Overview of mcdonalds and its mission economics essay

The founders of this fast food chain were Ray Kroc, Founder of McDonalds Corporation, Jim Skinner, CEO, Michael J. Roberts (President/COO) and Ronald McDonald, Corporate Mascot. Today it is spread across 119 countries with a count of 54 million customers per day. This fast food chain also operated other brands like Aroma Café, Boston Market, Chipotle Mexican Grill and Donatos Pizza and McCafe’s. By Wikipedia History of McDonald [Web 1]

McDonald’s SMART Objectives is to serve good food in a friendly and fun environment, to McDonalds our customers favorite place and way to eat, to be a socially responsible company and to provide good returns to its shareholders. The company aims to provide its customers with food of a high standard, quick service and value for money.

McDonalds worldwide operations have been aligned around a global strategy called the Plan to Win centering on the five basics of an exceptional customer experience –

People, Products, Place, Price and Promotion.

McDonalds is on the top list for creating “ cradle to grave” marketing. Attracting kids as young as 1 year old into McDonalds with wonderful meals, toys, and playground this stay in the mind of the children until they grow up into adulthood.

The “ Golden Arches” and “ Ronald McDonald”. These two icons have placed a psychological image in the minds of customers for what to look for and where to go to when they want quality food for a low price and fast. In turn these has help the company to convince its customers to stay loyal and maintain a high percentage of market share while working on new strategies to capture emerging markets.

By www. bignerds. com/papers/25234/Mcdonalds/ (assessed 17, 03, 11) [Web 2]

b) Create a comprehensive stakeholder map for your chosen organization. How successful is the organization in understanding their views and meeting their expectations?

A comprehensive stakeholder map for McDonald

McDonald's is well known for their burgers and meals. It has extended itself all around the world such as the United Kingdom, U. S. A, China, India and many more countries.

The diagram above shows a comprehensive stakeholder map of McDonalds

Each stakeholders are interested in McDonalds for different reasons.

1. Owners or possibly shareholders are those that have invested in McDonalds and Want to make money from the business. They are more interested in the company making higher profit so as to get a good dividend and probably get their shares to increase in price.

2. Managers as stakeholders wants McDonalds to succeed because the success will better their chances of promotion, the company may reward them with higher salaries, bonus or better fringe benefits and finally the failure of McDonalds might cost them losing their job.

3. Workers / Staffs are an integral part of McDonalds and they look out for the interest of the company and also want it to succeed because.

Success Failure

More likely to get better pay

Chance of promotion

Better facilities

Threaten their jobs

Freeze their pay

Possibly cut their wages

4. Suppliers as stakeholders is a fundamental part as well, they pay attention to the business so they access how the sales of their products are doing. Even if the sales in McDonalds is not doing so well they would keep supplying to make their own money.

5. Customers have a stake in any business which they buy goods and services from and they want low prices, best quality available, Good service, Innovative products and also how healthy the meals are.

6. McDonalds has an impact on the local area it operates because it creates jobs for people living locally and might patronize the local suppliers.

The impact/effect of failure on the local community might lead to loss of jobs for locals and also It could pollute the local environment

7. Government as stakeholders is kind of direct in the sense that the company pays taxes – the more profit the business makes the more taxes it

pays. And will watch out for policies that will not result to the business failure because workers would unemployed and government will have to pay them unemployment benefit.

8. Pressure groups keep an interest in the business to influence how McDonald's operates. Some of this is pressure groups may think McDonalds meals are very unhealthy and therefore would try and get McDonald's to use low fat ingredients. They are against McDonald's meals for many reasons such as destroying rainforests, the food being unhealthy, how they deliberately exploit children and how they torture and murder animals. example of this are " THE LONDON GREENPEACE GROUP"

Specialist publication written by THE LONDON GREENPEACE GROUP (accessed 17, 03, 11) [web 3]

Stakeholder conflict examples

Owner vs. customer: Profit v service e. g. conflict over opening hours

Shareholder vs. worker: Profits v high wages

Employer vs. employee: Employees see their hard work reflected in higher profits for the employer. Why employers look for greater efficiency – more output for lower costs

c) Discuss one way in which the organization exercises its social responsibilities.

