Literature review of mcdonalds

Porters (1980) strategic positioning representation make upon the hypothesis that five forces conclude industry attractiveness. Three of which symbolize the straight competitive affair, specifically the competitive among challenging firms, the risk of new rivals and also that of substitutes. The remaining forces denote the company's vertical connections with factors outside the organisation, such a purchasing party and supplying party's authority. An interesting feature of the five forces model is that industry formation, during the use of it for strategy preparation at the firm level, is seen endogenous to a great extent. This represents having a shared relation between industry configuration and firm activities. Entry barriers does not associate from a given industry strategy but may be encouraged or challenged by rival companies. In this manner, the five forces can be observed as the opportunities as well as threats featuring in a predictive SWOT examination by the company (strengths, weaknesses, opportunities and threats) (Porter, 1980).

A resource-driven perception has quite often been carried out for the purpose of industry strategy examination and evaluation based on networking, marketing, and precise manner of diffusing and sharing technological skills and machinery.

Such, dynamic capabilities effects the firm's capability of responding efficiently, based of firm's inside strengths and weaknesses, over outside opportunities and threats. Such dynamic capabilities also include specific strengths of the firm to face the shifting nature of the competitive market. More precisely, such approaches concentrate much on key responsibilities of strategic management in suitably forming, amalgamating and re-establishing firm's positive features towards shifting market conditions (Doole and Lowe, 2008).

McDonald's established positive aspects had been dual folded. Firstly, its supplier connections were significant. McDonald's acted in a flagship competence for a good networking with providers of intermediary productivity. Secondly, McDonald had accumulated positive consistency in its supply and distribution process, which was significant to customer loyalty in its fast food chain business.

Despite of its affective environmental reputation, McDonald's takes the environmental challenge as an opportunity to build up a competitive environmental position. The main objective of McDonald's is developing a dynamic position which would make environmental act as a continuing concern in the industry covering all the activities of the company. The appealing characteristic of McDonald is that it desired to change its usual networks with the market by forming environmental apprehension into the whole significance chain but was expected that it would be only able to make it through a new networks with normal societal environment which did not even want to be economically compensated for its sustainability to such strategies. McDonald's observed the usage of the non-market fundamentals as a device in improving the image and quality of its distribution system. For instance, McDonalds enormously increased the recycled parts of its boxes supplied by the suppliers and developed a market for the recycled items collected by its own outlets. Its objective was eventually for creating a first delivery service benefit in comparison with rivals as a result of a advantaged network with non-market drives. More particularly, McDonald's innovative dynamic ability in dealing with environmental concern had a threefold base encouraged by Environmental Defence Fund where environmental problems had to be observed as significant in all of McDonald's supply chain performance. All solutions to apparent difficulties had to be increasing and opposing to other methods; environmental accomplishment had to turn into an ongoing concern on an average with more conformist business perform (Vignali, 2001).

Finally, with regard to McDonalds international competitive strategy, the environmental managing aspect was U. S. motivated but the vital objective was to enhance this localised potential so that it can become worldwide functional. Hence, the difference between a localised ability of a company when compared to an internationally flexible one is considerable, because only the latter can be diffused through out boundaries. The joint expansion of mutually localised and internationally flexible abilities certainly signifies one of the main challenges being faced by MNCs like McDonalds. (Winter, 2003).

McDonald's competitive advantage is basically based on utilising resources in the best possible way. Competitive advantage can be attained through various strategies such as innovative ideas, whole value chain process, persistent development, frequent investments (Baker, 2000). But Piccoli and Ives (2000) imply that chief competitive advantage can be developed by allocation and cost formation of their product and services. Brandenburg and Stuart (1996), agreed to Piccoli and Ives's theory on competitive advantage but they focused more on creating the brand value. Mata et al., (1995) further elaborated that maintaining competitive advantage is more important than its creation. Kaplan (2000) also added this point by implying that organisations must show up with a diverse product from rest of its opponents this will be supportive for McDonalds in gaining benefit in opposition and also maintain it for longer period.

Porter further pointed that a company must have an expertise in a particular field and not more than one. To expertise in a single field McDonalds has to surrender focusing on other parts of the business and generate more by concentrating on a single part.

Porter also suggests two behaviours such as cost control and differentiation.

McDonald can use any one of such methods in attaining competitive advantage over their rivals. Along with it the companies has to update itself with current situation of the market and rival businesses in order to maintain its competitive position into the market (Porter, 1985).

