

Financial information of mcdonalds business essay

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Introduction

Organisations are operating in highly complex and unpredictable environment which they always need to plan and execute their operations. Strategic management and planning process is vital to any firm where it is for profit making or whether it is non-profit oriented organisation. This is because the organisation's strategy provides the ways and means of achieving their goals and objectives in long run. It is continues process which has no end. This report is based on the strategic business management process and a critical evaluation of strategic related activities and function on organisation. Following sub topic are discussed under this report.

Strategic management process of the organisation
External and internal forces affecting the strategic operations of the organisation
Recommendations for strategic improvements
Factors to be consider when implementing new strategic approach
To gain a practical exposure to carry out this report it has been selected a world's leading restaurant chain, ' McDonalds' who are the leaders in fast-food retail chain in the world and operates around the world.

Introduction to the selected organisation

' McDonalds' is a large US based organisation which operates around the world and is the leader in fast-food retail business. This was established in 1955 by Richard " Dick" J. McDonald and Maurice " Mac" McDonald in San Bernardino, Californiawith a small investment and now this company becomes the largest restaurant chain in the world with a global sale of \$7. 2 billion in year 2011/12. There vision is " to be the best and leading fast food

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providers around the global" while accomplishing their mission which is " to be their customers' favourite place and way to eat and drink" They are the world's largest public restaurant chain and franchise brand which have more than 33, 000 restaurants serving around 68 million everyday in more than 119 countries with a local and international customer pool including Europe, South and North America, Africa and Asian Countries irrespective of developed or non-developed they serve almost many of the countries in the world. Their aim is to provide an excellent service to the worldwide customers by aligned their worldwide operations around a global strategy which called as ' Plan to Win'. This strategy centered on exceptional customer experience including their values with people, products, places, price and promotions (marketing mix strategy) and committing to improving their business continuously and enhancing customer satisfaction. Their business is continuously growing and their market performs strongly in operating countries.

Financial information of McDonalds

Revenue\$ 27. 56 billion (2012)Profit\$ 5. 46 billion (2012)Employees1, 800, 000Main CompetitorsBurger King Worldwide, Inc., Yum! Brand Inc., Subway, Wendy's Company

Strategic management process

According to Wit and Meyer (2010: p. 3) strategy is the set of actions which organisation design and develops the resources and uses them to provide products and services to the users which will need to meet the financial and other objectives imposed by the stakeholders. Hill and Jones (2012: p. 13) explained that a formal strategic planning process has following steps and it <https://assignbuster.com/financial-information-of-mcdonalds-business-essay/>

can be shown in the figure 1. 1 below; C: UsersUserDesktopplanning process.
pngFigure 1. 1: Strategic Management processSource: Hill and Jones (2012:
p. 13)Select corporate vision, mission and corporate goal and
objectivesAnalyse the external competitive environmental factors which can
be bring opportunities and threats to the organisationAnalyse the internal
operating environmental forces as well, because these might give both
strengths and weakness to the organisation. Select strategies which build on
the organisation's strengths and correct its weaknesses in order to take
advantages from external opportunities and reduce the impact of external
threats. Meantime these strategies should build in line with mission and
vision of the organisation to achieve its goals and objectives effectively and
efficiently. Implement the strategy.

The main features of McDonalds' strategy, mission, vision and objective

Mission statement: This describes what the company is doing. As discussed by Johnson, et. al. (2008: p. 209) mission of the company described the definition of the business including what is the business, what will be it, what should it be. That should decide on three dimensions: who is being satisfied (group of customers), what is being satisfied (what are their needs) and how their needs can be satisfied. Mission of McDonalds is " to be their customers' favourite place and way to eat and drink". This describes clearly, what is the purpose of their business as to provide restaurant environment for consumers to eat and drink. Vision: This defines a desired future state of the organisation. It aculeate company's desired achievements or future state. McDonalds' vision is " to be the best and leading fast food providers around