McDonald's is the world's leading global foodservice retailer with more than 32, 000 locations serving around 64 million customers in 117 countries each day. More than 80% of McDonald's restaurants worldwide are owned and operated by independent local men and women.

Responsible Environmental Practices of McDonalds

McDonald's Canada's environmental philosophy is embedded in the three traditional waste reduction principles: reduce, reuse and recycle.

Each of these is emphasized at every step of the supply chain McDonalds is best known for their role in eliminating polystyrene packaging. When, in the 1980's, concerns were raised about the potentially harmful effects of CFCs in the production of polystyrene

containers, they took the industry lead by working with packaging suppliers to phase out the use of CFCs.

McDonalds environmental stewardship continues and the results can be seen in communities across Canada.

By " McDonalds" on Celebrating 40 Years of Serving Canadians (accessed 20, 03, 11) [Web 4]

Another examples of McDonald global environmental responsibility practices

Energy conservation – Finding additional ways to enhance energy efficiency in restaurants in order to save money and lessen environmental impacts.

Sustainable packaging and waste management – Continue exploring ways to decrease the environmental impacts of consumer packaging and waste in restaurant operations.

Green building design – Enhance strict building standards to incorporate further opportunities for environmental efficiencies and innovation in the design and construction of restaurants.

McDonalds have long recognized the value of minimizing their environmental footprint. This action is not only good for the world in which they operate, it’s a strong contributor to McDonalds long-term financial success.

By McDonalds on environmental responsibility (accessed 20, 03, 11) [Web 5]

2 The economic, social and global environment

a) Using examples to support your answer, explain what is meant by the term emerging economy. What are the advantages and disadvantages compared to a command economy?

Emerging Economy aka Emerging Market Economy are fast-growing economies with low to middle per capital income. Such countries constitute approximately 80% of the global population, and represent about 20% of the world’s economies posing significant political, monetary, and social risks.

Examples are China and Tunisia

Although china is deemed one of the world’s economic powerhouses, it is lumped into the category alongside much smaller economies with less resources, like Tunisia.

Both China and Tunisia belong to this category because both have embarked on economic development and reform programs, and have begun to open up their markets and “ emerge” onto the global scene

Advantages Emerging Market Economy

1. Foreign investment is attracted as information gets out on the new opportunities for earning profit in that country.

2. Individuals quickly acquire the knowledge, social and technical skills desired by employers so as to function in this new economy.

3. There is more innovation as organizations look for new products to sell and cheaper ways to do their business. etc

Disadvantages Emerging Market Economy

1. Distorted investment priorities, which means public health, public education and social responsibilities will be neglected as a result of newly found wealth that provides large profit.

2. It worsen/increases exploitation of workers, because the harder, faster and longer people work the less they get paid and more profit is made by the organization.

3 Growing unemployment as a result of more industrial machinery usage. etc

Market Economy By Bertell Ollman (accessed 21, 03, 11) [Web 6]

Command Economy: Is a planned/designed economic system in which government supervises distribution of resources to the factories through centralized planning.

Examples are USSR and North Korea

North Korea is the only true command economy remaining in the world today with dismal results their food production is in short supply, and exports are basically non-existent.

Advantages Command Economy

1. The government make sure that there is equal distribution of income and wealth.

2. Necessary goods/services are being provided to the community e. g education.

3. The government decide on which goods are being produced and how they are produced.

4. The government provides a minimum standard of living for all citizens.

Disadvantages Command Economy

1. Consumer have less choice since everything is allocated trough a planning process.

2. Little selection of goods and services.

3. Loss of individual freedom.

4. It results to productive inefficiency due to a lack of competition and nonprofit motives.

b) Using the business cycle model as an analysis framework, describe the current economic climate in either the UK or USA and identify its origins. Discuss the steps that the UK/US government might take to influence the economic climate.

