leader position. As the fast food chain will be able to counter each offer given by its competitor and also can attack the competitor by offering new products and deals and maintain the market dominance.

Furthermore, using the differentiation strategy the fast food chain can make their customer services so supreme that no other competitor can copy that. Along with the food quality which is already very unique can be improved further and new products can be launched which are not available in the market and not ever provided by any other organization. By using this differentiation strategy the company will be able to achieve its another strategic objective i. e. to provide the customer with quality food and service.

Cost leadership and differentiation strategies will improve the profit margins and the strategic objective to provide a positive return on investment of the shareholders and investors will be fulfilled.

Concluding this discussion it is suggested to the McDonald's management to continue delivering the quality product and services and further reduce their operational cost without compromising the quality of their products and standard of their services.

McDonald's Stakeholders Analysis

Stakeholders are those bodies or parties which have direct or indirect interaction with the organization. These bodies are affected with the operations of the business positively or negatively. The major stakeholder for McDonalds includes their customers, shareholders and their employees.
<https://assignbuster.com/mcdonalds-and-its-strategic-management-commerce-essay/>

Customers

Customers of McDonalds are the major focus of fast food chain. Mentioned earlier in the document that the company's corporate values indicate that customer is the king. The strategic objectives are also aimed towards the customer satisfaction by delivering value to them. Customer services is the important part of the McDonald's strategic planning as through quality customer services they are able to retain the customers. McDonald's branches and franchises are all over the world and they are huge in number. This is to facilitate the customer to provide the quality food with easy access. Furthermore the free home delivery service of the fast food chain shows that the organization is committed to produce their products and services at the door step of the customers.

Shareholders

Shareholders are another major stakeholder of the company. Strategic objectives of the company show that the company is committed to deliver return on investments. The company has adapted cost leadership and differentiation strategy which have given them a position of market leader and helped to increase the profit margins which is the major concern of the investors.

Employees

The employees are the key to success for any organization. At McDonalds it is not a different story. The company considers their employees as an asset like all successful organizations and is committed to facilitate their

employees who in actual are the prime resources that leads towards the fulfillment of organizations strategic objectives.

Five Competitive Forces Analysis of McDonalds

Michael porter provided a frame work which contains the analysis of five different forces effecting the organization (Kim Warren, 2002). Through this analytical tool five different forces affecting McDonalds are evaluated.

Figure 1 Porter Five Forces Model

Threat of new entrants

Fast food industry has gained a tremendous growth in the 21st century. Many fast food chains are operating in different countries. The major are KFC, Pizza Hut and Subway. However there are many local fast food chains that provide the same kind of products which these international fast food chains do. However, the quality and standard is not up to the level of these chains still these chains are able to grasp a handsome amount of market share. The entry in this business is not a difficult task; however, to launch a chain at the level of McDonald is quite difficult.

Threat of Substitutes

There are several substitutes available against the products of McDonalds, which are also liked by the consumers. So McDonalds also have to consider those substitutes while designing their strategies.

Degree of Rivalry

The competition in the fast food restaurant industry is intense. Having the major brands like KFC, PIZZA HUT and Subway , McDonalds really have to be

up to the mark in terms of products and customer services to maintain the market leader position.

Bargaining Power of Buyers

Bargaining power of buyers in case of McDonalds is high as the customer has so many options so the fast food chains have to maintain their prices very competitive and keep the level of customer services up to the mark.

Bargaining Power of Suppliers

Bargaining power of supplier is not high in case of McDonalds. Suppliers try to add their names in the list of the big brand names such as McDonalds because of the frequency of their orders.

Pest Analysis of Mcdonalds

Pestle analysis is to analyze the external forces which can affect the organization. Below is the brief analysis of McDonald's

Figure 2 PEST Analysis Framework

Political Forces

Due to the global operations of the company there are several policies in different states which can affect the McDonald's policies and procedures.

Economic Factors

The global economy can affect the organization in many ways. The change in the fast food industry business can also affect the McDonald's in a positive or negative way.

Social Factors

Being operating in many countries across the globe, McDonald have to recognize the social and cultural factors. For instance in Muslim countries the fast food chain has to assure the community regarding the use of Halal chicken.

Technological Factors

The rapid change in technology will force the company to adapt it in order to survive in the competitive market. Furthermore, the introduction of new advertisement Medias gives a more chance to aggressively market the products through different channels.

Conclusion

McDonald's enormous success all over the globe is the result of their effective vision and mission which is leading the organization in the right direction. The selection of right strategies at the right time allows the organization to achieve the organization set aims and objectives. The progress of the company towards strategic aims and objectives is satisfactory. The selection of integrated strategic options will allow the company to progress more efficiently towards the achievement of strategic aims and objectives.