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MGMT 620:
INTERNATIONAL DIMENSIONS OF ORGANIZATIONAL BEHAVIOR
A2 Assignment: Global Leadership Report

Very organized
and comprehensive
Report.
Well done

Submitted By:
Dimpi Shah- 0905809
Sheeba Ogirala- 765561
Vina Nimje-794260

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Abstract

Organizations are facing new realities, globalization is coming of age. The reach of globalization and transnational development of organization needs leaders to understand the nature, manifestation, and dynamics of global leadership and shift from traditional management approach. We have addressed the initiative taken by the leadership team of McDonalds to succeed in global market.

The fast-food giant have exceptional top management turnover pulled down its pool of high-potential leaders. By assertively focusing on talent management and leadership development, now the company has a tempting selection of enhanced leadership development programs for high potentials, and is rapidly making bench strength around the globe. The development of its efforts began with its first leadership competency model and the assimilation of key talent processes. The thorough functional, regional, and global leadership development initiatives soon followed, along with a companywide talent planning process. The paper also includes the SWOT analysis and recommendations, which focuses on how to increase success to the business.

About McDonald's

McDonald's is the world's largest foodservice retailer. It caters to approximately 69 million customers each day in its 34,000 local restaurants located in 119 countries. The company began in 1940 with its headquarters in the United States. It contributed to 90% of the sales growth of the US fast-food and fast-casual industry between 2008 and 2010, according to research firm Technomic. McDonald's reported an annual revenue of \$27.5 billion and profits of \$5.5 billion in 2012, which exceeds the combined revenues of KFC, Taco Bell, Starbucks, and Pizza Hut. Also, figures of 2012 showed that Europe represented 39% of the revenues while the US was responsible for 32%.

McDonald's' ever increasing revenues come from their successful business model. The restaurant is operated by three main business units – a franchisee, an affiliate or by the corporation, of which the franchisee system is dominant. Local franchisees own and operate over 80% of their restaurants around the world. The corporation derives revenues from its company-operated restaurants as well as from its franchisees in the form of royalties and rent. The company was able to maintain an annual revenues growth rate of 4% throughout the last five years, even as the macroeconomic environment was unfavorable – a relatively good rate for a mature global company.

Organizational Behavior & Global Leadership at McDonalds

It is very important to analyze the organization's work culture while studying the organization's leadership and teamwork and motivation skills and how these cultures are maintained. McDonalds work culture seems to be highly dependent on the line managers. Mostly, managers use a telling style of leadership and also involve themselves with other employees. Once a manager used a selling approach, which shows the work culture and higher readiness level of team, managers are not only for giving orders but to accept feedbacks and alternatives to their decisions.

Leadership at McDonald's: Leadership is associated with motivation, interpersonal behavior and the way of communication. Leadership is important to reduce employee dissatisfaction. Leader's responsibilities are to set targets, maintain and control stock, plan budgets, recruit, train and motivate a team, create and drive marketing campaigns and build and foster customer relations. McDonald's has its training facility to give its managers, Hamburger University, to educate managers on how to run the restaurant. One part of the training is educating managers how to become good leaders. Leadership improves performance and it is a very important skill to

for any organization. The basis of leadership theories in the practical doing of day-to-day leadership work is important.

Detailed explanation is added below here

Path-Goal Theory: the Path-Goal theory related to leader behavior that can manipulate the subordinates' motivation and job satisfaction. This theory explains that behavior of leader is acceptable to subordinates as they view it as a source of either current or future satisfaction. It debates that subordinates observation is exaggerated by leader's behaviors, directive, achievements, supportive, participative oriented. This flexibility gives the leaders the capability to believe the impact the leader behaviors on subordinates motivation, job satisfaction, and goal accomplishments.

McDonald's leader applies a coaching leadership style, showing both directive and supportive behaviors. In the store, the managers seemed to be in control of every aspect of the entire food service process. In case things went out of control, the same manager showed coaching style of leadership and directed the sub-ordinates on how to achieve a goal or task. Whenever, something went wrong in the store they would never disrespect their sub-ordinates.

