

Operations management – planning and control in mcdonald's



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Operations Management & Decision Making – Planning And Control

Assignment The organisation I have chosen to examine from an operations management and decision making standpoint is McDonald's, a worldwide chain of fast food restaurants, which are run either by a franchise, an affiliate or by the corporation itself. There are over 31, 000 branches of McDonald's worldwide¹. It is estimated these restaurants serve a collective 47 million customers daily².

The restaurants mainly sell customers traditional fast food fare such as burgers, cheeseburgers, French fries, fizzy drinks and milkshakes, in addition to breakfast, dessert items and (in response to growing health concerns in the consumer marketplace) healthier items such as salads and fruit. As of 2008 the organisation employed 400, 000³ and held total assets of US\$29 billion as of 2009⁴.

I have identified the main inputs to McDonald's process to be materials (e. g. the ingredients used to prepare their food – burger patties, cheese slices, vegetables, burger buns, mix for milkshake and ice cream, chicken and fish fillets, potatoes for French fries etc. , in addition to materials required for packaging the products when being delivered from store to store via cardboard boxes or being sold to customers via happy meal boxes, meal bags etc. , facilities (the buildings used to house branches of the restaurant, buildings used to house the organisation's offices, the equipment in the restaurants used to prepare and cook food, the buildings used to house the company's production plants where elements of the products are mass produced and the equipment therein) and staff (those that work inside the

restaurants in a variety of different roles in addition to those who work outside the restaurants in office jobs).

The eventual outputs are products that can be sold to customers (the food they will be served in the restaurants) as well as the office paperwork which will be required to run the company (which will be handled by staff working office jobs within the company).

The processes required to produce these outputs are recruiting and training staff, sourcing raw materials, food preparation, packing and freezing (French fries amongst other products are prepared in plants then frozen and transported to the restaurants), product design, inventory management, supply network design, process design, job design, supply chain management, failure prevention, quality management and operations improvement. From March to September 2009 I worked as a crew member (customer services representative) in the MEN Arena branch of McDonald's, where I observed day to day McDonald's approach to Planning and Controlling.

Capacity planning and control was a key issue in that branch, and discussion with employees of other branches indicated this was the case in most if not all McDonald's restaurants. At peak times where a restaurant receives the majority of customers it is standard practise in McDonald's to have as many portions of it's most popular foods ready to serve as possible, in order to satisfy customer's orders with the smoothest of efficiency. 5 The principle of capacity control would also work in tandem with other aspects of operations, such as supply chain management.

For example, should there be a child orientated show in the MEN Arena, it would be standard practise for the MEN Arena branch of McDonald's to order in a large number of Happy Meal Boxes due to the high number of children's meals that would be on order in comparison to say, the day of a rock concert with an older following. 6 Process design also came into effect when implementing capacity planning in McDonald's, in regards to the number of seats to provide in the lounge area, with additional seating having to be laid on during days where the restaurant would be busy. In the MEN branch this was mainly days with matinee shows, with branches of McDonald's throughout the city of Manchester dealing with this mainly on match days due to increased fluctuation of visitors to the city). Due to these fluctuations in custom being for clear reasons, short term capacity adjustments were all that were required to accommodate the boost in customers. 7 The number of tickets sold was thought to equal the number of those that would be in attendance at events and thus numbers for the amount of various products required were estimated by this.

It was at these times that it was ensured that additional staff with necessary skills (drawing on previous work done on job design) were to be on duty during the times of expected busyness. A central focus of McDonald's, much like in any retailer, is Inventory Planning and Control. An advantage McDonald's and other fast food restaurants have in Inventory Planning and Control is that the vast majority of their stock can be either be frozen (pre-prepared burger patties, chicken products, French fries) or can last an almost indefinite period without deterioration (Boxes for serving menu items such as French fries or Happy Meals). However, Inventory Planning and Control is still

something branches of McDonald's must pay keen attention to in order to attain or maintain the desired level of customer service quality (known as quality management). Buffer or safety inventories (extra amounts of stock which are kept in preparation for unexpected fluctuations in supply and demand) are kept at all times to ensure that customers can be served their desired menu items regardless of increased demand. In addition to this, in times of extremely high unexpected demand different branches often share their buffer inventories with one another in order to further ensure a high level of quality management in busy periods. The presence of buffer inventories however does not eradicate the need for anticipation inventories to be prepared for days of anticipated busyness, as I described when discussing the role of capacity management in the company, supply chain management must be up to scratch to deliver the extra stock needed to create an anticipation inventory. Inventories on non-frozen stock are replenished at regular intervals, using the periodic review approach (new stock being brought in at set time intervals), while frozen stock inventories are replenished with the continuous review approach (stocks are replenished once inventories reach a certain level and require topping up).⁹ As with any fast food retailer, supply chain planning and control is key to ensuring effective inventory management, and as such is a key area of planning and control which McDonald's pays attentive care to.

In creating a good supply network McDonald's is careful of achieving key supply chain objectives, with the end goal of course being to satisfy the needs of the company's customers. McDonalds in the UK has been putting focus on selecting quality suppliers within recent years, particularly in the

selection of beef to use in hamburgers, proclaiming that their beef is “Sourced from over 16, 000 British and Irish farms” 10, playing on the public opinion of British beef as being of high quality.

The fact that the Beef is sourced from over 16, 000 farms displays that McDonald’s are clearly paying attention to one of the five key supply chain objective known Flexibility (also known as “ agility”), that is the supply chain’s ability to cope with changes and disturbances, sourcing beef from such a wide range of farms results in McDonald’s having options should one farm fail McDonald’s supply chain in some form.