the global". According to the Griffin and Moorhead (2010: p. 505), the vision is the dream of an organisation that it will want to be in the future. The vision helps the management and the employees to work towards one direction. It is clear their vision has provides them directions toward their desire future of being the largest and leading fast food provider all over the world. Values: Values of the organisation has to be properly linked with their vision and mission statement. As per Talbol (2003: p. 35) organisational values will determine; Organisational goals, both intrinsic and instrumentalThe principles that guide organisational policy and strategiesThe standards against which the organisation should be judged. McDonald's values are based on seven principles and all their strategies including corporate, operational, marketing and etc are developed based on this core value system. Consider the customer experience as the centre of all what they do - Since customers are the key drivers of the business growth and the reason behind their existence, they always try to appreciate them by providing high quality food and clean and superior service with a welcoming environment. This they drawn through operational values of ' QSCPV' which described; Q - high Quality productsS - fast and friendly ServiceC - CleanlinessV - great ValueCommitted to people - To ensure the corporate and operations modules and strategies effectively and efficiently they have established a proper working environment for their employees. They are provided with career development opportunities, training programmes to develop leaders among best talented employees. They highly encourage the diversity background and experience and provided employees with high level of engagement to perform their task and duties effectively in order to achieve strategic objectives. McDonalds system - As per McDonalds (2013) their <https://assignbuster.com/financial-information-of-mcdonalds-business-essay/>

business model has developed based on 'three-legged stool' concept of operators, that is owners, their employees and suppliers to ensure smooth operation and production to deliver superior service to satisfy their potential customers while ensuring the interest of these three parties. Ethical operations - To have a good business there should be a sound ethical conduct into the business. McDonald conducts and operates their business in high standards of integrity, honesty and fairness. Their ethical strategy is 'to responsible collectively and accountable individually'. Community engagement - Ensure the corporate social responsibility as a responsible market leader of the restaurant retailing sector. They provide benefits for their consumers to build their life style, donating to charities and leverage their business growth in size to help the world to become a better place to live. Profitability - to ensure the shareholder interest, they always work to increase their profitability by focusing on customer requirements. Because any company can retain only if they are able to satisfy customer needs and wants. As per McDonalds (2013) they always focusing on customers and enhance the business strategies and systems' quality continuously. Continues improvement - Always strive to the learning to understand the changing needs and wants of customers and to respond them quickly and accurately. They always are doing innovations, surveys and evolutions to face effectively and efficiently for the customer requirements within the dynamic and complex environment. Corporate culture: According to Flamholtz and Randle (2011: p. 6) the central notion of the corporate culture relates to the core organisational values and it can be thought of as the "personality" of the organisation. Corporate culture becomes a significant aspect of organisational health and performance and it affect the overall

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financial performance of the company. As per McDonalds (2013) they are now moving from awareness to action of their corporate goals through their culture. Concepts of ' Diversity' and ' Inclusion' for the lower level employee to board of directors are the main aspects of their corporate culture. Their goal is to make the employees full potential of working and living with the company. For that they always ensure that their leaders are always accountable for learning and respect and value all the employees. Corporate strategy: a strategy is the scope and direction of the organisation over the long term and as described by Johnson, et. al. (2009: p. 10) the corporate strategy address the following; Should gaining competitive advantagesShould address the business environmental changesShould build upon the organisational resources and core competenciesShould enhance the values and expectations of all its stakeholders. These strategies can be identified through many approaches and widely use the Porter's generic strategies. As described by Mollona (2010: p. 152) the external environment of the organisations is not totally exogenous but it is in parts which created by managers with their decisions. Therefore organisations need to fit into the patterns of resources exchanges and other competitive actions of their rivals within the industry. Porter analysed this competition through ' five force analyses' and suggested generic strategies to being effectively competitive in the industry. These generic strategies include cost leadership strategy, differentiation strategy and market focus strategy. These generic strategies can be shown in below figure of 1. 2. C: UsersUserDesktopgoenawan-2317896. jpgFigure 1. 4: Porter's Generic StrategiesSource: <http://www.flixya.com>

Differentiation

According to Griffin (2011: p. 244) an organisation that apply differentiate strategy seeks to distinguish themselves from the competitors through products and services especially through the quality. Product and service: As per Pycraft, et. al. (2007: p. 139) objective of designing products and services is to satisfy the potential customers of the firm, so products and services need to be designed to meet actual as well as anticipated needs and expectations of consumers. Here marketing plays a vital role on identifying consumer needs and wants to develop the suitable products and services mix for the company. According to McDonalds (2013) their values are driven through their global strategy which called as ' Plan To Win' to enhance customer satisfaction they have a proper mix of marketing elements including people, products, promotions, place and price.

