McDonald’s Corporation

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Executive Summary

McDonald’s restaurant was founded by Maurice and Richard McDonald, two brothers who started the restaurant’s legacy as a small business in California that served milkshakes and hotdogs. The McDonald brothers soon introduced hamburgers to their restaurant menu, after reevaluating the business. In addition, the brothers implemented what they called the “speedy service system,” and this was comprised of an all-male staff working in an assembly line manner while serving customers from a 9-item menu. The McDonald’s business concept expanded rapidly and the first McDonald’s franchise was sold to Neil Fox in 1952. Mr. Fox opened a Phoenix, Arizona restaurant. The second franchisee was Ray Croc, who was the most successful franchise agent in the United States. Since its launch, McDonald’s Corporation has undergone several problems due to mismanagement, poor marketing, increased competition, and non-compliance of franchisees. Facing these problems has resulted in the corporation implementing new business strategies aimed at improving the corporation’s performance in an industry of competitors (Kerry, 2010). This paper focuses on how the corporation’s management and leadership used the adoption and implementation of strategic initiatives to attain its current status.

Planning

McDonald’s soon saw competition from rival fast-food restaurants such as Hardee's, Wendy's, and Sonic. Consequently, the corporation expanded its operations strategy, which initially included only generating revenue from the McDonald’s fast food chain of restaurants (Patton, 2011). Subsequently, McDonald’s has increased its market share through its acquisitions of smaller restaurant chains such as Donato’s Pizza, Chipotle Mexican Grill, and Boston Market.

This strategy is aimed at the corporation generating additional revenue from multiple income sources (Michael, 2007). The acquisition initiative also serves the purpose of supporting and securing the corporation’s growth and longevity into the future.

In addition to its acquisitions strategy, the corporation also has taken advantage of expanding into new markets globally by opening restaurant franchises around the world. As a result, McDonald’s currently has restaurants operating in approximately 120 countries with over 30,000 franchise locations (Patton, 2011). McDonald’s key executives understand that markets other than the United States have significant profit and growth potential for the corporation. This includes understanding that different countries and cultures have different tastes and preferences; therefore, McDonald’s offers different menu items in other countries that cater to local tastes and preferences, which sometimes include menus based on cultural beliefs (Kerry, 2010).

Organizing

McDonald’s Corporation is a producer of materials, procedures, and processes for its worldwide restaurants. It is responsible for ensuring every restaurant’s understanding of how to operate and offer its services to customer. In addition, the corporation help to develop its franchises to ensure proper preparation, assembly, packaging and selling of McDonald’s menu items. All McDonald’s restaurants in its chain operate franchise agreement terms. The corporation primarily operates as a chain of quick service hamburger restaurants (Kerry, 2010). All McDonald’s restaurants serve the same menu items such as the Big Mac with cheese sandwich, although some menu items may differ according to the restaurant’s country of origin. Additionally, one of the corporation’s requirements of its franchisees is servicing customers as quickly as possible. Interestingly, McDonald’s often tests new menu items during normal business activity (Kerry, 2010).

The McDonald's system of franchises is structured for the corporation's success. Therefore, it is important that sound partnerships are in place among franchise owners, employees, and suppliers (Michael, 2007). In addition, the franchising process includes evaluating and assessing a potential restaurant franchisee's overall personal and business qualifications and experience. Franchising is also granted to individual proprietors; however, no passive partnerships, investors, or corporations are allowed to franchise (Michael, 2007). Several factors are included with implementing a McDonald's franchise, such as making proper assessments regarding the desired market as it relates to potential performance of the restaurant; willingness of the franchisee candidate to put forth the necessary effort to succeed with the franchise in order to contribute to the corporation's strategic business objectives and goals; willingness of the franchisee candidate to participate in the corporation's training process; and willingness of the franchisee candidate to dedicate a significant amount of time to running the daily business operations (Michael, 2007).

Leadership

Regarding leadership, McDonald's Corporation thrives on an effective structure for its leadership and performance, which is required of all franchises for the purpose of driving positive results and shaping the organizational structure in its different cultural contexts around the world. The corporation's leaders are charged with leadership challenges that include cultivating high performance teams and restaurants within the corporation (Kerry, 2010). In addition, McDonald's executive leadership also considers those outside the company, as a means of broadening their scopes of thinking. This allows for creative thinking because it involves considering the external environment, which facilitates the implementation of new strategies that ensure business success. Consequently, McDonald's has maintained a strong executive team structure for many years and the corporation's prosperity and successful growth is attributed to its strong internal CEO successions throughout the years (Kerry, 2010).

Controlling

To ensure that the corporation's franchises are run with a spirit of competition and uniformity, the corporate policy includes franchisees offering standardized McDonald's menu items, design layouts, branding, and administration systems, all of which is in the franchise agreement. In addition, the franchise agreement asserts that each franchisee must use the corporation's operating and manufacturing methods to maintain uniform quality standards (Kerry, 2010). McDonald's franchisees are responsible for operating their restaurants in line with McDonald's standards of service, which include cleanliness and quality standards. The corporation's management frequently audits and inspects its franchisees and failure to comply with required standards can result in a franchisee losing its license (Patton, 2011). In addition, according to the corporation's CEO, successful business owners must always work diligently to give back to the community. Consequently, all McDonald's franchisees are expected to be active participants in local events and charities.

Conclusion

The changes undergone by McDonald's Corporation's operations since it was founded have been both good and bad. The corporation's executive team applies sound management principles in their daily operations, and if this continues, the corporation will continue to thrive. In addition, the corporation will continue to expand franchises into new markets throughout the world. Four key management principles should continue to be addressed, which include organizing, planning, leadership and controlling. These principles ensure proper structure, implementation, and evaluation of potential business strategies.

References

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