BUSINESS & BUSINESS ENVIRONMENT CASE STUDY
ASSIGNMENT SAMPLE

**Case Study: McDonald’s**

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**Introduction**

Organisational structure is the basis and critical factor in making any internal and external environmental decisions , and the businesses function depending on the same. In this report attempt is made to study the different groups of the business organisations, their appropriate organizations and their functional interrelations. It also further presents a study on how an organisation’s macro economic environment has an influence on the business decisions and roles. The example taken to present the study in the report is of McDonald’s and its current organisational environment using PESTEL analysis to comprehend the external factors for the business and further detailed factors of the industry that may influence business processes and the decision made considering them.

**About the Organisation**

When we talk about the fast food industry, the name that flashes is the McDonald which undoubtedly is the global leader and giant. The numbers associated to it boasts of its existence as the biggest chain globally for fast food, with 35,000 stores or more globally that are in setups , productively in approximately 120 countries or more, which serve delightful fast food to almost 70 million consumers across the world, every year. Its presence in UK only, is roughly than 1250 eateries (McDonalds, 2018). McDonald’s restaurant is mainly on the franchise model, there is a presence of restaurants that belong to and managed by McDonald’s Corporation. In the United Kingdom almost 65% of the restaurants under the McDonald’s group function on franchise model, remaining 35 percent are retained by the McDonalds , employ 85,000 or more people (Woods, 2017).

**Background Information:**First McDonald's was opened in 1940 by siblings Richard and Maurice McDonald ,at 1398 NE Street , West ,14th Street San Bernardino, California . Though Ray Kroc had made it a modern business. “Speedee Service System" was introduced by the brothers in 1948. The original symbol of McDonald's was a chef hat on top of a hamburger referred as "Speedee". The famous sign, Ronald McDonald, was make known in 1965. The clown was used to target the children audience.

**Products and services:**McDonald's largely vends hamburgers, types of chicken sandwiches , the famous French fries, soft drinks and beverages, breakfast menu , and desserts.
Services are either "eat-in" or "take-out". "Eat-in" meals are given on trays with a paper lined on it. "Take-out" food items are typically provided with the fillings in a typical McDonald's -exclusive brown bags.

**Size :**McDonald's is the universally biggest chain by profits, serves 69 million patrons every day more than 100 nations, over the globe and more that 36,900 outlets as of data produced in 2016.
As per BBC , paper issued in 2012, it is the second biggest private employer in world after Walmart having 1.9 million workers.

**Business Objective:**Effective supervision and worldwide spreading out approaches to move in the new markets and access and gain a share of the overseas fast food market

**Activity 1:**

**Types of organisation discussed below:**

Businesses are bodies that are usually formed by individuals or group; their intention is to carry out industry operations and its profitable undertakings. These are broadly categorised based on the legal structures and the organisation operations. In this write up, the three broad groups of any corporate groups that are namely public, private, and the voluntary groups.

**Types:**

**A private organisation** is possessed, organized and be able to be managed by individuals or groups of individuals (Surbhi S, 2015). These type of organisation fall under the category of profit making and the profit usually used for development and expanding the company. Tesco and McDonald’s examples in this write up are good examples of companies in the private sector. Further, there are sub groups namely partnership, sole dealer ship, and the franchise model

A**company in public sector**is upheld and run by the government. In comparison to the private organisations their sole purpose is not to seek profits, rather attached to the objectives other than this. Larger social good, common citizen’s needs, providing employment, etc. A virtuous example is BBC.

Lastly, the **voluntary sector** are organisations that includes the joint ownership of the government and the non-government charitable organisations. For example Oxfam

Cambridge University is another Private sector institutes which is a non-profit seeker compassionate organisation, that is dedicated to endorse larger good like the education and research.

**Legal Structures:**

The country’s legislative system that controls the performing of commercial activities in a business is represented by legal structure of that organisation, denoted by the frame work .
The most simplest form of business structure is a single ownership or Sole trader, in this one-man runs show and that single owner is officially owner responsible for every aspect of the organisation he runs as he is the only decision-maker and the employer .The ownership of recruiting employees to work for him lies with the Sole trader. He must be registered mandatorily with HMRC for the purpose of filing the income tax returns through self-assessment (Simple Formations). This kind of a business is not everlasting as it cannot be inherited by the succeeding generation after the owner’s death. Franchise business model follows a different legal structure. For one unit or distinctively individual franchise unit , only one franchise is approved for managing or carrying out the operations of the business. The owner of the franchisee company, however can allow to set up several of the franchisees to a very few of the franchisees, that are to function independently and do not become a part of many units under the regional funding. In the franchisee model, the owner of the restaurant and also holds the charge of its organization. The condition is to stick to the quality standards and the amazing customer service by McDonald’s. The franchisor, usually make the fees payment which is usually 10-18% of its on month sales and profits. Also an extra 5% of service fee for using the rights of McDonald’s system . Another compulsory expenditure is 4.5 percent of the sale done is spent on the advertisements (McDonalds (a), 2018). The difference is , the area franchisor looking after the expansions in parallel , develops several other sites.

