

Hrm and strategic decisions: mcdonalds



Introduction

The human resource is increasingly viewed as being the most important resource in contributing to an organisation's overall success in achieving corporate goals. Therefore human resource management is a vital component of the strategic decision making. Managing human resources comprises a range of issues such as recruitment and retention, employee development, reward schemes and promoting good relations. The first process is recruitment, to employ suitably qualified employees to contribute to the achievement of the corporate goals, in an efficient and cost-effective manner.

The fast food giant Mc Donald's has improved their pay and career prospects, this policy is aimed at both recruitment and retention of employees. The changing UK labour market has seen a higher educated workforce with individuals concerns of career development. Fast food organisations have had to adapt their HR strategies in order to compete in new global and national contexts effectively. This paper will investigate the features of recruitment and retention strategies by McDonalds; as a response to the new challenges.

Aim and Objective:

This research aims to examine and evaluate McDonalds' employee retention policies such as employee development programs and reward schemes. It will discuss how the organisation has responded to the challenges.

- The first objective of this work is to identify and explore the main challenges faced by retention strategies for employees in general, and focus on the fast food industry.
- The second objective of this work is to examine specific retention strategies exploited by a fast food company. This will examined how they compete for staff within the UK labour market with other fast food companies.

The principal outcomes of this research will be an assessment of the effectiveness of McDonald's employee retention schemes from the perspectives of those directly involved in the implementation of these schemes. Additional outcomes of the research include a detailed overview of general trends within the industry in relation to employee retention and development and a comparative analysis of McDonald's policies in relation.

Methodology

This chapter discusses the research methods used for the project and the rationale for their choice. It discusses methods that were not used, with justification of why they were not included. Included is a critique of methods selected, and with hindsight identifies any changes that would have enhanced the research.

This paper critically evaluates the retention methods used by McDonald's in their restaurants. McDonalds was selected as being the industry leader in its strategies for both marketing and the attracting and retaining of staff. A case study approach was chosen to link the theory with research; this can generate rich amounts of data relevant to particular organisational contexts.

From the case study questions were generated to be used in further primary research (Yin, R 1994).

Selection of the topic was stimulated and formed out of increased publicity on the practices of HR that McDonalds utilise. The nature of the research was discussed with colleagues and fellow students this not only added practical ideas and suggestions, it opened new avenues of thought. This was the discussed with lecturers sounding out ideas, gauging opinions and clarifying the question. Focusing in on the question was obtained by employing relevance trees, narrowing the research area. This gave direction to the research, although with reviewing the literature this changed several times.

The analysis:

Recruitment

The important factor after recruitment is ensuring the right employees are trained and retained. This has both external and internal forces which can affect the retention rate of an organisation. There is a direct link between corporate strategy and people management, and the policy of strategic recruitment and retention. The fast food industry has historically been viewed as low-skilled and low paid work leading to a high rate of employee turnover.

Training

Training can be defined as a planned process to change attitudes, knowledge or skills and behaviour through a range of activities to achieve effective performance. When this training is in the work situation, it develops the

employee to satisfy current or future needs of the organisation (Beardwell, I et al 2004)

Reward systems

Amongst the theorist there are several key areas of management, which affects the retention of key employees, this includes motivation, job satisfaction, reward systems and the psychological contract. The first area reviewed is reward systems; these can be both intrinsic and extrinsic.

Reward systems are one of the four key policies within strategic HR. the organisation can use this tool to raise commitment, competence, and congruence and it is cost effective. With individuals having more control on their reward, at a basic level this can motivate, at a higher level can introduce self esteem and self worth. These values are congruent to the organisations values and principals (Beardwell, I et al 2004). PRP is an individualised form of payment which reflects individual's performance. These increases may determine the rate of progression through an organisation (Farnham, D. 2002).

Motivation

There are four main categories that the theories of motivation are classified
(1) Economic needs of man, money motivates, Taylorism (2) Social concept of motivation, from the Hawthorne studies (3) Self actualisation this took the findings from the Hawthorne studies further, psychological issues were studied (4) the contingency approach, large number of variables that influence a persons motivation. These theories all have factors that relate to the work place (Mullins L. 2005).

Motivation is an individual's perception of their worth, role and work environment within an organisation. There are common motivational factors that employees share, although when satisfied will lead to different levels of motivation. Both Intrinsic and extrinsic rewards add to the motivation level of employees, if managed correctly. Although the perceived equitable reward varies amongst employees, those who receive less than their perceived value will feel undervalued, and not motivated. This will impinge on job satisfaction, with employees feeling dissatisfied with their award (Mullins, L. 2005) Mitchell (1982) described motivation as the " psychological process" that cause the arousal, direction, and persistence of voluntary actions that are goal oriented (Mitchell (1982) cited in Ramlall, S. 2004: 55). Motivation defined by Robbins (1993): 55 is the " willingness to exert high levels of effort toward organisational goals, conditioned by the effort's ability to satisfy some individual need." The need in this framework is an internal state that makes certain outcomes appears attractive. An unsatisfied need creates tension that stimulates drives within the individual. These drives then generate search behaviour to find particular goals that, if attained, will satisfy the need and lead to the reduction of tension (Robbins, (1993) cited in Ramlall, S. 2004: 55).

