

COMPETITIVE ADVANTAGE THROUGH TRAINING AND DEVELOPMENT IN MCDONALD'S: A CASE STUDY

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Introduction of Company

Company's Profile:

McDonald's is the world's leading food service retailer with more than 34,000 restaurants in 119 countries serving more than 69 million customers each day. In India, McDonald's has two Indian entrepreneurs: Amit Jatia, Vice Chairman, Hard castle Restaurants Pvt. Ltd, which has been awarded a Development Licensee status by McDonald's Corporation, U.S.A, spearheads McDonald's operations in West & South India, while McDonald's restaurants in North & East India is managed by VikramBakshi's Connaught Plaza Restaurants Private Limited, which is still a Joint Venture with McDonald's Corporation. For Hard castle Restaurants Pvt. Ltd ('HRPL'), the transition to a Development Licensee implies a higher level of commitment by McDonald's Corporation as it enhances its trust in the local partner. McDonald's ensures that the evolution to a Development Licensee takes place only after the financial strength, viability, profitability and long - term sustainability of the business is assured. Celebrating over 15 years of leadership in food service retailing in India, McDonald's India now has a network of over 250 restaurants across the country. McDonald's India is a leader in the food retail space, with a presence of more than 250 restaurants serving more than 6.5 lakh customers daily in India. McDonald's India and HRPL in particular has an aggressive expansion plan - including market expansion, new

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customer outreach formats and menu expansion. With HRPL becoming a Development Licensee in the year 2010, there are strong and robust commitments to investments, expansion and growth. By 2014, HRPL plans to double the number of restaurants it currently has. HRPL is expanding its reach by expanding the portfolio and access points with formats like from kiosks; drive thrus, web-delivery and petrol pumps in addition to the restaurants.¹

Company Background:

McDonald's is the leading global foodservice retailer with more than 34,000 local restaurants serving approximately 69 million people in 119 countries each day. More than 80% of McDonald's restaurants worldwide are owned and operated by independent local men and women. McDonald's is one of the famous global brands that have spread its presence over the last 52 years. The company started in 1955 by Roy Croc and the first restaurant was opened in Des Plaines, US. McDonald's is one of the world's most well-known and valuable brands. It holds a leading share in the globally branded fast-food restaurants segment in virtually every country in which they do business. McDonald's outstanding brand recognition, experienced management, high quality food, advanced operational systems and unique global infrastructure ensures a position that enables them to capitalize on global opportunities.² The worldwide headquarters of McDonald's restaurants is located in Oak Brook, IL, along with its training facility called Hamburger University.³ The company has some mission, vision and values (**Exhibit-1**) with the help of which they attain the top position in the fast food industry.

Company's Strategic Direction

The strength of the alignment among the Company, its franchisees and suppliers (collectively referred to as the System) has been key to McDonald's success. This business model enables McDonald's to deliver consistent, locally-relevant restaurant experiences to customers and be an integral part of the communities the company serve. In addition, it facilitates company's ability to identify, implement and scale innovative ideas that meet customers' changing needs

¹<http://www.mcdonaldsindia.com/aboutus.html>

²<http://www.oxbridgegraduates.com/essays/business/employees-performance-and-mcdonalds-restaurant.php>

³<http://retailindustry.about.com/od/retailbestpractices/ig/Company-Mission-Statements/McDonald-s-Restaurants-Mission-Statement.htm>

preferences.

McDonald's customer-focused Plan to win provides a common framework for our global business yet allows for local adaptation. Through the execution of initiatives surrounding the five elements of Plan to Win – People, Products, Place, Price and Promotion – we have enhanced the restaurant experience for customers worldwide and grown comparable sales and customer visits in each of the last eight years. This Plan, combined with financial discipline, has delivered strong results for our shareholders.⁴

Company's Growth rate and Profit Earning ratio: (Exhibit -2)

McDonald's Products and Services: The main products of McDonald's consist of beef, potatoes, chicken, bread and milk. Mcchicken sandwiches and chicken nuggets therefore become chicken Mc nuggets. Likewise McDonalds sell all the different types of products depending upon the country where it's doing the business.. Like in Hong Kong McDonald's sell flavoured French fries, soups, hamburgers, sandwiches, chicken, beverages, salads etc. including the happy meal which was recently introduced.

The services in McDonald's are expected by the customers which includes delicious food, cleanliness, convenience, good times like lots of gifts and card. They provide a gift certificate for cash free fries run also. Even they organize the birthday parties for kids which include happy meal, decorations, cake, etc. McDonald's provided free toys for the kids with the happy meals.⁵

Competitive Advantage through Training and Development:

Competitive advantage, Training and development are the main concept of the case study on which the case study depends. Training and development is the part of human resource management. There are various activities which are the part of HRM like Recruitment, selection, performance appraisal but in this case study our main focus is on training and development in McDonald's.