The President and COO of McDonald's Corporation, Thompson and his leadership team established three global growth priorities in support of the McDonald's Plan to Win: modernize the customer experience, to optimize the menu, and broaden restaurant accessibility.

The CEO Mr. Skinner(2008), a charismatic and transformational leader, turned around in the past few years, he not only renewed the organization but also reinvented the entire fast food business. The Plan-to-Win initiative was to focus store operations. His success was due to his vast experience with foreign markets that was important for the globalized corporation like McDonalds. He had a philosophy, primary focus was on customer satisfaction. Another aspect was fear of gratification. When McDonald faced an issue of obesity problem, he took responsibility and created a solution to it rather than blaming. Lastly, his main goal was "talent management and leadership development"- it involves tasks such as reorganizing individuals into

different responsibilities and recognizing leaders and award with additional responsibility.

Motivating Factors at McDonald's: McDonald's restaurants observed, the culture is to invite new employees. Moreover, other factors make McDonald's an ideal employer for many individuals. A primary factor for motivating an individual is that it provides laid back environment as well the job is not very stressful. A high school student who is busy with school and extra-curricular activities, it may be best to work in a laid back environment like McDonald's. A student's life may be highly stressful, and a low-skill, low-stress job offered by McDonald's provides a break from a stressful life. Also, for the elderly employees, the low stress environment would not be overwhelmed with responsibilities.

Another possible motivator is the social opportunity that is an environment to socialize and talk while working.

Third reason for working at McDonald's is the flexible schedule. It has all types of available shifts, an individual can work as part-time, full-time.

Finally, numerous growth opportunities available. McDonald's provides training to employees at various levels. In addition, an employee retains at McDonald's for a long period he can have an opportunity to become an assistant manager or manager.

Team Work at McDonalds: It focuses on its teamwork rather than individual work. McDonalds does not have very highly integrated teamwork; they could not be able to deliver products and service without sufficient team cooperation. Operations at McDonalds are interrelated and it can be mentioned as functional team. Suppose a team member is not productive other members of team would not be able to accomplish their tasks and the production line will suffer. For example, once customer places an order to cashier, the order information is displayed in the kitchen, then the grill worker does its job and next sandwich maker does its part of job. If the sandwich maker leaves its job then someone has to cover for him or else the entire process delays. That means if everyone not working together and not motivated to provide good and quick service all members

of the team fails.

McDonald's Global Issues

McDonald's received a negative image since its menus are criticized for offering unhealthy food to customers and causing child obesity. This prompts protests by organizations fighting obesity. It has also been affected by negative publicity such as the 'Supersize Me' documentary by Morgan Spurlock, in which he points the cause of society's obesity to McDonald's and other fast food chains.

McDonald's Global Solutions – Nutritional Offerings

To resolve this global issue of an unhealthy public image and unhealthy menus, McDonald's has developed plans to begin offering side salads as substitutes for potato fries in its value meals. The plan is about to be launched in the US market in 2014, in partnership with a nutrition focused branch of the Clinton Foundation. The company also commits to promote only water, milk or juice as the beverages that come with its Happy Meals. It also promises to advertise nutritional messages on their packaging. The plan would be fully implemented by 2020 in 20 of their largest world markets.

"This won't be the end-all solution," says McDonald's CEO Don Thompson. "We want to have kids consume more fruits and veggies around the world, and we want to make access easier."

SWOT Analysis of McDonald's

Strengths:

- **Strong brand insignia.** McDonald's is in the top ten list of the world's most powerful brand names, alongside GM and Coke. It has huge brand equity as the trademark 'M' is recognized throughout the world.
- **Huge Market Share.** In terms of its size and global reach, McDonald's is the largest

contender. The most recent market share of McDonald's is 19% while that of its competitors Wendy's and Burger King is 2% and Yum brands is 9%.