Job Satisfaction

Apart from using compensation, an effective component to retaining talented employees can be accomplished through improving their job satisfaction. Employees that are satisfied with their job will have no reason to seek alternative employment.

Management can insure talented employees are given autonomy in their job functions and are given meaningful assignments, allowing them to be involved in the decision making for their area of expertise. Pleasant working conditions can entice productive workers to stay in their organisation and not look elsewhere. In addition, offering these employees training to keep them current on their job functions and allowing them to learn new skills can also be utilised to improve employee satisfaction with the organisation (Sigler, K. 1999: 3).

*The concept of human resource management has emerged from the 1980s into a core consideration of corporate strategy in the 1990s. There is no single definition of HRM in the literature yet the emphasis has to a large extent been on the strategic role of human resource management in organisations. Some research has identified HRM with strategic aspects of ‘best-fit’ or aligning people to the needs of the organisation as expressed in corporate strategy and others have examined HRM as a means of gaining enhanced organisational performance, (Golding, N (2004) cited in Beardwell, I. et al 2004). However the contribution that human resource may make to an organisation’s performance and effectiveness has been linked closely to the changes in different business environments including macro and micro contexts.

Recognition of the importance of HR has increased in recent years; this is a result of competition from overseas economies. In countries for example Japan, Germany and Sweden investment in employee development is higher than the UK. This has led to some organisations reviewing their policies on training introducing continuous investment in their employees Although

when multi national organisations have entered the UK, they have introduced their global HR policies (Beardwell, I. et al 2004).

For HR to succeed it must take on a proactive role within the organisation.

Strategic HR creates value by providing opportunities for organic learning, development of intellectual capital and enhances core competencies. This value is crucial to the organisation's future success (Treen, D. 2000).

Employers are increasing extorting the best possible performance from employees. Best practice will increase the skills of the current workforce, and with recruiting it will reinforce the culture of a highly skilled work force (Mullins, L. 2005). Strategic HRM has gained both credibility and popularity over the past decade, specifically with respect to its impact on organisational performance (Paauwe, J & Boselie P. 2003).

The organisation recruits individuals with the ability to become customer focused, this is emphasised in their recruitment advertising. The right attitude is viewed as more important than technical ability. The organisation believes that the best way to stand out from the crowd is to satisfy all the customers, all the time. Later in the selection process, the company also looks at specific skills and general knowledge (Solomon, C 1997).

McDonald's employs some of the most ambitious people on the job market. Whether they join as hourly-paid staff known as "crew members or management trainees through graduate recruitment. The value is placed on people with a positive attitude towards customers, themselves and other employees, and who strive towards delivering the highest standards of quality, service and cleanliness. The ability to understand and adopt

McDonald's customer led culture is worth as much as the more usual career entry requirements of GCSEs and university degree (www.mcdonalds.co.uk). Although the organisation has been awarded graduate employee of the year.

The image of training and development has changed and can be used a key driver for delivering shareholder value (Rogers 2004: 25). This increase in training priority has been supported by a rise in Human Resource Management. This practice emphasises that increased growth can only be maintained in the long run; by equipping the work force with the skills they need to complete their tasks (Mullins, L. 2005).

The work environment and the employee relationship have changed dramatically over the past decade. In the UK there has been a decline in the power of the unions; this has led to individualism of the employee contract.

The organisations approach to HR is proactive; this is used for recruitment, training and control of employees. This is the hard approach to HR, and is prescriptive.

MacDonald's has successfully entered the UK market, with rapid expansion since the first branch was opened in 1974. This expansion has been on a global scale, with restaurants all over the world. The operations outside the home country now accounts for over half their revenue.

The type of role at McDonald attracts younger people to apply for positions within the organisations. The average age of employee in the UK is under 21,

of these employees the majority are students in full time education. These employees fit the work in with their studies .

MacDonald's utilises standardisation across its global restaurants, any customer knows what to expect anywhere in the world, when eating at MacDonald's All employees follow a set pattern for performing tasks.

The organisation global HR policy is to respects the flexibility and sensitivity of the local culture. This is accomplished through best practices and implemented with local staff. The company's philosophical approach to employment is standardised.

Recruitment is easy for the organisation; it establishes itself as an employer of choice by paying top wages for high quality employees and providing a benefits package which exceeds the minimum required by the local employment legislation, retention starts at recruitment.

The organisation recruits locally and has a strategy of internal promotion. This helps to attract career minded individuals that will commit themselves to the organisation. Over 60% of their current managers started their careers as crew in the restaurants This has assisted the organisation when gaining entry into new markets.

