

A Structured Case Study of McDonald's Australia

By Lenny Cooper for BUS104: Introduction to Management

1. Provide a summary of McDonald's organisational history.

The McDonald's franchise began in 1955 in Des Plaines, Illinois when a man by the name of Ray Kroc established the first of many restaurants (McDonald's 2018). McDonald's established their first Australian store in Yagoona, Sydney in 1971, taking the country by storm. Fourteen years later, in 1985, the Ronald McDonald House Charity was registered as an official Australian charity (McDonald's 2018). McDonald's (2018) states that in 1986, McDonald's opened its 9000th restaurant, situated in Sydney, with each of the stores employing on average 100 employees (Robbins, Bergman & Coulter 2018). In 1993, Australia opened the world's first McCafe in Melbourne and established its 100th McCafe by 2003 (McDonald's 2018). To date, McDonald's operates out of over 900 stores in Australia, providing jobs for over 90,000 employees (Robbins et al. 2018)

2. As an organisation, what is the purpose of McDonald's, what are the company's values, how is the organisation structured and what part do people play in helping the organisation meet its purpose?

McDonald's organisational purpose is achieved as a result of McDonald's employees at every level focusing on and upholding company values. An organisation's purpose is the driving force that defines their reason for operation; it encapsulates who they are, what their overarching goals are and who they are aiming to serve (Robbins et al. 2016). McDonald's is dedicated to meeting its purpose of delivering exceptional customer value and satisfaction, supporting the community and providing a stable and pleasant work environment for their employees (McDonald's 2018). Zéghal and Maaloul (2010) describe value as a specific principle that a company deems important, holds in high regard or considers of worth. McDonald's believes it is vitally important to maintain continual innovation and profitability, conduct ethical operations, give back to the community and above all else, value their customer's experience (McDonald's 2018). The purpose of McDonald's is upheld by the strong values instilled in their dedicated employees throughout every level of the organisation.

Figure 1: Corporate Organisational Structure



Source: McDonald's 2018

Figure 2: Restaurant Organisational Structure



Source: McDonald's 2018

McDonald's operates under a rigid mechanistic structure. At the top of the corporate structure is The Board of Directors, followed by the Managing Director/CEO. The CEO oversees the CFO, CMO and COO, who then directs the actions of the Human Resources Team, the Legal Team and Regional Managers, who then guide General/Restaurant Managers. The Restaurant Organisational Structure consists of a General Manager controlling the Restaurant Manager, who oversees the 1st and 2nd Assistant Managers as well as the Shift Running Manager. Following after is the Floor Manager, who directs the Staff Training Crew and Crew Members.

Without McDonald's loyal customers and stakeholders, they would not be able to achieve their organisational purpose. McDonald's relies on a web of stakeholders including its employees, partners and suppliers to achieve their purpose (Robbins et al. 2016). Each of these key groups of people hold importance, assisted by management giving positive feedback and encouragement to their kitchen and counter staff by upholding their company beliefs and values in customer service (Robbins et al. 2016). The stakeholder partners provide innovative and well-known brand name products to sell in store and provide the cost effective and quality raw materials used to conduct the day-to-day operations in order to maintain profitability. Some of these profits are then able to be funnelled back to the community via the Ronald McDonald House Charity (Robbins et al. 2016). If each of the stakeholders effectively perform their role, McDonald's can then meet their purpose.

3. As the CEO of McDonald's Australia, what is Andrew Gregory's role? Using the four functions of management as a guide, what activities does he need to undertake in managing the Australian operations of McDonald's? How would this differ for an assistant manager at a McDonald's restaurant?

Managers are known to undertake four different functions within the workplace: planning, organising, leading and controlling (Robbins et al. 2016). These functions can then be broken down into a multitude of different activities and roles a manager may perform (Johnson 2004). Although all levels of management will perform each function to some degree, the amount of emphasis placed on each function varies, as seen below in Figure 1.1 (Robbins et al. 2016).