- **Special Manager Training.** The company has its own specialized manager training program called the Hamburger University. Through this program, they develop good managers who can aid the growth and progress of the company.
- **Plan to Win.** Its Plant to Win is a customer-focused plan that expands the marketing to mix to Product, Price, Place, Promotion and People. They maintain a global strategy yet customize their experiences according to the local country, resulting in increased sales and customer visits.
- **Industry First.** McDonald's was the first company to launch into the fast food industry. As a monopoly at the time, the company remained a trusted and top choice for many customers.
- **Upgraded Technology.** The company is innovative in its food as well as its technology. In 2011, McDonald's in Europe replace cashiers with touch screen computers, through which customers could order and pay.

Weaknesses:

- **Unhealthy Food Image.** Despite its efforts to introduce a healthier menu, it offers mostly unhealthy meals and drinks, drawing attention from protestors.
- **Negative Publicity.** The company is criticized for providing unhealthy food to its customers, causing obesity. It is also criticized for victimizing very young children.
- **Fierce Competition.** Since McDonald's is no longer a monopoly, it has the threat of losing its customers to other competitors in the industry like Wendy's and Burger King.
- **High Employee Turnover.** Since its jobs require less skills and are low paid, it has a negative impact on the employees, resulting in low performance and eventually a high turnover.

Opportunities:

- **Health Conscious Customers.** As customers are drawn towards healthier alternatives, McDonald's could turn its weakness into a strength by introducing more healthy choices.
- **Serving Customer's Diverse Needs.** McDonald's could identify and meet the changing needs of customer and serve new customer groups, as it has done with the products McCafe and McExpress. Wi-Fi enabled restaurants also attract more customers.
- **Home Delivery.** The company could focus on delivering food to customer homes, making it a more convenient experience and increasing the customer reach.
- **Going Green.** The company could research on the ways that it could be more environment friendly, and communicate the message to create a good brand image.

Threats:

- **Saturated Markets.** In most of the developed economies, the fast food market is already saturated with many restaurant chains, which is a threat to McDonald's growth.
- **Healthy Eating Trends.** As a result of the efforts of various organizations to fight obesity, people became health conscious and do not prefer the items of their menu.
- **Competitive Local Restaurants.** Although McDonald's tries to customize its menu in different country, it faces competition from local restaurant chain with low prices and local tastes.
- **Currency Fluctuations & Economic Recession.** Foreign operations constitute a large portion of the company's revenues. Due to an appreciating dollar, the currency rates negatively affected McDonald's profits in 2012. Sales could be effected due to economic recession as the disposable income of each household reduces.

Recommendations

McDonald's is a strong global company with a powerful brand image. In order to maintain the strength and profits, the company must constantly implement new strategies. Below are some recommendations for the McDonald's corporation.

Firstly, despite a saturated fast food industry in the US, McDonald's has tremendous scope in other parts of the world. The company should implement a strong market development strategy to enter new and emerging markets, focusing on densely populated regions like Asia and Africa. Following a strong marketing research, the company must open franchisees in these countries.

Secondly, McDonald's must focus on adding new and innovative products to their menus. In order to innovate, they must invest more in Research and Development to create new experiences to draw new customer groups as well as improve their existing operations. McDonald's could include a play area in its restaurants that are close to schools and residential areas. Since the company targets kids in their marketing, this strategy could improve the overall customer experience and increase brand loyalty.

Thirdly, since McDonald's has a strong brand equity, they could leverage it to enter new market with new types of products, services and experiences. For example, the company could expand its reach beyond the fast food industry into areas like Hotels. The McDonald's hotel in Zurich, Switzerland, is quite unique and offers a new range of services. Diversifying their services and spreading into different industries like the hotel industry is definitely the way for McDonald's in the future. Through this approach, they could cope with the tough competition in the fast food industry.

Finally, the company could improve in their customer service. McDonald's has highly trained managers and employees, who understand their customers. The customers are pleased with the attitudes and service of the employees. Nevertheless, the customer do not like waiting in long queues to get their food, especially when they are hungry. During rush hours, the counter and employees are not sufficient to handle the large number of customers. As a result, some

customers go to their competitor's restaurants, which might have a better service. To solve this, the company could increase the number of employees at major outlets during rush hours and weekends. Computer ordering system launched in Europe must also be implemented in the US, in order to increase sales and enhance customer service.

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