In the U. S., the economy periodically rises and falls in a business cycle that is measured by fluctuations in real GDP and other macroeconomic variables. The National Bureau of Economic Research (NBER) is the federal agency that determines when the downturn is sufficient to be called a recession.

Current Economic Climate in USA

Figure 1

The US government has not slashed its forecasts of GDP growth in 2011, which stand at 3. 1% on a yearly basis.

The forecasts of core consumer price inflation (without volatile food and energy items) remain benign at about 1. 5% for the 12-month period ending in December 2011.

Forecast for US employment changes as of march 2011

“ In thousands of jobs”

Figure 2

Looking at figure 2 we can see monthly gains in employment are predicated to remain at a modest plateau level of about 200, 000 jobs per month through the middle of 2012, although isolated spikes above that level are possible.

With these job gains, the unemployment rate is expected to be about 8¼ percent by the end of 2011.

Economic indicators

Summary US economy current state

Market indicators – Corporate debt, VIX and interest rates all remain in typical ranges. Mortgage delinquencies fell slightly in fourth quarter, for the third straight quarter. Overall, U. S. equity markets rose slightly in March, Index returning 0. 45% for the month.

Economic indicators – These backward-looking indicators are all within – or near – typical ranges. The job market growth rate remained positive while consumer spending growth was positive. Core inflation continues to be low. The economy grew at a revised rate of 3. 1% for the fourth quarter.

Steps Taken To Influence The Current Economic Climate In USA

The President signed the American Recovery and Reinvestment Act, which has been responsible for about 3 million American jobs and brought the economy back from the brink of another depression.

The most sweeping reforms since the Great Depression " Wall Street Reform" Which held Wall Street accountable, put an end to bailouts and " too big to fail," and enforce the strongest consumer protections in history.

The government signed the Small Business Jobs Act providing tax breaks and better access to credit for millions of small businesses.

They approved the HIRE Act providing a payroll tax credit for companies that hire employees who have been looking for work for 60 days or more. Millions of workers have been hired through this process already.

The National Export Initiative was lunched with a goal of doubling exports and supporting several million new jobs over five years.

President Obama played a lead role in G-20 Summit that produced a $1. 1 trillion deal to combat the global financial crisis.

c) Explain how your own country balances its policy requirements for social welfare with those for industrial and trade development.

Cyprus Social Welfare Service was introduced for the first time in 1946, when legislation was enacted to regulate the supervision of juvenile offenders, the

Ministry of Labor and Social Insurance are responsible for the provision and promotion of social welfare services.

The policy of the Social Welfare Services forms an integral part of the general governmental policy for social and economic development and aims at advancing social welfare, meeting social needs and preventing social problems among individuals, families and communities.

5 major role of Cyprus Social Welfare Services

1: Preventive Services – Prevention/Handling of Violence in the Family, Family Counseling,

Supportive Service and Maintenance Cases. etc

2. Child Protection – Day-Care of Children, Custody Cases and Institutional Services for

Children and Young people. etc

3. Delinquency – Submission of Socio Economic Reports, Decriminalization Process,

Probation of Minors and Adults and Supervision Orders. etc

4. Community Work – Technical Assistance, Grants to Voluntary Organizations,

Organization of Communities and Citizens. etc

5. Public Assistance – Social Benefit Scheme, Allowances , Care of elderly and disabled

persons. etc

The Social Welfare Services are already in line with the strategy of the European Union. In order to ensure continual alignment with new developments in the European Union in this area, Social Welfare Services systematically evaluate legislation and policies and modify them accordingly.