**Scope, Size and Stature**

A pvt limited and /or a public company is a self-regulating authorized body which is detached from its management. The ownership of the company lies with the management of the business. By reason of its inadequate accountability, possible benefits of tax and ease in operations of the limited business is the most prevalent form of business in the United Kingdom (Simple Formations). As soon as it gets assimilated, the information that pertains to a the limited company, for instance the filing of history and current schedules, are publicly accessible on Businesses House register which makes the businesses apparent (Business Case Studies)This is proved very beneficial for carrying out operations of the business and for accumulating the finances. The mandatory part for all businesses is to have an address officially, and to list themselves with the Company Registrar of and use the word Limited with their names (Business Case Studies). Registering of the Public companies that are usually limited is a must for trading of the shares belonging to them publicly. The prevalent form of organisations is the Companies. The Public sector businesses and voluntary associations never reach the standing of company behemoths. Accumulating the funds is also challenging for them as compared to the large companies which operate more often on a global level. There are advantages and a disadvantage associated with every form of business organisation. The entrepreneurs have to choose a appropriate organization that suit the objectives and the nature of the industry.

**Organisational Structure and Functions**

**Organisational Functions**

The functions associated with any organisation are mainly the production of several products, development, training, recruitment, and eventually the retention of the right candidates, the management accounting and commercial reporting , the lawful and controlling agreements and research and expansion as well.

**Organisational Structure**

McDonald’s, is described as an universally famous fast food giant, follows an organizational arrangement that is divided in sector in nature. Each division of it looks after the specific operations in that business unit (Panmore Institute (c), 2017). Listed are following individualities, organized as per their importance:

1. **Worldwide hierarchy:** The Company has control over its regulations and the operations at the universal level, like many other global groups. The directives and the activities for the operations are given by the CEO . The commands are given down from the CEO to the lower level in the hierarchy of the personnel, further passed on to the managers and personnel involved at the eating place level (Panmore Institute (c), 2017).
2. **Functional groups:** The management group of human resource, the chain of supply, the franchiser, and the group looked in by legal function, forms a part of corporate operations. Each of these functional groups is assigned with explicit and distinctive business purpose. It is a very important characteristics of the organisations arrangement that helps McDonald’s transact with the critical areas of the business (Panmore Institute (c), 2017).
3. **Performance divisions:** Most outstanding feature that has emerged the following administrative restructuring in 2015. The divisions were based on geography, as opposed to the divisions that are based on the presentations. The several important divisions were
	* USA that encompassed 40 percentage of annual income
	* Global Markets that accounted in actual for extra 40 percentage of total income
	* Initial establishments and the Corporates
	* The High Growing establishments (Panmore Institute (c), 2017).

Structural constituents of McDonald’s also makes the organisation controlling of the structure probable that are built on enactment level.

**Hierarchy Reports Structure**

The matrix organisations differs from the grid configuration mainly due to the reporting relationship in an organisation .McDonald has a hierarchical reporting structure. There is a mandate in the organisation given to the employees, which instructs them to report to the functional managers, and compulsorily the product managers also. In a matrix arrangement, diverse project groups are created with employees having diverse skills sets, across the business functions. Conversely, McDonald’s reporting system is hierarchical in which each employee has well-defined roles and responsibilities for them to follow and implement.



**Exhibit 1: Hierarchy Reporting at McDonald’s**

**Objectives**

The main unprejudiced purpose of the McDonald’s giant is, providing outstanding class of enjoyable food to its customers and clienteles in an friendly along with a pleasant atmosphere (McDonalds (b), 2011). Business targets to provide the food that is good, capably and swiftly, to give the consumers feel of the services rendered and the product provide the value for money. Also, the company puts efforts to encourage a work atmosphere where the employees, providers and the franchise can work with each other in synchronisation. Also providing the employees with better career opportunities that are worth pursuing.

McDonald’s is regarded as an environment approachable company, it follows mainly 3 targets – effective and economical management of the solid waste and its disposal, very importantly the protection and preservation of natural properties globally, it for sure ensures an environment liable conduct.