A lack of reliance on a single supplier results in the increased agility of the supply chain and thus increases McDonald’s ability to work around any problems within the supply chain which may arise. This flexibility feeds into another supply chain objective which is Dependability, as the dependability of the supply chain is increased by it’s flexibility, since the number of suppliers leaves room for error while still keeping up with supply and demand. Another supply chain objective is Speed.

From the point of view being that the Speed objective of the supply chain is referring to how quickly customers can be served, McDonald’s works towards this through it’s large inventories of frozen stock in addition to it’s keeping of buffer (also known as safety) inventories and provisions made for busy periods known as anticipation inventories⁸, ensuring that customers will be served their desired items even in times where demand exceeds expectations.

The alternate take on Speed as part of the supply chain is that it refers to how quickly raw materials arrive to the retailers from suppliers, McDonald's keeps the speed of their supply chain up in this regard by selecting suppliers that are as close to the branch they intend to supply to as close as possible, in addition to near a processing plant, while still adhering to Quality (another supply chain objective) standards. ¹ This allows for raw materials to have to travel less distance and thus decreasing the time retailers must spend waiting for raw materials to be delivered. By reserving the ability to choose suppliers that are close to the individual branches via the flexibility of the supply chain, McDonald's also cut down on delivery Cost, which is the fifth and final supply chain objective, a factor which must be taken into account in order to maximise profits while not letting quality standards slip, considering that costs increase throughout each additional portion of the supply chain.

Of the five supply chain objectives, Quality is widely viewed as the most important, and as such, warrants exploration in further detail than the four other supply chain objectives. McDonalds must approach it's Quality planning and control from different approaches to ensure well rounded quality planning and control standards, to ensure the satisfaction of the company's customer base. The transcendent approach to quality is that of an innate excellence, something which McDonalds has achieved greatly with it's foods being almost synonymous especially with hamburgers in western culture.

The manufacturing based approach to quality is that all products must be free of error and designed to the same specifics, something McDonalds achieves via strict instructions to staff on the preparation of different kinds of

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foods, such as how many slices of cheese, how many patties and what sauce and garnish to be used, with the manufacturing based approach being followed strictly it is easy to correctly execute product based approach, which in turn results in the satisfaction of the user-based approach which is that the products be fit for their purpose – in the case of McDonald's, to provide a tasty meal. 2 The final approach to quality is the Value Based approach, which McDonald's cater to extremely well through their low prices, particularly on their value menus, offering foods at a far cheaper price to any traditional restaurant. 13 To summarise, McDonald's aims to produce products which are consistently in conformance with customer's expectations. However, McDonald's must pay attention to the fact that customer's expectations of the products they purchase can be subject to the individual's taste, and as such, in order to please all customers the option of customisation must be available.

For this reason McDonald's allow customers to deviate from the set specifications of menu items set out to staff by specially requesting which garnishes, salads and condiments will and will not be placed on menu items in addition to choosing different kinds of drinks to accompany meal offers consisting of one main menu item, one side and one drink. This in itself offers a final reference to the supply chain objective of Flexibility at the absolute final stage of the supply chain – sale to the company's customers.

In summary, McDonald's must pay keen observation to a broad spectrum of planning and controlling techniques to ensure a smooth transformation process from converting it's input resources into outputs whilst garnering profits in accordance to a company of it's stature's expectations. This is no <https://assignbuster.com/operations-management-planning-control-in-mcdonalds/>

small task and a keen eye for operations management is a must to ensure the company maximise it's gains via total efficiency in every facet of planning and controlling. References 1- McDonald's Publication (2007) Corporate FAQ [online], McDonald's Corporation , <http://www.mcdonalds.ca/en/aboutus/faq.spx> [Accessed 9th February 2010]. 2- Breitbar (2008) McDonald's posts sizzling 80% profit rise in 2008 [online] AFP: , http://www.breitbart.com/article.php?id=CNG.aec4920fe8094fdd0baaeab2ed126bf1.741;show_article=1 [Accessed 9th February 2010] 3- Joe Bramhall (2009) McDonald's Corporation [online] Hoovers, http://www.hoovers.com/mcdonald%27s/-ID__10974-/free-co-factsheet.xhtml [Accessed 9th February 2010] 4- Overview of McDonald's (2009) Key Financial Metrics [online] Wikinvest, [http://www.wikinvest.com/stock/McDonald%27s_\(MCD\)/Data](http://www.wikinvest.com/stock/McDonald%27s_(MCD)/Data) [Accessed 9th February 2010] – Hart Innovative Solutions (2009) Lean Throughput and Flow[online] Kanban Pull Systems, <http://www.hartinnovations.com/serv02.htm> [Accessed 9th February 2010] 6- Bridging the Gap (2006) The McDonald's supply-chain saga [online]The National Provisioner, http://goliath.ecnext.com/coms2/gi_0199-5827895/Bridging-the-gap-the-McDonald.html [Accessed 9th February 2010] 7- Nick Hasell. (1994) UK: MCDONALDS LONG MARCH. [online]Management Today, <http://www.managementtoday.co.uk/search/article/409678/uk-mcdonalds-long-march/> [Accessed 9th February 2010] – Charles Atkinson (2005) McDonald's, a guide to the benefits of JIT [online]Inventory management review, http://www.inventorymanagementreview.org/2005/11/mcdonalds_a_gui.html [Accessed 9th February 2010] 9- McDonald's Corporation (2008) Careers At McDonalds[online] Stock Control At McDonald's, [https://assignbuster.com/operations-management-planning-control-in-mcdonalds/](http://www.mcdonalds.co.https://assignbuster.com/operations-management-planning-control-in-mcdonalds/)

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