

# [The structure and market environment for mcdonalds](https://assignbuster.com/the-structure-and-market-environment-for-mcdonalds/)

Begun as, another ordinary small drive-through company, but trough time was bought out and is now one of the largest and well known fast food restaurant in the world. By constantly creating new items to add onto its menu , Mc Donald’s maintains its competitive advantage with ‘ Big Mac’ as its biggest attraction and backbone of the corporation. With over 31, 000 restaurant including conventional franchisees under franchise arrangements, and foreign-affiliated markets and developmental licensees under license agreements. Independently-owned and operated distribution centers, approved by the Company, distribute products and supplies to most McDonald’s restaurants in 120 countries worldwide makes Mc Donald’s corporation the largest and best-known foodservice retailer and one of the two best-known and powerful brands in the food  market. (Wikipedia)2010, Mc Donald’s (2010)

In this paper we will analyze Mc Donald’s corporation:

What is Mc Donald’s organizational structure which will include an overview of the company, and its history. We will also take e close look at the Corporation internal and external environment and at last we will cover its culture.

## Estimated team members:

Dewi Da Costa Gomez

Gareth Weber

Romaline Kleinmoedig

Sandrich Martel

Purpose:

To analyze and write an overview about the chosen International business consisting of a conceptual analysis of the components of the chosen company.

Chapter 1.

Organizational of Mc Donald’s corporation.

## The Beginning

In the late 1940’s, the brothers Richard and Maurice McDonald opened a restaurant in San Bernardino California in U. S. A. They introduced the speedy service system, low prices, and big volume who later will be known as the principles of the modern fast-food restaurant.

They did away the car-hops for self-service at the counter. They discarded their 25-item barbecue menu in favor of a limited menu of just nine items: hamburger, cheeseburger, three soft-drink flavors, milk, coffee, potato chips, and pie, with French fries and milkshakes added soon after they resumed operations. Ray Crock a well known salesmen saw in Mc Donald’s his ultimate product. After he became Mc Donald’s exclusive franchising agent for the entire country. Kroc formed the new franchising company on March 2, 1955 under the name of McDonald’s System, Inc. Mr. Ray Crock saw that the format the brother Mc Donald’s established were a successful one, and so he choose to, retained the McDonald’s formula of a limited menu, quality food, an assembly-line production system, and fast, friendly service adding to that his own demanding standards for cleanliness. That continues as McDonald’s operating principle to these days. By 1961 Mr. Kroc bought out the Mc Donald’s Brothers’, a couple of years later to be exact in 1965, McDonald’s Corporation went public, and by 1966 was listed on the New York Stock Exchange. Not happy with all that he have accomplished thus far, in 1967 Mr. Kroc expended Mc Donald’s to countries outside the U. S. A. by doing this Mc Donald’s became the first restaurants outside the USA (Wikipedia)2010, Mc Donald’s (2010)

## Mc Donald’s corporation and Ownership

McDonald’s is the world’s number one fast-food company by sales, with more than 32, 400 restaurants serving burgers and fries in more than 119 countries worldwide. Doing so Mc Donald’s accomplish his vision and mission. “ serve people with good quality food, fast and at low cost”. McDonald’s vision is:” to dominate the global food-service industry” And” to dominate the global food-service industry”. The popular chain is well-known for its Big Macs, Quarter Pounders, and Chicken McNuggets. Most of the outlets are free-standing units offering dine-in and drive-through service, but McDonald’s also has many eateries located in airports, retail areas, and other high-traffic locations. (Wikipedia)2010, Mc Donald’s (2010)

Based on wisegeek(2010) an corporation is a business entity that operates in more than one country at a time, usually with its headquarters in a single home country. McDonald’s restaurants are found in more than 119 countries and territories around the world and serve nearly 47 million customers each day. All Mc Donald’s restaurants are operated either by the Company or by franchisees, including conventional franchisees under franchise arrangements, and foreign-affiliated markets and developmental licensees under license agreements. Independently-owned and operated distribution centers, approved by the Company, distribute products and supplies to most McDonald’s restaurants. (Appendix for geographic structure of Mc Donald’s exibith 1) Fundinguniverse, 2010

## franchise

Based on the types of Franchises: whichfranchise2010; Mc Donald’s, 2010) I would say Mc Donald’s has the sales and Distributorship franchise: the company holds the right to patent and copyrights to certain aspect of its products.

