

## **Contributing Factors to Organizational Success: A Case Study of McDonald's**

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### **ABSTRACT**

McDonald's is one of the most successful fast food companies around the world. It has approximately 32,000 outlets located in 119 countries. Being a global and modern fast food company, McDonald's has a clear vision, "to be the world's best quick service restaurant experience". This paper presents the contributing factors which drive McDonald's success being a global and modern fast food company. McDonald's top management believes that job satisfaction and motivation are the contributing factors to the success of McDonald's. McDonald's has won many awards over the years for its employees' engagement programs.

**Keywords:** Fast Food, Job Satisfaction, McDonald's, Motivation, Organizational Success

### **INTRODUCTION**

McDonald's, the biggest fast-food chain in the world, is founded by Dick and Maurice in San Bernardino, California, the United States in 1940. 77 years ago, the two brothers started the business with a small hamburger stand and named it as "McDonald's Bar-B-Q". Thenceforth, they turned the business into a franchise and introduced the McDonald's logo - the Golden Arches in 1953 at Phoenix, Arizona. Ray Kroc, a businessman, joined McDonald's as a franchise agent in 1955 and purchased the chain from the McDonald brothers. McDonald's original headquarters was in Oak Brook, Illinois. However, they moved their global headquarters to Chicago in early 2018.

Today, McDonald's serves over 69 million customers daily in 119 countries with approximately 32,000 outlets. Although McDonald's is well known for its hamburgers and french fries, they are also well-known with other food items such as chicken products, breakfast items, soft drinks, porridges, wraps, milkshakes, and desserts. Over the years, McDonald's has customized its products to meet the needs of their customers. With the purpose to provide customers a better food experience and keep a balanced diet, McDonald's offers salads, fish, smoothies, and fruit on the menu.

The McDonald's Corporation revenues come from various aisles. These included the rent, royalties, and fees paid by the franchisees, as well as sales in company-operated restaurants. McDonald's is the world's second-largest private employer, only behind Walmart with 1.9 million employees, 1.5 million of whom work for franchises (BBC report, 2012).

McDonald's brand mission is to be their customers' best-loved place and way to eat and drink. McDonald's is around supercilious customer experience - people, products, locations, prices, and promotions. McDonald's wants to develop this strategy as a global strategy. McDonald's is committed to continuously improving its operations and enhancing customers' experience. Determined to continuously improve social and environmental performance, they work with suppliers and other franchisees to achieve a sustainable future for their company and the entire community.

The paper aims to investigate the factors that contribute to the success of McDonald's. It proposes that how McDonald's motivate their employees and the satisfactory level of their employees has helped McDonald's to turn into a more successful and achieving a more ultimate future. McDonald's has made a lot of efforts to make their business to become a successful one. For instance, McDonald's has now focused on its delivery service to provide augmented convenience to its customers. Besides, the McDonald's Corporation does not forget to emphasize on product innovation, offering valuable meals, promotions, and operational excellence.

## **RESEARCH METHOD**

### **SWOT Analysis**

As the world's largest restaurant chain McDonald's requires a large number of employees to flawlessly work and cater to the needs of the customer and deliver what the company has promised. McDonald's organization has both full-time workers and part-time or hourly-paid workers. In this type of industry, it is hard to keep a stable base of hourly employees than full-time employees because these employees are usually students, people who have free time and who have other business on the side.

### **Strength**

McDonald's strengths make it a leading fast food restaurant in the market. The strength of McDonald's included a strong brand image. McDonald's has been existed since 1954 and has established a strong brand name because of its effective promotion and quality fast food makes their business competitively strong. Besides, McDonald's has a large product range. To prove, McDonald's has various types of food like burgers, fries, drinks, ice-creams, cakes, and others. With the large product range, there are more choices for the customers, and they can satisfy the wants of different market segments. Furthermore, diversification of McDonald's products and its extensive product range helps McDonald's to grow and expand in the market.

Customer service has become a strength for McDonald's. In the 21st century, customers are at the center of the picture, not just in the fast-food industry but nearly all industries. McDonald's provides proper training of its employees for best in class customer service. The company and its franchisees emphasize employee training as well as the in-store environment. Good customer service is the reason for the demand. It is why not just McDonald's, but all fast food brands focus on customer service to retain customers. In recent years, McDonald's has made some essential changes to its

business model to make it more customers' centric. This will help McDonald's to retain and engage customers better and thus, will improve brand loyalty.