Cyprus Industrial Development Service aims at accelerating the rate of growth of the manufacturing sector and making it competitive under free market conditions through:

i. the reconstruction and support of the traditional manufacturing industry,

ii. the attraction of foreign direct investment, mainly capital intensive,

iii. the enhancement of existing as well as the attraction and development

of new high-tech industries.

The main responsibilities of the Industrial Development Service, Ministry of Commerce, Industry and Tourism, are:

i. improvement and development of existing Small Medium Manufacturing Enterprises (SMEs)

ii. attracting foreign investment with the aim of establishing new industrial units especially units producing high technology high value products

iii. harmonization with the EU directives in respect of Small Medium Enterprises (SMEs) and Industrial policy

iv. implementation of the relevant laws and representation of the ministry at several board, committees and organizations.

By Republic of Cyprus, Ministry of Commerce, Industry and Tourism (accessed 27, 03, 11) [Web 7]

Task 3: Choose an industry with which you are familiar: either the one in which you currently work, or another one for which you have access to the required information. For this industry:

Identify and critically evaluate the effectives of the barriers to new entrants wanting to compete in the industry?

The footwear sector is a diverse industry which covers a wide range of materials (textile, plastics, rubber and leather) and products from different types of men's, women's and children's footwear to more specialized products like from sport shoes to protective footwear. This diversity of end products corresponds to a multitude of industrial processes, enterprises, market structures and competitive strategy.

Entry barriers in athletic footwear industry " Nike"

The athletic shoe industry is gradually turning into a global oligopoly. There are a lot of entry barriers preventing new entrants from capturing significant market share.

Nike can enjoy economy of scale that generate cost advantages over any new rival.

Today's athletic shoes are highly technical. A very large capital investment is needed for new firms to open athletic shoe factories, conduct research and design to create a popular athletic shoe.

There are six major sources of barriers to entry

Economies of Scale – Nike spends millions on product endorsements and advertisements by spreading the high cost over their entire yearly sales. The aggressive marketing campaigns turn their products into household names making it arduous for new firms to compete. e. g Nike uses corporate level strategy by opening discount factory outlet stores in rural areas and retail stores in urban shopping areas.

Product Differentiation – Brand recognition creates a barrier by forcing entrants to spend heavily trying to surmount customer loyalty. Advertising, customer service, being first in the industry, and product differences are among the key factors promoting brand identification. It is perhaps the most important entry barrier in all industry.

Capital Requirements – The need to invest large monetary resources in order to compete creates a barrier to entry, particularly if the capital is required for unrecoverable expenditures in like up front advertising etc. Capital is necessary not only for fixed facilities but also for customer credit, inventories, and absorbing start-up losses.

Access to Distribution Channels – The new boy on the block must, of course, secure distribution of his product or service. e. g A new athletic shoe must displace others from the store shelf's via price breaks, promotions, intense selling efforts, or some other means. The more limited the wholesale or retail channels are the more that existing competitors have these ties up. Sometimes the barrier is so high that to surmount it a new competitor must create its own distribution channels, as Timex did in the watch industry in the 1950s.

Cost Disadvantages Independent of Size – well-established companies may have cost advantages not available to prospective rivals, no matter what their size and attainable economies of scale is. These advantages can be from the effects of the " learning curve/experience curve", proprietary technology, access to the best raw materials sources, assets purchased at pre-inflation prices, government subsidies, or favorable locations, Sometimes cost advantages are legally enforceable.

Government Policy – The government can limit or even foreclose entry to industries with such controls as license requirements and limits on access to raw materials. They can also play indirect role by imposing controls such as air, water pollution standards and safety regulations.

b) Define the meaning of perfect competition. To what extent does your chosen industry's structure fit with your definition?

Perfect Competition – is a competitive system in which a large number of firms produce a homogenous product for a large number of buyers. All the firms share the same product/market knowledge and enjoy free entry/exit to and from the industry. They are price-takers and sell as much of the product as possible at the market price.