⁴http://www.aboutmcdonalds.com/mcd/investors/company_profile.html

⁵<http://www.mcdonalds.com.ph/ourfood/mccafe>

Human resource management plays an important role in the success of a company. Most of the companies are very keen to pay attention towards their employees. Mainly HRM (Human Resource Management) is all about managing people at work. The most important part of human resource management is Training and Development. It plays a key role in every organisation though few people disagree about the importance of training and development in the success of organisation. Appointing the right person at right time at right place needs more care and attention on the part of personal manager. A clear set of goals and well defined path should be needed for good training. Training changes attitudes, knowledge and skills of employees and also the way they work. A report published by workforce in May 2006 explains that despite focus on efficiency and cost control, companies are spending more and more on training and development. It is reflection of the fact that companies are keen about training and development to gain competitive advantages. Most of the companies clearly understand that if workers are smarter and better trained they can achieve their goals easily. In any organisation the central factor of Training and development is the human resources or the human capital. Human capital is viewed as the driving the force for the success of the organisation because of their skills, competencies, knowledge and experience (Becker, 1975; Schmidt & Lines, 2002; Harrison & Kassel, 2004).⁶

All organisations make sure that their employee's are getting good and the most recent n effective training and development programmes. Although there are many types of training and development programmes some give more effective and energetic employee's to organisation (Sun, 2003; Skinner et al, 2003; Lee 2001).⁷

Every company wants its employees to work effectively with efficacy so that the company can be lead to success. Organisational goals are always achieved by employee's efficiency so it is an organisational need that their employees must be well trained. (Torrington et al, 2005).⁸

⁶<http://www.oxbridgegraduates.com/essays/business/employees-performance-and-mcdonalds-restaurant.php>

⁷<http://www.oxbridgegraduates.com/essays/business/employees-performance-and-mcdonalds-restaurant.php>

⁸Torrington, D., Hall L., and Taylor, s., (2005). Human Resource Management, 6th ed, Prentice Hall Europe, Essex, Uk

Human Resource Management has a key role to play in training the employees. Cowling and Mailer (1998) suggests that basically training is given to both new employees and to employees who recently moved to a new work area. They also said that in change process training is necessary. That's why training and development becomes one of the most important tasks which HRM manager has to look at. A manager should have an accurate idea about the amount and type of training that he wants his employees to be trained with. A manager should always focus firstly on type of training methods they are using and then it is also very important for a manager to make sure that those training methods are being put in practise through a proper channel. A proper method of training in a proper channel makes an employee more effective and efficient (Bratton and Gold, 2003).⁹

According to Sloman (1994) the systematic training model depends on a series of a logical steps define as a training policy, a method for identifying training needs, the formulation of training objectives, the development of a training plan, the implementation of a planned training programme, validation, evaluation and review of training. Companies are trying to adopt high level of training model to meet their skill needs and they are linking training to strategic initiatives. Traditional training models are being rejected by many companies. There have been many changes in responsibility in line with the growth of HRM, delayering and divisonalisation. Training is seen as a job of line managers, with specialist trainers being used as an internal consultancy resource. The new approach needs a very effective communication system between the strategic decision makers, line managers and specialist trainers.

Training and development is very important in every time and in every organisation weather it is small or big and Human resource and development is like back bone for any organisation because people are main asset of any organisation..¹⁰

Training at McDonald's:

McDonald's success is built on the highest standards of quality, service and cleanliness delivered to customers in each of its restaurants. Well-trained crew and managers are the first step to

⁹Bratton J and Gold J (2003), Human Resource Management Theory and Practice, 3rd Edition, Palgrave MacMillan, Hampshire

¹⁰<http://www.oxbridgegraduates.com/essays/business/employees-performance-and-mcdonalds-restaurant.php>

achieving these standards. It is company policy to provide career opportunities that allow employees to develop their full potential. This includes a comprehensive training programme for crew and operations management and career progression that enable a 'first job' employee to progress through to a senior management position through merit-based promotions.¹¹ There is an initial stage of training at McDonald's. This training is given to crew members as well as the employees of the company. The difference between crewmembers and employees is that crew members work on hourly bases that means they work on shifts but the employees are not on hourly bases they work regularly. The first stage of training is at the Welcome Meetings. These set out the company's standards and expectations. This is followed by a structured development programme that provides training in all areas of business. Crew trainers work shoulder-to-shoulder with trainees while they learn the operations skills necessary for running each of the 11 workstations in each restaurant, from the front counter to the grill area. All employees learn to operate state-of-the-art food service equipment, gaining knowledge of McDonald's operational procedures. The majority of training is floor based, or "on-the-job" training because people learn more and are more likely to retain information if they are able to practice as they learn. All new employees have an initial training period. Here they are shown the basics and allowed to develop their skills to a level where they are competent in each area within the restaurant. The time scale for this depends on their status i.e. full or part-time. They will also attend classroom-based training sessions where they will complete workbooks for quality, service and cleanliness. After the initial training period all employees receive ongoing training.¹² This is done using "Observation Checklists" for the station they are working at. The rating will go towards their appraisal grading. The restaurants do promote crew members to hourly-paid management positions that carry accountability for areas within the restaurant, or responsibility for a shift. Training and development is given in the restaurant and in addition the participants will attend regular development days. On successful completion of a management entrance exam, employees will attend a training course held by the training department at the regional office before returning to the restaurant in a management position. The McDonald's Management