McDonald's offers various offers for employees on its meals. It provides employees with a 50% offer on its foods for two meals and provides free meals to part-time employees if they are willing to work for a full day. McDonald's offers higher minimal pay per hour than the rest of the large fast-food chains in the world. They have increased the hourly pay of an individual to \$1 across all countries, thus, they provide higher than the minimum wage across all countries.

McDonald's has also made policies regarding healthcare for all employees. All employees that work in McDonald's can get their healthcare. Hourly workers who have not been with the company for a long time need to pay around \$80 for each paycheck to get sold healthcare. These are not exactly accurate prices, as they change often, but they are usually in that area. Dental and vision programs are also an extra \$10 each.

### **Weakness**

McDonald's has been affected by some animad version like the article "Supersize Me" by Morgan Spurlock in which he devoted our society's obesity to the fast-food chains especially Mc Donald's. In fact, McDonald's dishes provide high calories but not too much nutrition. Although McDonald's had tried to update its menu by healthy food, McDonald's meals are still unbalanced. For example, there are many dishes with both grilled and fried. For instance, grilled or fried chicken, bacon, beef, rib, French fries, or egg. As we all know, both grilled and fried need much of cooking oils, thus it makes those foods unhealthy. There are just a few dishes are salad with vegetable and fruit in the menu of McDonald's.

McDonald's is a good example of an international franchising model. However, having this complicated web of franchised and company-operated restaurants reveals McDonald's to certain risks. For example, the risks of financial deterioration, customer dissatisfaction, as well as low revenue generation. The business model of McDonald's is over-dependent on franchisees as more than 90% of its businesses are franchises. McDonald's had overdependence on the franchises which works independently and hence they have no control over their day to day performance, but it affects the brand directly.

The weakness of McDonald's includes high employee turnover. Employee attrition or turnover can be explained as the number of people who leave employment over a specified period due to retirement, death, redundancy, dismissal, transfer, or resignation (Secord, 2003). Most jobs at McDonald's like waiter and waitress are low paying and low skilled. As a result, there is a consequential amount of employee turnover. A lot of the employees don't take their job passionately, or only do it for short periods of time, and this edges to lower performance. When there is a high turnover of the employees, training costs will be high too. Thus, this will pressure the company's bottom line. A survey conducted by Glassdoor, a popular website for jobs addressed employee satisfaction issues top 10 fast-food chains in the UK, related to culture and values, work-life balance, competency of senior management, compensations and benefits, and career opportunities. The employee satisfaction rating as per Glassdoor was 3.1 for McDonald's which was in the 10th rank as compared to the competitors of McDonald's.

### **Opportunities**

The opportunity section for McDonald's draws attention to the emerging chances of growth. It can help McDonald's to improve its business performance, management structure, and strategic growth, and other aspects.

Digital marketing has helped several leading brands around the world increase their revenue and grow their market share. McDonald's get benefit from digital marketing, as well. McDonald's can consolidate its competitive advantage by investing in digitalization. It is already utilizing the leading digital marketing channels for marketing. Nevertheless, apart from social media like Facebook, Instagram as well as Twitter, there are other channels too, including the company's own website and blogs that can be used for marketing and customer engagement. Digital marketing can help McDonald's grow both its reach and influence. Moreover, McDonald's can use digital technology for customer and employee engagement and supplier management and for managing its franchisees, as well. For example, McDonald's has initiated a partnership with Foodpanda and Grab Food for Malaysia food delivery. These mobile order applications and delivery initiatives help McDonald's to reach and fulfill customer's needs and wants.

McDonald's is benefited from the Asian markets. This is because the Asian markets are full of opportunities. In Asian countries like Malaysia, China, and Singapore, the demand for fast food has grown rapidly with the rise of the middle class and the millennial generation. More and more people need to grab a quick bite as they busy with their works. The economies of the Asian countries have also prospered in recent years and it has led to the purchasing power growth of the middle-class customers. To grow McDonald's penetration in the Asian markets, McDonald's can implement various strategies. This will help McDonald's improve its customer base and revenue as well.

### **Threat**

The threat factor relates to the situation which restrains McDonald's from taking full advantage of the benefits that can be obtained from the available strengths. McDonald's has a lot of intensity competitors in the market. Along with the development of the fast-food industry, there are many new fast food brands like KFC, Burger King, and Marry Brown entering the market. There is nothing to say if there are no strong brands able to compete with McDonald's. However, there are some fast food brands stronger than McDonald's. Although the market share of these brands is lower than McDonald's, nevertheless they are trying to gain more customers from McDonald's. Besides that, some casual dining restaurants such as western food restaurants increase their burger offering and decrease the price. Thus, they also become the competitors of McDonald's.