**The Interrelation of the Structure, Functions and the Objectives**

The organisational structure of McDonald’s, allows the fast food giant to carry out its Financial and managerial functions effectively , amid any conditions thus enabling it to become the top fast food chain globally and reach its identified objectives and goals. The franchise structure identified has an noteworthy effect on important factors of costs connected with quality control, the recruitment of employees, requirements support, and overall cost structure.

The key rule followed by the production department, is to ensure uninterrupted restaurant operation by McDonald’s. It always has food items and material and the packaging requirements adequately available. Also for the orders that are in the take away category, eg the boxes, cups, etc its every day operations. The objective of boosting customer satisfaction is an achievement of the organisational goal. The structure of the organisation is extremely imperative to ensuring the quality of the food provided is of exceptional class and the company is at the same time able to please the profit-motive as the franchise goal.

**Activity 2:**

**The External and Internal Environment Analysis**

**Macroeconomics**

The big picture is depicted by Macroeconomics . It is that economics branch which talks about the complete financial conformation, the performance associated with the economy entirely and its management. Macroeconomic setting implies the complete economic climate associated , of that particular nation, the regional area or the whole world and focuses on precarious topics such as interest rates, steady rise in the prices, the unemployment, and economic growth (D Levi, 2014). It emphasises on the study of the economics entirely and pertaining not only to a single sector or area. Study of the macroeconomics of a profitable body would help in understanding clearly the crucial aspects that influence the business operations of the financial body in a country. In this report attempt is made to comprehend the macro-economics of UK by studying the case of McDonald’s, the worldwide famous and universally prominent fast food giant of American. Actually it is imperative to realise macroeconomics, fundamentals are beyond company’s regulation , it characterizes environment where business operations are carried out.

**Analysis using PESTLE**

Social and economic guidelines, law-making agenda, demographics, the topography and monetary conditions are different for diverse countries, it creates a distinctive environment for each country. Hence the business environments differ between any two countries. PESTEL analysis application is a situation analysis, wherein the economic, political, social, cultural, lawful and technical factors are being studied to get an overview of McDonald’s operations in the business and also long term strategies associated with the business (Trayan, 2012).

**Political Viewpoint:**

This viewpoint is by the government of any nation impacts key factors like the taxes having an effect on a business. In the case where the taxes are imposed or increased on a product , consequently the prices rise . This drives the customers away, from product . This impacts the demand destructively. Taxes increase the product prices and reduce the margins.There is a constant attempt by the UK government, it urges the people to eat less salted food to avoid any heart diseases and thus bringing down the demand for fast food.

**Economic:**

The highs and the lows of any country’s economics have an important consequence on businesses operations in that country. The business can collapse in an event of economic down turn of a country and can put many big business out of business. Profits and incomes plunge as there is a decline in demand. In this business of food , these eateries are better performers than the high class restaurants as customers are tight-fisted when they have eat out. During recession the products that are categorised as luxury and premium suffer much

**Social:**

The Public view or sentiment for any product has a significance role in the accomplishment of t product in any domain. Lately most of the people are persuaded to eat healthy and live a health conscious lifestyle which has created substantial prospect for the organic industry, supplementary diets industry, health drink etc, enabling the withdrawal of fast food and carbonated drink from the market.

**Technological:**

The technological advancement off late, has benefited the marketing, production and the customer handling in any organisation. The technological state determines the equipment and their use at the outlets . For example the use of the temperature controllers, storage, POS systems, etc. The online technology, the use internet is used efficiently for marketing and publicity , creates bigger online market as patrons can pick and then choose from array of items , that appear in the online menus and enable placing online orders for the product. Also provide the feedback options, and make online complaints etc. in effect higher penetration with increased the ease is enabled to do business.

**Legal:**

Customer safety regulation, norms for wellbeing and security, the employment bylaws, the protection laws of the environment, are significant laws which influence the organisational operations of any country.

**Environmental:**

Environment friendly arrangements to plug the carbon emission and waste disposal have taken place due to the consciousness among many of the destructive consequence related to the several industries on environment. Also the associated, worries over contamination and environment pollution. Fast food industry production methods are identified as unhealthy and relates to the poor ecological limits.

**Macroeconomic Environment Impact on McDonald’s Operations**

McDonald announced less salt diets and elevated its menu options to keeping in view health benefits, also to match the demand as per the consumer. It has kept in view the changes in the food preferences of the many. These have been inclined by rising health awareness and initiatives by the government.

In UK McDonald’s, has healthy food items like the carrot sticks, the porridge, and also bags of fruit that has apples , grapes to gratify its wellbeing of mindful customers else they would switch over to healthier options (Jones, 2016)

ICT Developments have helped McDonald’s to accept a few effective marketing movements online, comprising of its vastly popular YouTube campaign of 2012 “Ask McDonald’s”, where many enquiries made by the current, former and possible customers were made and responded by McDonald’s. Most of the enquiries were concerning the review of the food and the burgers, of McDonald’s . Approach taken was to help in reviving the dipping sales. This could be done by improving the perception of the consumers pertaining to the food quality served at the restaurants. This was required, as an increasing number of patrons were switching over to the other food chains for eg Chipotle (Morrison, 2014).