The Company has opened employment up to a wide range of candidates. The organisation is committed to equal opportunity policy that extends beyond race, gender, ethnic origin, marital status, colour, nationality or disability, to encompass people with very different backgrounds and experience.

The main focus of the organisation's recruitment policy is the ability of the individual to be customer focused. The right attitude is viewed as more important than technical ability. This is part of the ethos of customer service and standardisation. The ability to understand and adopt McDonald's customer led culture is worth as much as the more usual career entry requirements.

With the graduate's development programme, later in the selection process, the company also looks at specific skills and general knowledge. This is to develop leadership skills. The organisation has been awarded graduate employee of the year (4. 5, 4. 18, Case Study & Appendix 2).

Successful Management applicants, who pass the initial screening, are invited to work in one of the restaurants before a final decision is made. This gives applicants the chance to try out the job, and provides McDonald's with the opportunity to see how they function in the environment in which they will work. This method will reduce the number of employees who leave shortly after joining the organisation.

McDonald's places emphasis on employee training to attain a standard level of service. This tightly controlled process, and covers all areas of the business from meeting and greeting, to food preparation, to cleaning the floor. McDonald's has traced a number of other benefits to ongoing training, in terms of improved morale and productivity.

Training is inherent in the McDonald's work culture, and the link between training and development within the company is overt. The organisation has proven that a fully trained crew is more productive; employees who are

being trained will be less effective and are also likely to produce more waste. Successful completion of a range of tasks leads to a small pay increase.

Training employees is used as a retention tool. Individuals are trained to work as a team and feel part of the organisation. Training is given to all employees, this includes all part time staff, encouraging the team .

The morale of the team is of crucial importance in its ability to cope and work together as a team. Crew members fill in satisfaction surveys, where they are asked to rate the individual elements of their job role. There is a correlation between the number of fully trained staff and employee satisfaction levels, which in turn affect customer ratings.

Restaurants with high levels of training tend to have lower rates of staff turnover and lower turnover costs. Among leisure retailers an average staff turnover rate of 188 per cent, while the better performing McDonald's restaurants averaged 64 per cent The restaurants that reach the above average in the training department were inclined to have lower employee turnover.

A major factor of a high level of employee turnover that impinges on an organisation is the cost. The costs can be broken down into the costs of leaving, replacements, transition and indirect. The leaving costs are the payroll and the personnel administration of the employee leaving. The replacement costs are spent on recruitment of potential employees, the money and time spent on interviewing and any placement fees involved. Transition costs for a company include the training costs of new employees the unproductive time while the new employee is learning the skills required

and any induction costs for the new employee. The indirect cost to a company is the potential loss of revenue because of decreased levels of customer service

The cost of replacing workers who have left can amount to two and half times a worker's annual salary. These costs are rarely specifically identified in any accounting records. Therefore turnover cost data should be used to demonstrate the success of retention strategies over time (Risher, H. and Stopper, W. 2002).

Apart from the significant economic impact with an organisation losing any of its critical employees, there is also the knowledge that is lost with the employee's departure. This is the knowledge that is used to meet the needs and expectations of the customers (Bassi (1997) cited in Ramlall, S. 2004: 54). Organisations cannot take a passive attitude toward knowledge management, Instead they should seek to sustain the competitive advantage and develop systems to control the value of knowledge (Stewart, (1997) cited in Ramlall, S. 2004: 54).

The Human capital theory suggests that some labour is more productive than other labour simply because more resources have been invested into the training of that labour, in the same manner that a machine that has had more resources invested into it is apt to be more productive (Ramlall, S. 2004).

Conclusion:

The organisation now operates on a global scale with competition through other key players. This rapid expansion has opened up new cultures, which

are managed through their global HR policies. The organisation pays employees in new markets above average wages; this is used to attract large number of candidates.

All employees are managed by global HR policies, with the only exceptions is where local employment legislation differs from that of the organisation.

Therefore all employees receive the same benefits, training and control, leading to standardisation of employment. To the customer this standardisation is of both product and service.

The organisation trades on this standardisation, therefore this is part of the ethos, and integrated into all HR policies. The training plan for all employees is a global policy, so they all follow the same route. Where this training is standardised, it is a rigid framework. All employees know what stage they are at with their training. This adds stability to the employment.

McDonalds successfully attracts potential employees, this is essentially through word of mouth. The majority of candidates have either relatives or friends employed at MacDonald's. This not only reduces advertising costs, prospective employees already know about the role. This will reduce the number of candidates that leave soon after appointment. They know about the role before they apply.

The majority of managers are promoted within, this demonstrates a good career path, and retains skilled employees. The promotion ladder is well documented; therefore all employees can plan their career routes within the organisation. The success of retaining employees for the management training scheme warrants a full study of its own.