Economic recession is also another threat to McDonald's. Recession is a business cycle shrinkage when there is a general decline in economic activity. McDonald's revenue streams are diversified, they will be negatively impacted by the trickledown effect depending on the length of the economic recession. Recession or downturn in the economy may affect McDonald's sales, as household budgets tighten and reducing their spending on fast food. Thus, McDonald's customers will decline.

The growth of regulatory pressure in the fast-food industry is another threat. The fast-food industry, including McDonald's, is facing higher government control and oversight. Due to that, the costs of operation have become higher. McDonald's have increased their attention on compliance since noncompliance can result in fines and losses.

There are several other problems also arise because of higher regulatory pressure. McDonald's will face troubles while expanding into overseas markets.

## **RESULTS AND DISCUSSION**

### **Success Factor of McDonald's**

#### **External Success Factor of McDonald's**

A critical factor in the success of McDonald's is its ability to attract a wide range of customers. Mc Donald's food is suitable for all age customers. Mc Donald's offers different services for different ages of people. For instance, McDonald's offers toys and other fun happening things to attract children while parents with children would visit Mc Donald's to give a treat to their children. For businessmen, they can manage to have a quick and affordable bite. Teenagers would enjoy the Saver Menu which is quite affordable for them. Besides, every Mc Donald's outlet provides an internet facility. Mc Donald's also offers a varied menu to attract different aged customers. For example, Mc Donald's also offers foods like porridge to appeal to senior people's markets. Its ability to attract a wide range of customers helps Mc Donald's succeed.

McDonald's succeed not only in Malaysia but also in different countries. The critical success factors are adaptation and innovation. McDonald's offers a variety of services and products to satisfy the consumers' needs based on their offerings on consumer demographics, local and economic factors. For example:

- In the 1960s, the increasing teenage population and women working number leads to McDonald's offered a fast and low-priced menu to them.
- McDonald's innovation sustains through additional products like healthy drinks, such as chocolate drinks and high-quality coffee, competing directly with cafes such as Starbucks and Coffee Bean.
- The "American way of life" is brought to several countries around the world when McDonald's joined the trend of going global in the 1970s and 1980s. The sociocultural of every country is trying to be adapted by McDonald's when they enter from franchising to local entrepreneurs.
- McDonald's improved the company's corporate image by introducing the "fast and convenient" strategy. The product listing is adjusted based on the trends in the food industry. McDonald's renovated their restaurants to gain a natural dining look and environment feel. The concept was supported by offering natural and healthier ingredients through the addition of vegetables and fruits.

Customer satisfaction of McDonald's also contributes to its success. Customers are important stakeholders of a company who pay for the goods and services of the company. Thus, customer satisfaction holds a notable value for every organization. McDonald's had taken actions in terms of food quality, price, service quality, and physical environment to maintain their customer satisfaction. Service quality included employees' friendliness and personality, and shorter time for serving meals. The freshness of the ingredients, the good taste of their food, and the nice appearance of the food contribute to Mc Donald's customer satisfaction. Besides, McDonald's food service at affordable and reasonable prices could attract customers and increase their satisfaction. These make McDonald's a successful fast food restaurant.

Globalization is necessary for success and survival in the worldwide markets, but global competition is not easy (Bateman & Scott, 2004). As a leading fast food service

retailer, McDonald's joins those corporations with restaurants in 119 countries (McDonald's, 2004). McDonald's needs to take notice of the risks when considering the foreign market. There must be local marketing to appeal to the local consumers and to build relationships and trust (Bateman & Scott, 2004). Therefore, strategic planning for the marketing of McDonald's must be effective. McDonald's caters its menu in different countries to the cultures of the regions. For example, in Malaysia, the non-vegetarian menu includes chicken, fish, and beef items only. Besides, beef is not on the menu in India because it is considered as sacred. Global marketing decisions are just the same as those made domestically, but the decisions are unique and exclusive to each country (Sister & Sister, 2005). Furthermore, operating on a global scale grants a company's employees to participate and experience the works in different cultural environments. This is a good marketing strategy for McDonald's in terms of recruiting employees. McDonald's has a global module for its restaurant management in all franchises (McDonald's, 2004).