McDonald's restaurants offer standardized limited menu with some common fast foods including cheeseburgers, hamburgers, salads, desserts, chicken sandwiches and ice creams. And also they have some innovatory products of their own which has included into those menus such as Big Mac, Quarter Founder, Filet-O-Fist and etc. starting from 2008 they have introduced number of nutritious products such as Grilled Chicken Flatbreads together with Garden Side Salad. But when it comes to different countries according their culture they have designed and produce different menus of fast-foods to match with them. For example; In India they do not have ' Big Macs', because Hindu people do not eat beef, but they have ' Maharaja Mac' which is a Big Mac made with lamb or chicken meet. In Norway they have ' McLaks' which is a sandwich made of grilled salmon because Norway people are fish lovers. Quality: Quality is defined as per the Rawlins (2008: p. 03) the ability <https://assignbuster.com/financial-information-of-mcdonalds-business-essay/>

to address the true need of the customer. Customer opinion on quality is the best description and the trigger to requirement to concern more on quality. The customer satisfaction derived from the quality of the product. Their core of quality conformance is to meet customer requirements. McDonalds' operations and production procedure is controlled by Global Restaurant Operation Improvement Process (GROIP). So staff at any level is properly trained to prepare meals according to the national standards as well as to provide excellent service with high quality standards. For example; For a sandwich there should be only ten-minutes holding time and that ensures the quality of the food they are serving. Restaurants are designed with ultimate hygiene factors such as hand wash procedures.

Cost leadership

An organisation applying overall cost leadership strategy always attempts to gain competitive advantages by reducing its costs below the cost of their rivals in the industry. McDonald's strategy of keep costs low is driven through their operational strategy of product design. When they franchised into a region or a country they often adopt the hosting countries product choice into their restaurants while keeping their corporate standards. They always value the culture and customer taste of the hosting country and adopt their internationalised strategies. According to McDonald (2013) they developed a new term called 'McDonaldisation' instead of globalisation where the principle of all the fast-food restaurants came to the market. On the other hand their inventory control system assures the low cost strategy of McDonalds. McDonalds are the best example for using Just In Time (JIT) system for their inventory control procedure. McDonalds wait to cook food

until it has been ordered. They are not keeping pre-cooked foods to serve customers. Due to the advance technologies, restaurant like McDonalds are use sophisticate machineries to cook food easily and fast such as burger making technology including bun toaster. So McDonalds would be able to provide better food at a very low price but with high quality. As per McDonalds (2013) because of the JIT system, they gain many benefits. Since McDonalds cook fresh food especially for the orders (they wait to cook till customer ordered), they can provide higher quality customer services and this method help to reduce the holding cost of the food items.

Business Model

McDonald's business model is operating its own fast-food restaurants as well as franchising business to the third part with same corporate standards. According to Franchise Direct (2013) the success behind the McDonald's franchise is the business equivalent of their operational and marketing segments where they operate. They have currently over 33, 000 restaurants both own and franchised located in 119 countries. Following graph shows the major players of fast food industry as at 2010. C: UserspcDesktop(25) 2329Fast_Food_Industry_Markets. jpg
Graph 1. 3: Market share of major players in fast-food industry
Source: <http://www.wikinvest.com>

External and internal factors

External environment affecting to McDonalds

As discussed by Richard and Lane (2010 p. 62) business environment are increasing dynamic and those external factors affecting to the business are beyond its control and the success of the business is highly depends on how

well they are adopted to its environment with their organisational strategy.

Companies are operating in the environment that consists of many external factors that directly or indirectly impact on the company. External environment consists of macro and micro environments. According to the figure 1.1 political, economic, socio-cultural, technological, environmental and legislative forces are the most influencing forces. [http://1. bp. blogspot. com/-V5BQzis0OhY/TqTnw9KL9GI/AAAAAAAAACw/RwB2OWOiHrY/s1600/PESTEL21. jpg](http://1.bp.blogspot.com/-V5BQzis0OhY/TqTnw9KL9GI/AAAAAAAAACw/RwB2OWOiHrY/s1600/PESTEL21.jpg) Figure 2. 1: Environmental forces affecting strategic decision Source: [http://pmmagsmartech. blogspot. com/2011/10/pestel-analysis. html](http://pmmagsmartech.blogspot.com/2011/10/pestel-analysis.html) Consideration of environment when formulating and implementing business strategies is very important because the effectiveness of strategy largely depends on what is happening in the macro environment. According to the Bensoussan and Leisher (2008) there are many ways to identify the external environment which affects to the organisations such as STEEP or PESTEL factors. Among them to analyse the environment of Microsoft Corporation for this study PESTAL forces has been considered.