Output is set where marginal cost equals marginal revenue. In the long run, average revenue equals marginal cost and firms enjoy only normal profits.

By G Stigler Perfect Competition Historically Contemplated (accessed 18, 04, 11) [Web 8]

The degree of competition in the footwear industry depends on five basic forces, which are diagrammed in Figure 1. The collective strength of these forces determines the ultimate profit potential of an industry.

Finally relating perfect competition to the footwear industry I will say it is more theoretical than practical because in the real world perfect competition is very rare.

c) Identify three regulatory mechanisms that are in force. How is compliance monitored?

1. competition regulators: The Office of Fair Trading (OFT) is a non-ministerial government department of UK, established by the Fair Trading Act 1973, which enforces both consumer protection and competition law, acting as the UK's economic regulator. The OFT's goal is to make markets work well for consumers, ensuring vigorous competition between fair-dealing businesses and prohibiting unfair practices such as rogue trading, scams and cartels. Its role was modified and its powers changed with the Enterprise Act 2002. [web 9]

2. Industrial Standards: Is an essential component of banking operations across the entire financial supply chain; they form the foundation for thousands of payments made each day. Only via the use of standards can the industry achieve high levels of efficiency and operational certainty.

Benefits of standardization include

1) lower processing costs.

2) simplified entry criteria for new participants.

3) improved resilience and integrity.

Common standards are of vital importance to all parties in the payment chain, not merely to Payment Service Providers.

3. Consumers Association: A regulatory body called Consumer Focus is assigned with the responsibility to Changes the future of consumer representation across the UK

the statutory consumer champion for England, Wales, Scotland and Northern Ireland.

They have four strategic goals

Value: help people receive better value by raising the influence they have over the goods and services they receive

Service: improve customer service and remove unnecessary problems that generate complaints from consumers

Access: create an economy in which everyone can access the essential services they need and where the poor no longer pay more or get less for their money

Sustainability: harness the appetite of consumers to move to more sustainable lifestyles

And their mission will always aim to be:

High-Impact: make a real difference to consumers' lives

Innovative: offer new solutions and work in new ways

In Touch: represent real concerns, including those of vulnerable consumers

A list of organizations that are used for compliance monitoring

1. Global Social Compliance: is aimed at harmonizing existing efforts and deliver a common, consistent and global approach for the continuous improvement of working and environmental conditions in various industries around the world.

2. SOMO: is an independent, non-profit research and network organization that works on social, ecological and economic issues related to sustainable development, investigating multinational corporations and the consequences of their activities for people and the environment around the world.

3. Verité: Ensures that people around the world work under safe, fair and legal conditions with a primary focus on illuminating problems, identifying solutions, implementing changes and documenting impacts. Using the leverage of international business to improve the income, security and freedom of workers around the world.

Task 4 – The significance of international trade and the European dimension for UK businesses

Describe and discuss the role of foreign direct investment (FDI) in globalization.

Foreign direct investment: Is the net inflows of investment and its use to acquire a lasting management interest (10% or more of voting stock) in any enterprise operating in an economy other than that of the investor. It is the sum of equity capital reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. It involves participation in management, joint-venture, transfer of technology and expertise.

There are two types of FDI:

1. Inward foreign direct investment

2. Outward foreign direct investment

Direct investment excludes investment through purchase of shares.

Created by Franklin uge

This an example of FDI where we see companies merging or one taking over the other,

Advantages

Jumping the tariff wall “ and other non- tariff

barriers”.

Securing access to minerals located in the host country.

Lower wage in host developing countries for

labor.

Protection of market shares in exports if MNE’s competitors also have established plants in the area.

Disadvantages:

More costly travel/communications abroad.

Less familiarity with local business tax laws, business scene in general, and various government regulations.

The MNEs face risks such as exchange rate

fluctuation, expropriation by the government and other actions that can be taken against them.

Language and culture differences

Higher wages/benefits must be paid to the

personnel going abroad.