## Mc Donald’s structure

According to Wikipedia (2010) and Mc Donald’s (2010)

In the organization structure form a company based. This you can see by the way departments, divisions, lines and functions of people are link together and interact. There are three well known different types of structure: traditional structure, the Divisional structure and matrix structure. All of the structure has their advantages and weaknesses. By analyzing the operation system of Mc Donald’s we could say that Mc Donald’s have a Geographic structure. By Geographic we mean that Mc Donald’s Corporation manages its business through the geographic basis. We can also see that Mc Donald’s Corporation have his board of directors that consist of several executives who are entrusted for monitoring different aspect of Mc Donald’s Corporation. They were betroth with the responsibility of oversight the CEO and other executives in the fulfilling their obligations to the shareholders. How they will be elected is establish in the Incorporations articles and bylaws, committee charters and governance guidelines of Mc Donald’s. Mc Donald’s (2010) (appendix for CEO and other executives of Mc Donald’s Corporation) exhibit 2

Chapter 2.

Mc Donald’s corporation Internal Environment.

McDonalds is the number 1 fast food in chain stores , with over 40 million customers visiting per day . It has over 30, 000 branches in 120 different countries .

McDonalds derives 80% of its revenues from 8 countries like : Canada , brazil , Germany, France , Japan and the Uk . Delivery speed, customer care and cleanliness are the core strengths on which these stores expanded. They created a corporate symbol and their advertisement campaigns were highly successful in establishing the brand image and logo in the minds of the millions. Two main competitors generally identified with McDonalds are the Burger King and the KFC. . thecompanymarketing (2010)

## Employees

Employees currently working for McDonalds know that they are working for a socially responsible company, They are playing a very important role in the community and McDonald’s feels very strongly about their role in peoples’ lives and the community.

This corporate vision extends all the way up to the management level.

Many managers are trained at a worldwide management facility called: Hamburger University. This is the perfect foundation for a profitable career in McDonald’s and an important role for

The community.

A number of courses offered by Hamburger University are eligible for college credit. Hamburger University not only promotes social responsibility, but it also promotes diversity within the workforce and offers 28 different language classes.

Seeing that McDonald’s has the largest number of minority workers in the fast food industry this a very good way to promote them self . markpappalardo(2010)

also according to . vault(2010) McDonalds has the same problems that all big companies have. Employees complain of heavy bureaucracy, and frequent communication breakdowns. Many agree that the pay and benefits are very good for the industry. While bosses are generally empathetic to workers’ needs, the “ upper management” remains “ distant.”

## Goal

McDonald’s goal is reflected in its mission statement which is to “ be our customers’ favorite place and way to eat” (McDonalds, 2009). In order to achieve this goal, McDonald’s executives and managers must follow the four functions of management which are planning, organizing, leading, and controlling (Bateman and Snell, 2009). . oppapers(2010)

## Strengths

McDonald’s is considered a global brand that is available in most countries in the world and shares the same strategic principles, positioning and marketing in every market throughout the world, but the marketing mix can vary that helped the company to have a vital market share in all countries as well as comparable brand loyalty ( 2005).

That is the reason why, McDonald’s is considered as one of the most famous and loved brands in the world in any industry.

It has a strong brand image and reputation that lead the company to become the most powerful brand in the category of fast food .

The company also has a strong global presence with its nearest domestic competitor being only half its size, this helped McDonald’s to become the leader in local and international markets.

In addition, the company benefited from the cost reduction through the economies of scale due to its huge size and big global presence that enables it to expand risk that are involved with the economic performance of a given country. Thus, the company is well placed in order to expand and take advantage of the long-term growth in economy . ivythesis. typepad(2010)

## Weaknesses

Food industry is considered as saturated, thus different restaurants must focus on discovering balance between the increasing prices of raw ingredients as well as the price sensitive consumer in the world .

As a result, McDonald’s has to deal with the viewpoint of the alarming market saturation that will make it hard for the company to add new stores and outlets .

the company is experiencing reduces in ability to increase revenue.

However, the swift of the focus of the company from a value meal menu to a more diverse one has limited the negative impact of the intense price competition that was traditionally taking place among the leader of the industry .

The company also shows poor marketing effort and connection with its local customers. There are different advertisement and promotion of the company that insults and caused negative image for the company.

In China, the company launched a television commercial that some of the Chinese viewers considered as offensive that shows Chinese man kneeling and begging for a discount from an electronics salesman who refuses due to the fact that his coupon has expired, then the ad said that people don’t have to beg in order to take advantage of the company’s promotion.