PESTEL Analysis

PESTAL analysis can be used to identify forces in the macro environment that are currently affecting to the company and also likely to do so in future. As per Allen (2001: p. 54) the key to the PESTEL analysis is to identify the key factors that are likely to have a significant effect on the organisation and industry. This might not be a simple task as the complexity of the environment forces at work can be overwhelming. The environmental analysis of McDonalds can be listed down as follows; Political: Factors such

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as law of the country, government agencies, political part in the power and the opposite leaders. Common laws and regulation in the country also influencing the strategic process. There are many factors under political which has a great influence towards McDonalds; Several protest parties in USA and Europe, pertaining to health implications, especially of the fast-food consumption. The growth of the business can be affected by tax rates of the hosting country. Employment restrictions including regulations on working hours badly affect to restaurants as they need to employ more staff.

Economical: Macro level factors that have an influence of the production by the means of production and distribution. As per Allen (2001: p. 60) this economical factors are included inflation rate, taxation, interest rate, exchange rate, labour supply, market growth rate, trade barriers and etc. fast-food chains like McDonalds are always badly affect the inflation rates of the hosting countries.

Socio-cultural: As discussed by Goyal (2009) society hardly go without accommodations. This simple means that the business should design their marketing plan to eliminate harmful products and encourage socially beneficial decisions to the society. Their marketing strategy should be based on the social responsibility to the general public. There are some demographic changes such as increase of aging population, increase in social communication and etc to reconsider the accommodations by focusing add more value to the products and services provided by McDonalds. As per McDonalds (2013) they have clearly identify the changes in customer taste and preferences based on their culture in hosting countries and the design their products and services accordingly.

Technology: Machinery, materials and related knowledge used for the production also influence the marketing decision of the business. Czinkota and Ronkainen

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(2007: p. 10) described the need of respond aggressively with innovations, process improvements and creativity to play best in the market. One of the McDonald's key success factors is their innovation strategies and it has included of one of their values system. They always come up with a new item included in their standardised menus. Environment: Environmental impact of business locally, nationally and internationally and the outcomes of community interest. The sustainability and social responsibility strategy of McDonald enhance the environmental protection and meantime it has a great influence towards their operational activities. Legal: According to Sadler (2003: p. 30) basically government enforce the rules and regulations including tax obligations, employment policies, competition regulations and etc in the country which organisation operates. These factors have a direct impact towards the activities in McDonalds

Internal factors affecting McDonalds

The success behind the McDonald's financial performance is basically due to their internal core competencies and other internal operations. As per Waters (2006: p. 145) McDonalds takes a resource view, with operation excellence as the foundation for their success. A resource based vies of operation strategy says that the organisation's success comes from both the ownership of resource and how they use those resource effectively for the operations. In practical scenario, resources can used effectively to build distinctive capabilities with the operation excellence which ensures superior performance to achieve competitive advantages. McDonalds' superior performance is guaranteed with their resource-based view of the operations. According to McDonalds (2013) they always believes in innovative products

and the way of serving customers cleanliness and friendly all around the world which makes them differ than their competitors. Following are some of their internal components which help to gain core competencies; Competent staff with divers of backgrounds, knowledge and skills: As per McDonalds (2013) they have diversified work environment with different employees with different genders, cross-cultures and other demographic factors. Since they are operating in many regions and countries with different cultures they need to have employees with different skills and knowledge. McDonalds giving their first priority to train their employees in order to educate them about the company, their tasks, duties and responsibilities to achieve organisational goals and objectives productively. They highly encourage the concept of employee engagement of their own task and responsibilities to take their own decisions to achieve overall targets. For example they have following training programmes; Intercultural Learning Practice (diversity education)Employee Business NetworksOnline mentoring programCustomer oriented strategic planning process: As mentioned earlier their aim is to provide an excellent service to the worldwide customers by aligned their worldwide operations around a global strategy which called as ' Plan to Win'. Differences in restaurant layouts: McDonalds have design their layout in a way that always attract customers to their restaurants. They have unique and different layout designs in their restaurants. As per McDonald (2013) their layout was developed by site developers with described the optimal collaborative environment within the restaurants which customers can be relaxed and be served. For example; One of their restaurant in Chicago by Chipman Design Architecture has two floors, second one is representing of living room, family room, dining room, a corner conference room with high