Figure 3: Management Activities by Organisational Level



Source: Robbins et al. 2016

Planning is used to define an organisation’s purpose, how that purpose will be achieved and how to keep employees focused on maintaining the achieved purpose (Robbins et al. 2016). For example, Andrew Gregory would play the role of entrepreneur by searching the microenvironment for opportunities to improve efficiency and effectiveness in meeting their purpose and by planning a new organisational structure to suit (Robbins et al. 2016; Robbins et al. 2018). Comparably, an assistant manager might think about the skills of their non-managerial staff and plan to assign them to a role that they will perform best in (Robbins et al. 2016). Andrew Gregory’s task focuses on the bigger picture to meet purpose, while the assistant manager focuses on planning the direct tasks of their staff.

The organising function involves deciding on organisational tasks, identifying what tasks are to be completed, deciding where within the hierarchical ladder the tasks are to be performed and in what way they are to be performed to accomplish the organisation’s overarching goals (Robbins et al. 2016). For example, Andrew Gregory would play the role of Resource Allocator, in the event of a promotional day approaching and would control the resources each store received to facilitate the promotion (Robbins et al. 2016), whereas an assistant manager would organise those of their non-managerial staff who would be tasked with setting up the promotion in-store (Robbins et al. 2016). Andrew Gregory’s decision differs to the assistant managers’ because it involves distributing promotional materials on a large scale, while the assistant manager delegates specific promotional setup tasks.

Leading involves taking charge of the situation, motivating employees and providing direction to coordinate efficient and effective work completion (Robbins et al. 2016). Andrew Gregory

takes on the role of leader when motivating his staff to become more effective, efficient and innovative within the work environment. He can do this by providing incentives such as a promotion or pay rise to managers who provide above-expected performance. An assistant manager doesn't have the power or authority to do this, however they can still motivate their non-managerial employees by listening to their suggestions, answering all questions without judgement and providing praise when a task is completed to a satisfactory level (Johnson 2004). Although Andrew Gregory is in a position where he can incentivise through tangible value, an assistant manager can play a similar role by providing emotional value.

Controlling consists of a manager overseeing the activities being undertaken by employees, correcting any performance or behavioral deviations and reinforcing satisfactory performance and positive behaviour (Robbins et al. 2016). Andrew Gregory would take on the role of disturbance handler, for example, if his middle managers were experiencing conflict with the first-level managers and he might give constructive feedback to help improve their interpersonal communication skills (Robbins et al. 2016). Assistant managers also provide feedback to their non-managerial staff, but it should be focused on correcting their job-specific technical skills, possibly to address an employee performing a task incorrectly (Baker, Perreault & Blanchard 2013). The difference here is that Andrew Gregory, being a top-level manager, controls the performance and behaviour of the managerial employees, whereas the assistant manager controls those of the non-managerial employees.

4. In what ways do Andrew Gregory's technical, human and conceptual skills influence how he aims to maintain an environment that encourages innovation, customer service and sustainability at McDonald's Australia?

Andrew Gregory encourages sustainable work practices within McDonald's country-wide by incorporating his previously acquired job-specific knowledge. Technical skills include a person's ability to complete tasks assigned to them proficiently, through resort to their previous on-the-job knowledge and learned techniques. During Andrew Gregory's time spent working as a part-time French-fry cook and customer-service assistant (Robbins et al. 2018), he gained invaluable knowledge of portion control in cooking. In conjunction with this, he learnt about the costs involved with excess food wastage during his time spent in Melbourne as a McDonald's corporate accountant (Robbins et al. 2018). Now that Andrew Gregory has risen to a position of authority, he is able to maintain an environment that encourages sustainability by providing wastage minimisation training to staff, company-wide.

Andrew Gregory maintains an innovative workplace environment by instilling a positive organisational culture derived from listening. Human skills involve understanding the human aspect of workers and employing the use of interpersonal communication skills to produce motivation and innovation (Lumen Learning 2017). Eunson (2018) states that by listening to and conversing with employees about their problems they gain confidence by producing their own solutions. The confidence employees gain by answering their own questions contributes towards the organisational culture Andrew Gregory is aiming to maintain. Once employees

understand that their superiors will actively listen to what they have to say, they are more likely to speak up about innovative ideas that their supervisors have overlooked (Grill 2014).