The advertisement portrays that Chinese people are poor and lacking in dignity. ivythesis. typepad(2010)

Chapter 3.

Mc Donald’s corporation External Environment.

The external environment includes all elements existing outside the boundary of the organization that have potential to affect the organization. The environment includes competitors, resources, technology, and economic conditions that influence the organization.

McDonalds started in 1954 in California, USA. It has grown to become the number 1 fast food chain company, with more than 30. 000 franchising stores in more than 119 countries. Even in Curaçao we have 4 stores. We have a McDonalds in Sta. Maria, Punda, Salinja( Dr. Maalweg ) and in Salinja (Salinja Galleries) with a brand new Mc Café.

McDonalds is one of the largest food chain companies in the world. The company has a good strength. Financial resources, market leadership, image and buyer supplier relations are examples of the strengths that McDonalds has.

What is the external environment of McDonalds?

Competition

Social problem

Focus on children

Competition

McDonalds has 3 big competitors: Burger King, Wendy’s and Subway. These companies offer a big variety of fresh and hot food of high quality at a lower price with faster service. In 1992 McDonalds wasn’t so popular anymore amongst the fast food restaurants. By 2002 it had its first quarterly loss. They had to close 719 stores around the world. They had to find a way to be a good competitor. They came with new menus. For instance in 2003, theyintroduced the McGriddles sandwich in the US and Canada as a part of breakfast. Different types of McChicken sandwiches were introduced in some parts of Europe. McDonalds number 1 goal was to satisfy the desires of the customers, with affordable prices. (Jing Han (nov. 2008), The Business Strategy of McDonald’s, International Journal of Business and Management, vol3., no. 11)

The Happy Meals for the children have become more nutritional also, they get there chicken nuggets now with corn instead of french fries. Slices of apple for desert and fruit juices. McDonalds also introduced the Dollar Menu, where you can get different foods, for only 1 dollar.

The McCafe is a place where you can enjoy your coffee or frozen coffee drinks with a slice of pie and with the ability to use the free Wi-Fi also. The McDonalds website is modern and provides a lot of information of all the products and services McDonalds has to offer.

Social Problem

Everybody thinks that fast food is unhealthy. And prefer to not eat fast food but to eat healthy. That’s why McDonalds became more conscious to make their foods better for the clients. People say that McDonalds food increases the risks for children to be fat and obese. And it has a lot of health risks for instance, the risk of getting cancer is higher, when eating McDonalds. Instead of eating McDonalds, they would go to the competitors, like KFC who offers them mashed potatoes, and subway who offers them healthy and delicious sandwiches. McDonalds food has a lot of calories, and is high sodium and the also use a lot of sugar. For the meat they use hormones too. But McDonalds has an unbelievable taste, it makes you want to eat more and more. . (Jing Han (nov. 2008), The Business Strategy of McDonald’s, International Journal of Business and Management, vol3., no. 11)

McDonalds thought a lot about the health issues, and introduced different kinds of salads. People who would like to eat fastfood are also able to eat a little bit healthy in McDonalds. McDonalds offers also the possibility of a free-refil if you buy soda. This is also very bad for the health of the customers. Soda contains a lot of sugar.

Super Size Me is a 2004 American documentary film directed by and starring Morgan Spurlock, an American independent filmmaker. Spurlock’s film follows a 28-day period in February 2003 during which he eats only McDonald’s food. The film documents this lifestyle’s drastic effects on Spurlock’s physical and psychologicalwell-being, and explores the fast food industry’s corporate influence, including how it encourages poor nutrition for its own profit. Spurlock dined at McDonald’s restaurants three times per day, eating every item on the chain’s menu. He always chose to “ super-size” his meal, if he was offered. Spurlock consumed an average of 20. 92 megajoules or 5, 000 kcal (the equivalent of 9. 26 Big Macs) per day during the experiment. As a result, the then-32-year-old Spurlock gained 24½ lbs. (11. 1 kg), a 13% body mass increase, a cholesterol level of 230, and experienced mood swings, sexual dysfunction, and fat accumulation to his liver. It took Spurlock fourteen months to lose the weight gained from his experiment.

The reason for Spurlock’s investigation was the increasing spread of obesity throughout U. S. society, which the Surgeon Generalhas declared “ epidemic,” and the corresponding lawsuit brought against McDonald’s on behalf of two overweight girls, who, it was alleged, became obese as a result of eating McDonald’s food [Pelman v. McDonald’s Corp., 237 F. Supp. 2d 512]. Spurlock points out that although the lawsuit against McDonald’s failed (and subsequently many state legislatures have legislated against product liability actions against producers and distributors of “ fast food”), much of the same criticism leveled against the tobacco companies applies to fast food franchises whose product is both physiologically addictive and physically harmful.

