

# McDonalds corporate organizational structure business essay



McDonalds is one of the largest fast food retailer in the United States as well as globally. It has more than 32, 000 restaurants in 119 different countries. McDonalds have more than 69 million costumers each day (McDonalds. com, 2013). I am interested in analyzing McDonald's structure design in order to sustain competitive in local and global markets. I will focus in three levels McDonald's corporate organizational level, restaurants level, and geographic global level. Also, I will examine to see if McDonald's meet matrix structure elements or not as a whole organization.

According to Daft " functional grouping and divisional grouping are the two most common approaches to structural design" (2013). Functional structure design means that each group with same function are grouped together to do their job. According to Daft " Functional grouping is places together employees who perform similar function" (2013). For example, lawyers are located in legal department. They are grouped together because of their common activities. Divisional structure have multi-divisional among the organization mainly grouping is based on organizational output. " Divisional grouping means people are organized according to what the organization produces" (Daft, 2013). It also called product structure.

Geographic structure is mainly done by organization target customers in a different location than the organization location. Matrix structure is the structure that has more than one organizational structure. Matrix structure can have functional and divisional or geographic structure altogether. Matrix structure gas a unique characteristic is that both functional and product divisions structures are implemented simultaneously (Daft, 2013).

Decision making have two ways to be made either centralized or decentralized, centralized decision making is done by the top level of the hierarchy. Decentralized decision making, the opposite of centralized one, is done by the lower organizational levels. Information sharing and coordination have two ways of linkages vertical and horizontal linkages. Vertical linkages are used to communicate between the top and bottom of the organization. Horizontal, on other hand, communication is done across the organizational departments.

## **McDonald's Corporate Organizational Structure**

Appendix 1 illustrates the hierarchy of McDonald's corporate structure. It consists of the Chief Executive Officer (CEO) on the top, followed by the chairman of the board to the board of directors. Brand comes after which consist of social media. Chief Financial Officer (CFO) is next to brand which consists of control department. Next are Chief Operating Officer (COO), Human Resource, Legal and Secretary, Restaurants, Operation in the United States, Supply Chain and Franchising, the president Europe, and finally the president of Asia, Pacific, Africa, China, and Middle East.

Moreover, I would say that McDonald's structure design at organizational level is functional. Functional structures are used normally by such big companies like McDonald's. We can see from the appendix that most of the work are done by different departments, and then gathered to the CEO. For example, the human resource department's specialized task is training and recruiting in addition to assign the right qualified person to the right position.

“ Functional structure activities are grouped together by common function from the bottom to the top of the organization” (Daft, 2013).

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The functional structure is known by its large degree of formalization, and its standardized ways of operation. Usually the communication is done by vertical way. However, McDonald's uses horizontal communication among different departments. "Using horizontal linkages overcome some of the disadvantages of the functional structure" (Daft, 2013). In this type of structures, functional structure, decision making is mostly centralized and made at the by top level of the hierarchy that is the CEO. In this case, it is done by Don Thompson, current McDonald's CEO.

## **McDonald's Restaurant Structure**

Appendix 2 illustrates the operational level in a normal McDonald's restaurants. It consists of general manager on the top followed restaurant manager. The restaurant manager is followed by 1st Assistant manager and shift running manager on the other side. The 1st assistant manager will deal with 2nd assistant manager, while on the other hand, shift running manager deals with the floor manager, that is followed by the staff training crew, and the staff training crew is followed by the crew members.

The structure in appendix 2 shows that McDonald's structure at the restaurant level is divisional. A divisional structure consists of many teams focusing on single products or service. "Separate division can be organized with responsibility for individual products, services, and product groups" (Daft, 2013). In McDonald's, during normal operation, general manager is the one who is in control of the assistant and the staff are mainly focusing in selling products and providing services. Decision making is mostly decentralized.

## **McDonald's Geographic Structure**

As a result of steadily increasing process of globalization, complexity of markets is growing. Most of companies are looking to enter global markets as important as domestic. This fast pace development provides new opportunities, however, it is also challenging. Companies in order to remain competitive and operate efficiently and profitably, challenges and transnational activities are a necessity for them. Furthermore, McDonald's have expanded to international markets. In order to compete and sustain in a different regions, McDonald's have to have a geographic structure because each different region or country has different tastes and preferences. " Each region of the country may have a distinct tastes and needs" (Daft, 2013). Appendix 3 illustrates McDonald's geographic structure, the chart shows that McDonald's have three different regions United States, Europe, and Asia, Pacific, Africa, and Middle East. Each region's president reports directly to the CEO.

Companies are faced, upon entering new market, whether to standardize their products or to response and adapt to the local market requirements. The understanding of each culture needs and the different behavior of customers and consumers are the main reason for success. Best way to meet international market is through geographic structure. McDonald's marketing strategies are based on customization and adaptation of products to local requirements, preferences, and tastes. McDonald's is well known for its pork and beef burgers. In different countries, customers do not eat food that contains beef or pork due to religion or culture customs. The following examples are to illustrate how McDonald's geographic structure let the meet

different regions in the world. They have decided to customize their food in order to succeed in different countries.

In India, in this market most of the population do not eat beef. As a result, McDonald's launched chicken, fish, and lamb to fit Indians. Also, 20% of India's population is vegetarians. McDonald's provides to this high number a complete line of vegetarian sections in its menu which includes the McVeggie Burger and McAloo Tikki. In Japan, seafood is popular; consequently, McDonald's offers shrimp burger and shrimp nuggets. Also, green tea is popular in Japan which led McDonald's to offer green tea flavored smoothies. In Hong Kong, the popular food is rice. In order to enter this market, McDonald's has introduced its rice burger. The burger is made with two patties of rice instead of bread one.

### **McDonald's Matrix Structure**

Since McDonald's corporate is using 3 different structures among its operation, Functional structure for the corporate itself, divisional structure for the restaurants, and geographic structure for its global market, we can say that McDonald's structure as a whole is a matrix structure. Matrix structure can be used in order to achieve a successful and high quality products and function respectively. Daft illustrates that "an organization's structure needs to be multi-focused in that both product and function or product and geography are emphasized at the same time." (2013).