Many fitness and security judicial frame work, mainly about the food preparation is known in large markets. McDonald’s continuously conforms to be a player of quality guidelines, put in place by certain agencies.

The waste generated by McDonald’s , had outraged large. The incorporation of the covers and containers for beverages, make the most of the waste found on the streets of UK (Gray, 2009). It also misleadingly led to the razing of the forests and emission of harmful gases, (MOSS, 2013).

It has now joined hands with the NGO Greenpeace, in UK as a adaptation dealing, to implement a no deforestation methodology and being a part of “green technologies” with an objective to reduce the emitting of harmful gases from the greenhouse substantial decrease of 20% emission (MOSS, 2013).

**SWOT Analysis**

**Strength:**

McDonald’s is a universal , biggest in the world among the fast food chains. The industry model is independent, it operates on a franchise model, and operates effectively as there is no concern of ownership or operation of its restaurants. Inevitably the restaurants follows the quality excellence standards that are established by the franchisor McDonald’s and reliably follow the standards and the methods of food prepration.

**Weakness:**

McDonald’s biggest drawback is food rich in calories, sugar and salt away from the permissible limits of health factors . In the nut shell the food is not healthy. The work atmosphere is not attractive at all with low satisfaction of the employees. (Dudovskiy, 2016).

**Opportunities:**

Numerous consumers look out for reasonable options to eat out, in the eateries , as there is an Economic slowdown . The high end restaurants are not opted by many , there are many other options as well which are exorbitantly expensive. Culvert of modern urban lifestyle is lees time to chores at home , that leads to rise in demand for getting the food at the door steps. Fast food is a favourite alternative as it is affordable. There is significant opportunity for variation of products offered. Now a days the healthier menus are becoming prevalent with consumers that seek fast food.

**Threat:**

Healthier alternatives are sought after due to the growth of health awareness among the customers . The increase in unhealthy food habits , have made people look out for options , which are appropriate , healthy and taste good at the same time. There is an obvious growth r alternative options . There is tightening of norms of the customer safety , health , food , and safety principles, the environmental protection laws by the lawmakers . There is a bad name for Fast food manufacturers as there is too much wastes, that causes deforestation and glasshouse gas production.

**Strength- Weaknesses, Opportunities-Threats relation**

The strengths and weaknesses of an organisation is determined by the internal features or characteristics. Whereas the opportunities and threats, are result from the factors external to the organisation environment. The companies must utilize its strong point to get hold of occasions and overcome the difficult situations. Every business should be capable enough to identify its weaknesses to make an attempt to recitify them.

**The SWOT Influence**

McDonald’s is undoubtedly is the universal leader in the fast food industry by engaging its strategies to deal with basics considered in the SWOT analysis (GREENSPAN, 2017). It applies a comprehensive practice using similar processes, which is a strong point for them. It improves the business efficacy leading to the reliability of its food quality. The overall profits risk is reduced by diversifying profits source , in the franchise operations model. Though, the low degree of divergence in the products offered could be dangerous especially in economic downturn . The international growth can be augmented by penetrating the underpenetrated or not penetrated markets. Customer preference is extremely pulsating and poses threat to the McDonald’s business. And therefore many healthier options were introduced. (Gunther, 2013).

**The Objectives and the Decisions –**

**Influence of Macro and Micro Factors**

Macro and the micro atmosphere, which is the organisation’s external and internal environments, well refer to the factors and forces that determines the capability of the organisation to develop and maintain productive transactions and its relations with the intended customers. The macroeconomic environment in McDonald’s, is examined using PESTLE analysis. It effects worldwide operations of the organisation. It also needs to follow rules and regulations of a particular country. The organisation also has to get a beef purchase policy to ensure a message to its consumers. There is no intention to hurt the humid rain forest by its operating policies. There are still obstacles. Something that is successful in one country ,may be insignificant in others. The approaches in one , can be wrong in another. The success in an organisation is dependent on various factors for instance the hygiene in eateries, the physical appearance etc. and are directly associated with the customer satisfaction.

**Conclusion**

Any two businesses are not similar. A expert managerial configuration helps to decide, whether the establishment is capable to handle or would react to the tasks

The relations of macro economic practices and organizational behaviour have determinedly influenced the way , efforts to hold its position as the universally giant fast food chain by Mc Donalds.

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