Andrew Gregory uses his conceptual skills to create a customer-service focused environment by overcoming environmental uncertainty. Robins et al. (2018) explains that conceptual skills concern the way a manager understands, adapts to and overcomes complex internal and external situations. McDonald's faces a complex and dynamic environment (Robins et al. 2016) in which customers have a multitude of fast food options to choose from, all competing for a market share (Wiley-Cordone 2018). To maintain a customer-service focused environment, Andrew Gregory introduced the new concept of learning lab restaurants with 'create your taste' ordering stations to gain a competitive advantage over other restaurants (Robins et al. 2018). McDonald's takes into account both the positive and negative feedback in regards to new innovations and uses it to improve on their weaknesses (Robins et al. 2018). Accordingly, Andrew Gregory is prepared to invest \$1 billion on remodeling the organisation and examining how their staff interact with their customers, in an aim to maintain an environment focused to the core on customer service (Robins et al. 2018).

5. What management roles would Andrew Gregory be playing as he: (a) has weekly conferences with his management team at McDonald's Australia; (b) assesses the feasibility of adding a new product to the McDonald's menu; and (c) keeps employees focused on the company's commitments to its customers?

A manager's job is far from basic. It consists of performing multiple managerial roles within a single day. Managerial roles can be classified under three categories: informational roles, decisional roles and interpersonal roles, each of which regard a specific management function or behaviour (Robbins et al. 2016). Andrew Gregory is no exception; the activities he performs on a daily basis can be classified under specific roles.

As Andrew Gregory facilitates weekly conferences with his management team, he plays the role of disseminator. The role of disseminator falls under the informational category (Robbins et al. 2016). The disseminator role involves holding meetings to relay information to employees gathered from either the microenvironment, the macroenvironment or a combination of both (Robbins et al. 2016). Andrew Gregory fits this role because he holds weekly conferences to communicate specific topics to his management team.

The role of entrepreneur falls under the decisional category (Robbins et al. 2016) and is performed by Andrew Gregory as it assesses the feasibility of adding new products to the McDonald's menu. When undertaking the role of entrepreneur, the manager is often developing new programs, products and services according to opportunities gathered from both the microenvironment and macroenvironment in order to bring about changes and initiate improvement within the organisation (Robbins et al. 2016). The entrepreneurial role identified

in the actions of Andrew Gregory as he assesses new-product feasibility is a progressive step in the process of new product development.

While Andrew Gregory is busy maintaining employee focus on the company's commitment to its customers, he undertakes the role of leader. The position of leader encompasses the interpersonal category and the leadership role overarches any activity to do with managing employees, including providing necessary training, motivation and guidance (Robbins et al. 2016). One training aspect Andrew Gregory might provide to maintain employee focus on customers could be interpersonal skill training, where he could perform the leadership role.

6. What could other managers learn from Andrew Gregory and McDonald's approach? Are there any differences in being a CEO at McDonald's Australia and being a CEO at a non-profit organisation? If so, what would they be?

The business world is constantly changing and becoming more competitive for companies due to market oversaturation. McDonald's operates in a complex and dynamic environment, not only competing with many of the original fast-food restaurants, but also newer ones, all of which compete for a market share (Robbins et al. 2018). Andrew Gregory overcomes this and creates an advantage over his competitors through perpetual innovations in customer service technology improvement (Robbins et al. 2018). Moreover, other managers can learn from the approach of Andrew Gregory and McDonald's that to maintain a profitable market share, the key is to focus on innovation.

There is a defined difference between being the CEO of McDonald's Australia and being the CEO of a non-profit organisation: McDonald's place their primary focus on the purpose of turning a profit and the managerial duties they perform to that end. McDonald's is classified as a 'for-profit' organisation. This is because the CEO's primary purpose in turning a profit is to increase monetary returns for the owners and employees, whereas in a non-profit organisation the CEO's main purpose is to use earned profits to benefit those in need within the community (Robbins et al. 2016; Viader & Espina 2014). Not only do the two CEOs differ in their desired purposes for profits, they also differ according to their duties performed (Ashe-Edmunds 2018). All CEOs perform four overarching management activities: planning, organising, leading and controlling; the difference is that 'non-profit' CEOs will typically participate in less planning than 'for-profit' CEOs (Ashe-Edmunds 2018). Ashe-Edmunds (2018) stipulates this is because non-profit CEOs work with a board of directors who plan the strategic direction of the organisation and the CEO's role is to liaise between them and the employees. Therefore, it is confirmed that there are differences between for-profit and non-profit CEOs, their purpose for turning a profit and the duties they perform.

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