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technological equipments and a McCafe which has special desserts and coffees. First floor is consisting the kitchen and the lobby. Suppliers and supply chain: McDonalds too have some suppliers who are supplying raw materials such as beef, patties, buns, sauce food packaging and etc. According to their values they always try to ensure proper link with their suppliers, operators and their employees under their concept of ' three-legged stool'. As per McDonalds (2013) this is their operating strategy. Their strong brand value: Below graph illustrates the value of McDonald's brand. C: UserspcDesktop2355Brand value. jpgGraph 2. 2: Brand value of world's 10 most valuable fast-food brandsSource: www. statista. com

Strategic recommendation

Even though McDonalds are the worlds' largest and leading most success restaurant chain, there are some more important aspects which they should consider in order to gain more competitive advantages. Have an international approach - When they are merging into other countries it is important to know the culture and the customer preferences in those countries. They can conduct customer surveys to better know about the different needs and wants of customers before they start business or franchising in different countries. Without providing the standardised food menus, they have to serve different menus in accordance with the different requirements in those countries. Meantime they should develop strategies to ensure the standards of McDonald's foods which always need to differentiate them with their competitors. Aggressive innovations - Provide more and more innovative products to being unique from their rivals all around the world. It is important to invest in new innovative foods which ensure the

health and nutritious requirements of people. These innovative foods should be identical for countries based on their social living conditions and customer needs. Control over franchiser - To ensure the quality and the McDonalds standards of cooking food, selling and serving foods in different franchisee restaurants, they need to be properly control franchisees' activities. Even though those franchisees should adopt their products and layout design of their restaurants according to the customer and environmental requirements of those countries, there should be a common standardised operation strategy for all the restaurants to enhance the corporate vision of McDonalds. Vertical acquisition - It is better if McDonalds can invest and expand their business operations into some small fast-food chains with small concepts in USA. For example they can easily acquire small food chains like Atlanta Bread Company, Caribou Coffee, Au Bon Pain and etc. Social networking - Now all the organisations especially fast-food restaurants and retailing companies aggressively involved with social network to promote their products and services. But it seems that McDonalds still largely relies on traditional marketing means and strategies. To attract more teen demographics, it is advisable for them to develop some social networking strategies especially with twitter and Face book.

Factors to be consider when implementing new strategic approach

Before approaching to a new strategy there are some factors to be consider by the organisation to implement the new strategy successfully. Understand the organisational structure - Once the company made the decision of what, where and how they are going to serve in the market, especially when they

are going to implement a new strategic approach, it is essential to identify and then plan its organisational structure in the way that maximise profits efficiently and effectively. According to the Aquinas (2008: p. 94) organizational structure is designed to prevent confusion among individuals by establishing set of reporting relationships, lines of authority and communication channels and it defines how job tasks are properly separated, grouped and coordinated. It is the formal model of interaction and coordination to connect the tasks of individuals and groups in achieving organisational goals. Understanding organisational culture - Organizational culture refers to a set of key characteristics that organisation values. These are the shared meanings held by the members that differentiate the organisation from other organization. As discussed by Robbins (2009: p. 601-602) there are seven characteristics in organisation's culture. Innovative and risk taking. Attention to detail. Outcome orientation. People orientation. Team orientation. Aggressiveness. Stability. As per McDonald's they highly value the people employing with them and they have both people oriented approach and innovative and risk taking aspects of their corporate culture. Both the inclusion and diversification are highly appreciated on their values. Available resources
Financial ability
Human resource capabilities
External factors (PESTEL factors)
Other functional and business strategies including operational strategy and marketing strategy

Conclusion

McDonalds are rapidly growing in their size and as well as grow in profitability. The reason behind their success in business performances is the excellence of their corporate strategy and business modules. Strategic

management is an essential part of an organisation which provides objectives to be achieved and also provide guidelines to achieve those objectives and targets effectively and efficiently. This is the foundation of any organisation irrespective of their purpose of existing in the market. Throughout this report it was address the nature, scope, benefits and functions of business strategies, formulation of vision, mission and objectives, formulation of strategies to achieve those targets in business, functional, corporate and global level, implementation of strategies and monitoring and reporting the strategic outcomes in long term. McDonald's has understand well how significant to have a unique and well established strategy for their operations, especially to gain more and more competitive advantages in fast-food restaurant and franchising industry.