GLOBALIZATION AND FDI

It is universally claimed that increasing capital mobility is an integral part of globalization in the world, political economy has eroded the ability of governments to make policies that constrain the activities of transnational corporations within their jurisdictions.

This view is widespread amongst both critics and supporters of globalization in the business world.

Concentrating on globalization it is often seen that the competition for FDI between states explains the trend towards the liberalization of inward FDI rules.

In other words globalization produces a beneficial ‘ race to the top’ in regulatory and policy standards.

So looking at it from both sides there is conformity that globalization along with transactional corporation enjoy increasing amounts of influence or ‘ structural power’ over national policies.

b) Discuss the advantages and disadvantages of price intervention in the EU agricultural sector. What do you conclude?

The Advantages

For all the aims there were advantages. In the early years of the CAP, it mainly benefited the farmers and consumers within Europe more than anyone else. The European people stated that the CAP insured that they could purchase food at a stable price.

They also said that the CAP made sure that there was plenty of food and that it was available to everyone. The best part for the consumers was that these produces were reasonably prices for such quantities.

The farmers also benefited a great deal. Before the CAP, farmers within the EC struggled to produce enough for the consumers. This meant that they were getting paid less, and that they had to grow less as they did not have enough funds to do their jobs. After the CAP had been put to action, the farmers were being supported financially to grow produce and earned money through selling it.

The market had become stable and the farmers were earning a guaranteed amount of money per produce. This meant that the more they grow the more they earn.

The farmers now also had access to machinery, fertilizers and pesticides to increase their outputs.

The level of imported goods had decreased, giving the farmers and producers more chance of selling their own products. This meant that there was less competition for the EC among other countries. Now they could be rest assured that their produce would be bought more than that of countries abroad.

The Disadvantages

Although the CAP provided the advantages listed above, there are also a few disadvantages. One concern is that 70% of the EC's budget was being spent on farmers while only 5% of the EC's income came from farming. This meant that the EC was losing money to farming. This also meant that the EC was actually getting a less dependable market because the prices varied constantly. Another problem was that farmers were being told to produce as much as possible. As technology improved, the EC's farmers increased their output. This led to a large surplus of food that the EU had to buy. Because of that the EU, too, was losing money to farming. That was not the only problem. The farmers were encouraged to use artificial fertilizers and pesticides, which created more of a problem for the environment.

Because the policy partially focused on making the EC self-sufficient, imports were being subjected to duties. This became a problem for less economically developed countries as they could not compete with the prices of the EC and they could not sell their produce. Such problems also affected some EC farmers. As the farms became larger and more efficient but only the most prosperous farmers benefited from selling their produce. The smaller farms were bought out and put out of business.

The way the CAP has changed the agricultural sector shows how the EU is setting a good example, and it is beyond dispute that, as far as agricultural policy reform is concerned, it is a long way ahead from the rest of the developed world.

Finally the EU has made efforts to make agriculture better in less economically developed countries. Two good examples are the Fair Trade and the Green Revolution.

c) How might UK businesses benefit from entry into the European Monetary Union? What are the potential disadvantages?

Advantages

1. Transaction costs: For instance, Uk firms currently spend about £1. 5 billion a year buying and selling foreign currencies to do business in the EU. With the EMU this is eliminated, so increasing profitability of EU firms.

e. g You can go on holiday and not have to worry about getting your money changed, therefore avoiding high conversion charges.

2. Price transparency: EU firms and households often find it difficult to accurately compare the prices of goods, services and resources across the EU because of the distorting effects of exchange rate differences.

This discourages trade. According to economic theory, prices should act as a mechanism to allocate resources in an optimal way, so as to improve economic efficiency. There is a far greater chance of this happening across an area where E. M. U exists.

e. g We can buy things without wrecking our brains trying to calculate what price it is in our currency.

3. Uncertainty caused by Exchange rate fluctuations eliminated: Many firms become wary when investing in