### **Internal Success Factor of McDonald's**

The internal success factor is the inner strengths that a company exhibits. These will create favorable impacts on the company and affect the success and operation of a business. Surprisingly, employees' satisfaction plays an important role as one of the internal success factors of a successful business. It is not enough for a company to only hire qualified employees, because every good company did the same thing. By making a difference, the employer must ensure that they constantly communicate with their employees so that any dissatisfaction or problems can be solved in a timely manner. Goetz (2001) said that poor management will have long-term effects on employees' productivity and satisfaction; employees who feel being respected will work harder and more innovative. As an illustration, McDonald's encourages open and honest communication among their employees by providing different channels for the company employees to report ethics or human rights issues. This action would create the employee's sense of being valued, rewarded, and respected, thus they will go beyond and achieve a high organizational standard. Besides, strong business such as McDonalds, has always been motivating their employees and provide them with care, training, support, and encouragement throughout their years of service in Mc Donald's. One of the examples of simple motivation that Mc Donald's gave to their employees is that cashiers are given an extra 10 minutes to their break time so that they can rest their feet after a long hour of standing. This kind of action would probably increase affection and loyalty as well.

Apart from that, leadership is also a part of the internal success factors of Mc Donald's. Leadership is the ability to influence a group of people toward the achievement of a vision or set of goals (Kumari, 2011). Companies with strong leadership always come with a clear plan for how they are going to achieve their goals. These companies would have developed with the management structure that empowers their employees, and at the same time, meets the companies' production and sales goal. Leadership can further be explained as a process of motivating others to accomplish a given task. At McDonald's, leadership goes beyond the manager and spread down to each employee working in the company. Every employee possesses some sort of leadership skills and they are all ready to help their colleagues with their work.

Besides, the mission statement is also one of the success factors of McDonald's. As an illustration, the mission statement is known as the underlying reason why the company produces that specific product and offer that specific services. Defining the "why" of the company clearly is the key to provide employees with motivation and passion that

would affect how much effort they give to their work and how much they believe in what they do. Well, McDonald's mission statement is "to be our customers' favorite place and way to eat and drink." It is obvious to say that, "customer" forms the main subject of this mission statement. This focus shows that McDonald's looks not only to satisfy but also to exceed the demands and needs of their customers. As an example, a burger at McDonald's is only cooked when the customer places their order. This is a strategy that is newly adopted by McDonald's to ensure the freshness of the food served. Besides, McDonald's provides an ambient environment with facilities and their friendly servants that bring comfort to their customers. By sharpening the mission statement of the company, McDonald's has now come to a success in which they do not stop improving to become their customers' favorite place and way to eat and drink.

### **Employee Satisfaction and Motivation**

#### **Employee Satisfaction**

Satisfaction consults to the level of fulfillment of one's desire, needs, and wants and it also depends basically upon what an individual wants from the world, and what can he gets (Morse, 1977). According to Spector (1997) employee job satisfaction is associated with how people perceive, think, and feel their jobs. While, employee satisfaction may be described as how pleased an employee is with his or her position of employment (Palaniammal, Saranya, & Saravanan, 2008). According to Lai Wan (2007) satisfaction is an essential aim for any organization to reach. When employees are satisfied, they are more loyal and productive (Kristna, 1997). According to Hallowell (1994), satisfied employees will motivate a chain of positive effects which will eventually lead to improved organizational performance. Hence, employees' job satisfaction is important because job satisfaction among employees may have an impact on the success of the business in the long run.

Being the most successful and superior global restaurant chains around the world, employee satisfaction was an important factor for McDonald's to become a successful business. McDonald's acknowledge that employee satisfaction plays an indispensable role in its success. For letting employee's satisfaction high, McDonald's worldwide consolidates its organizational culture with the three employee propositions which are at McDonald's, my boss treats me right. Next, McDonald's is a good place to work and last is McDonald's makes my life better.

McDonald's vision is becoming our employees' favorite place and way to work. Therefore, McDonald's has three steps to maintain a successful business by increasing the employee's satisfaction. The first step is making sure employees themselves have the right talent. Furthermore, the second step is creating the right work environment for the employees. The next step is energizing employees through good rewards and recognition.

Besides, McDonald's has carried out a global survey with all its employees. The feedback was used to manufacture McDonald's three-pronged employee value proposition. First is family and friends, a people-centric culture where everyone feels a part of the team. While second is the flexibility of working times and job varieties given to employees to enable people to fit McDonald's into their bustling lifestyles. Moreover, the last is the future of employees by given employees career growth and development opportunities so that they achieve their full potential. This will help McDonald's to provide a comfortable environment for its employees and improve the satisfaction of employees.