The documentary was nominated for an Academy Award for Documentary Feature. (Wikipedia. com)

Focus on Children

Another influence from the external environment, children are the number 1 consumers of McDonalds. Every child loves to go to McDonalds and play in the Happy Land playground and eat a Happy Meal. All Happy Meals include a toy, either for a girl or a boy.

McDonalds is a child’s favorite place to go. Happy children and Happy meals is a lot of Happiness in one place.

The children all have to come with either one of their family members or friends. This brings a bigger group to McDonalds, where everyone can be happy together. Everyone eats what they desire the most.

The external environment encourages the company to keep focusing on their goals and their strategy to use in the future. Attract new customers, keep old customers satisfied. McDonalds is a brand known worldwide and it will endure a growth that is profitable for the company. (Jing Han (nov. 2008), The Business Strategy of McDonald’s, International Journal of Business and Management, vol3., no. 11)

Chapter 4.

Culture.

For our culture analysis we are going to use United States headquarters and a foreign office that is based in Germany. In our analysis we are going to focus on the four topics that pertain to culture. They are as followed: Social structure, Religion, Language and Education.

## 1) Social structure

Below, we have described the two dimensions that need to be taken into consideration when we talk about social structure.

## U. S (country of origin)

## Germany

## 1.

## Individualistic

## Individualistic

## 2.

## Class system

## Class system

Note 1: U. S info from www. ezinearticles. com and Germany info from www. clearlycultural. com

In conclusion, both countries have the same basic unit of social organization and the same stratification of the society. Therefore, there are no differences that would affect the companies.

## 2) Religion

Religion is a topic that basically is difficult to explain. Some people perceive it as a belief, others as the uses, other emphasize the personal. In a nut shell, whenever you ask a person what is the definition of religion, they will give an answer that describes their religion. Below, you will find the most common religion in both the US and Germany.

U. S (country of origin)

Germany

1.

Consist mostly of Christians

The most common religions are Protestant and Roman Catholics

Note 2: U. S info from www. adherents. com and Germany info from www. germanculture. com. ua

Both the country of origin and the other country have different religions. However this will not affect McDonalds in general. Protestant and Roman Catholics are a segregation of Christianity. So basically, they have a lot of principles in common. One of the standards is that Christians, Protestants and Roman Catholics are not forbidden to eat certain types of food. For example, Muslims cannot eat pork; therefore they cannot eat McRib at McDonalds.

## 3) Language

Language is a mean of communication. It can be either verbally or with facial expressions. Both countries do have different languages. They are as followed:

U. S (country of origin)

Germany

1.

English

Standard German with different dialects

2.

Spanish is the second most spoken language

Very small amount of people that speak Danish, Frisian and Serbian.

Note 3: U. S info from www. infoplease. com and Germany info from www. germanculture. com. ua

McDonalds is one of the most famous/biggest franchises in the world. It is worldwide famous and majority of the children are excited to go to McDonalds. Therefore, the franchise needs to uphold their name, service and menu. In order to maintain these standards, all the franchises need to follow certain protocols in order to maintain their licenses. Since there is a language barrier between the US and Germany, McDonalds headquarters need to have employees that can speak that particular language, in this case German, in order to give workshops and help McDonalds adapt to the different cultures.

## 4) Education

Education is the knowledge that one gathers through instructions and learning. This differs for each country. For the chosen countries, a brief analysis of education follows:

U. S (country of origin)

Germany

1.

Public schools

Public schools

2.

Private education

Private education

3.

Universities

Universities

Focus: Broad oriented

Focus: Broad oriented

Notes 4: U. S info from www. euroeducation. net and Germany info from www. germanculture. com. ua

For US and Germany, they both are on the same level of education. The have the different types of schools. However, the majority of McDonald’s employees do not need to be educated in order to work at McDonalds. McDonald needs low skilled workers for the cooking, taking orders and deliver the and some need to be educated, such as the manager and above, in order to make sure that the business runs smoothly, make executive decisions and so forth.

## .

Geert Hofstede studies:

U. S (country of origin)

Germany

PDI

40

35

IDV

91

67

MAS

62

66

UAI

46

65

Note 5: From www. clearlycultural. com

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