Baker (2000), also states that the competitive advantage is concerned with vision of the organisation and the kind of management it involved in. He also thinks that vision is vital for keeping updated about the variations and makes changes if required and leadership skills for motivating the companies to fulfil and attain the targeted goals of the organisation.

Fast Food chains in United Kingdom is evaluated more than £ 6 billion with major targeted segment of younger audiences. The standard of living of the United Kingdom is enabling growth in the fast food chain business. According to younger audience fast food chains are more suitable choice for meals because of its price, quality and service value (Keynote, 2003). According to Schlosser 2001, the expenditure on fast food products is much higher in

United Kingdom as compared to other countries over the Europe. Veseth (2005), further states that the major reason of progressive performance of McDonalds is based of its brand value that it created and maintained in its entire period of product and service performance.

According to Mintzberg (1994) strategy is something which is planned and implemented in response to changes in trend of environment. He stresses more on practice of strategies then on theories.

Whittington 1996 is of the view that blend of practical and theoretical approach of strategies. He explains that idea behind implementing strategies is to create a distinct identity of the company in its industry. It helps creating brand value of the company.

Kaplan is of the view that future is always unseen and uncertain and to avoid this uncertainty companies built up situations and accordingly make strategies on how to handle those situations in long term

Campbell 1991 is of the view that there is no proper road map or guide line to build up a right strategy for a situation. According to him generally while making strategies companies lack in their analytical skills and their approach are not realistic in nature.

A unique strategy can help an organisation to stand different from rest of its competitors. A good strategy is the one which is well thought and excellently implemented (Hamel, 1998). A good strategy can help an organisation sustain in the market for long (Barney, 1991).

Kaplan 2000 shows in his findings of those organisation who have adopt customer priority approach will have to use one of the following strategies to succeed in it, which is “ operational excellence”, “ product leadership”.

Porter is of the view that a company has to select any one of the strategies to achieve successful competitive advantage. It will have to plan accordingly and make all the process of the organisation follow one particular strategy. Porter also mentions that along with planning and implementing one right strategy the organisation also has to concentrate on production department which should be used at its optimum. The blend of these two enables performance which is up to mark.

Planning is necessary for implementing a good strategy but what Mintzburg argues is that strategies which a pre planned never works well. He further explains that strategies are made on long term basis for the future planning. It implies that a strategy was made somewhere back in past for current situation were a current situation maybe different then expected while the strategy was made. According to him strategies should be more flexible and not fixed and rigid. Flexibility helps managers to make changes according to the situation. Markets are uncertain and so flexible strategies can help overcome uncertainties by making necessary changes in the strategy.

Importance of Competition and strategies

Porter defines competition as a situation aroused in an environment in which more than one individual or organisation are trying to achieve edge over each other and at the end only one survives or wins

Schumpeter 1950 views competition as situation which is never stable and is unpredictable which cannot be foreseen.

Henderson definition for strategy is a “ system” which looks after internal affairs of an organisation in order to monitor and rectify external situation of the company.

Barney 1991 explains that competition is created because resource such as human resource, land, fuel, finance, raw material all are limited in supply and to utilize these resources at optimum level companies compete. Barney 1991 further adds that a company must only use resources at optimum level but should also have a well structured strategy to succeed.

From the above it can be seen that various authors have their own view about competition and strategies. Some agree to each others view and some of the views clash with each other. Companies try their best to use scare resources in best possible manner to survive and succeed in the market. It can be said that organisations have use their resources well and at the same time come up with brilliant strategies combining both together will help company to earn more profit and create a better stand in the market

Porter’s five forces model

Porters five forces model is actually used to see whether the industry is good in terms of competition. It also helps the companies to assess its industry.

The above shown figure shows five forces as mentioned by porter and according to porter higher is the power of these five forces the lower will be profit of the company. Power of external forces and profit are inversely related to each other (Porter 1985).

Porters theory is simple and hence it can be applied in any industry and also to any particular company which has production unit. The model was designed to better understand a particular industry in the market and to know the potential of the industry. The theory is proved to be helpful to the industry and to individual organisations.

Porters Generic strategies

Generic strategies is a simple method which can be applied to any company or industry irrespective of its type and its size. It fits to most the type of industries. In this model Porter has suggested three strategies to stay ahead of competitors which is namely cost leader ship, differentiation and focus.

Cost leadership and differentiation are one of the main factors they can help to achieve competitive advantage. As seen above the chart is divided into 4 parts which actually 4 different option to choose from for the company according to its nature of the business and market in which it operates.