Besides, taking care of employees and making them feel valued is important. This is because employees are the face of our brand and they distinguish us from the competitions. Therefore, McDonald's consent to providing an environment for employees where they are treated well, and they will in turn be aroused to take great care of our customers through their attitude and passion. Moreover, McDonald's has won the Aon-Hewitt Best Employers award three times in a row, this is a testament to their commitment to executing good people practices. In general, employee's satisfaction was the great influenced factor for McDonald's to become a successful business nowadays.

### **Employee Motivation**

One of the biggest challenges faced is to improve the organization's efficiency and productivity. To achieve this, the organization needs to have committed and engaged employees. Hence employee motivation is critical. A positive motivation to employees is more likely to have a spill-over effect on organizational performance as well as its production and effectiveness. In fast food, McDonald's cares about the motivation of their employees because the top management believes that when employees are motivated and satisfied in their job, they are more likely to deliver excellent customer service. Motivate the employees is one of the success factors that lead McDonald's to a competitive advantage. Motivation is an important factor for employees, and it is beyond the wages received. If someone's needs are not fulfilled, then the employees will not be motivated to work.

McDonald's has applied expectancy theory for human resource management. The managers apply the theory in setting up certain targets on employees and designing corresponding monitoring measures and compensation plans. Even a part-time worker is given bonuses for making great burgers. Managers do performance appraisals every day which gives the employees high initiatives to work better. McDonald's employees could have a passion to work under such system. The organization has boosted performance and productivity by ensuring all its reward programs are aligned to its business strategy. The employer who won an Employee Benefits Award has recognized for its approach in 2012.

There is another motivation theory applied by McDonald's which is Maslow's motivation theory. McDonald's applies three components in this theory which include: financial encouragement, non-financial encouragement, and social policy. This means the rise of salary amount must be sensible for an employee. The company also must elaborate on different systems of motivation for every department. This shows the fairness for every department employee. All employees in the top 10% of restaurants will receive a bonus for each hour they have worked in two weeks.

Robert Crawford (2015) stated that Neal Blackshire, reward manager at McDonald's ad winner of the Employee Benefits Professional of the Year Award 2014. He believes that there is no point in having a reward strategy that is at odds with a reward. "If the business strategy goes in one direction and reward in another and is not helping, pushing and encouraging it, then it is a waste of time, money, and effort," he says. "We have made sure that reward is never out of alignment. If it was, it would need changing and we have not made significant changes for a good number of years now, but it is more of an evolution process."

McDonald's has an effective motivation system that makes it to increase employee's performance and productivity. The company has based on motivation theories and applied some effective strategies. They tend to make employees work harder and supervising them closely with the attention to achieve a maximum level of output. The employees and employers can succeed in their careers if they have different targets while working in McDonald's.

### **CONCLUSIONS**

Although McDonald's has a very good HR and company culture approaches, still the industry is filled with distress of employee turnover. One of the reasons could be the part-time workers who are inclined to competition and incline to companies that provide good satisfaction and other non-monetary as well as monetary benefits which the company must identify and tackle. The other reason could be the employee's grievances which are not meet by the company.

McDonald's restaurant crew members usually work under a few managers. A report from 'Business Insider' spoke with numerous current and former McDonald's employees about their experiences with the chain's management. They provided a few suggestions for current and future leaders at the fast-food chain. They talked about having a supportive and effective manager which is the key to the entire store's morale and productivity.

The employees emphasized more on training and have advised the managers to make training as a priority as certain employees are made to do 3-4 roles in the store at a time and thus it is unclear who is supposed to do which job first and proceed with the other. They also emphasized teaching members soft skills as McDonald's has a diversified group culture and thus a proper soft skills program can help the employees to get the job done.

The employees had further emphasized to listen to the employee preferences which may be regarding scheduling, rolling outbreaks, etc. and know which employee has a preference in doing which job and keeping in the consistency of job roles to be played.

Apart from these preferences and grievances of employees the company also needs to adopt the policies of giving perks to its employees used by its competitors like Starbucks, Taco Bell, Chipotle, etc. apart from what perks McDonald's provides currently. Some of the perks could be a new bonus program for hourly workers which is used by Chipotle, Subsidizing the workers' childcare in Starbucks, a Four-day work week test in Shake Shack, etc. Thus, these could be some recommendations to increase productivity and help in retaining and motivating employees at McDonald's.

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