¹¹<http://businesscasestudies.co.uk/mcdonalds-restaurants/recruiting-selecting-and-training-for-success/training-at-mcdonaldsrestaurants>

¹²http://www.mcdonalds.co.uk/content/dam/McDonaldsUK/People/Schools-and-students/mcd_recruitment_training.pdf

Development Curriculum takes new recruits from trainee manager to Restaurant Manager. This consists of on-the-job training and opens learning development modules, supported by courses and seminars at the Company's National and Regional Training Centre. The Management Development Curriculum is aimed at persons aged 21 or over, either graduates or individuals with some previous management experience. It offers a direct route into restaurant management, through an intensive structured training programme. The Management Development Curriculum is divided into four key programmes:-

Shift Management – developing trainee managers in the skills and techniques required to become effective in all aspects of running a shift.

Systems Management – targeting second assistant and newly promoted first assistant managers. This programme covers all areas of McDonald's systems, increasing the manager's business Knowledge. It also develops individual techniques.

Restaurant Leadership – introducing managers to the key skills needed to become effective restaurant leaders' e.g. team-building, communication, decision-making.

Business Leadership – focusing restaurant/general managers on the need to develop a business strategy that encompasses both internal and external factors.¹³

Most departments in the regional offices offer restaurant managers opportunities to be seconded to work in the regional office. This gives an experienced manager the opportunity to develop and learn new skills, to see a different side of the business and to experience how each department's strategies have a role in achieving the Company's goals.

Attain Competitive advantage through Training and Development:

McDonald's training and development is different from others fast food industry firms. In McDonald's there are crew members who work on shifts or hourly based but in other firms there is no such thing. In McDonald's proper training period is followed and there is different training for crew members and regular employees but in compare to other firms no such proper training period is followed. McDonald's use some training methods but in other firms there is no such

¹³<http://jpkc.szpt.edu.cn/english/article/Human%20Resource%20Management.htm>

training methods these are some positive points about McDonald's Training and Development.¹⁴¹⁵¹⁶

Competitive Advantages of McDonald's:-

McDonald's itself is a no. one firm in the fast food industry. Because of some competitive advantage this firm is at the top position.

- World recognitions associated with the brand McDonalds itself.(**Exhibit-3**)
- Innovators in their company by creating revolutionary ideas. These ideas are like innovation of new products idea of McCafe is one of the revolutionary ideas.
- External relationship is a very big competitive advantage like Partnership with supplier such as Coca cola, Food in McDonald's supplied by brand name companies that every people know and trust. Sponsored major tournaments like 2008 Beijing Olympics. 2010 FIFA World Cup, South Africa also served various athletes, soccer players.
- Partnership with Walt Disney
- Continue to Drive Success in 2011 and beyond.

Conclusion: McDonald's believes that the success of the restaurants and the company is achieved through the people it employs. The company aims to recruit the best people, to retain them by offering ongoing training relevant to their position and to promote them when they are ready. Its recruitment policies, procedures and practices reflect the company's determination to fulfil its aim.

McDonald's have taken the hard work of the stock management; the managers of the restaurant are able to spend quality and quantity time focusing on the high standards of quality of the food, services and cleanliness. With this means, the customers are very satisfied that they are assure to get whatever they want is in the menu on that particular day. With the lower costs McDonald's

¹⁴<http://www.differencebetween.net/object/comparisons-of-food-items/difference-between-mcdonalds-and-burger-king/>

¹⁵<http://www.differencebetween.net/miscellaneous/difference-between-mcdonald%E2%80%99s-and-subway/>

¹⁶<http://www.ukessays.com/essays/management/training-and-development-at-pizza-hut-management-essay.php>

can pass all the benefits to the customers or the consumers giving them better services at the very reasonable rates.



Exhibit-1 Company's Mission, Vision and Values:

Company's Mission: McDonald's brand mission is to "be our customer, favourite place and way to eat". The company's worldwide operations are bounded by a global strategy called the "Plan to Win" which concentrates on the five basics of an exceptional customer experience, people, products, place, price and promotion. The company is committed to improving their operations and thereby enhancing the customer's experience (McDonald's 2010).¹⁷

Company's Vision: "Being the best means providing outstanding quality service and cleanliness so that the company makes every customer in every restaurant happy. To achieve this company focused on three worldwide strategies. 1. Be the best employer for the people in each community around the world. 2. Deliver optional excellence to the customers in each of the restaurants. 3. Achieve enduring profitable growth by expanding the brand and leveraging the strengths of McDonald's system through innovation and technology.

Company's Values: "McDonald's brand mission is to be our customers' favourite place and way to eat." That broad and common mission statement is more clearly defined by the McDonald's Values, which reflects the experience that customers can expect when walking into a McDonald's fast food restaurant no matter where it is located.

- We place the customer experience at the core of all we do.
- We are committed to our people.

¹⁷<http://www.mcdonalds.com.ph/ourfood/mccafe>

- We believe in the McDonald's System.
- We operate our business ethically.
- We give back to our communities.
- We grow our business profitably.
- We strive continually to improve.¹⁸

Exhibit-2: Company's Growth rate and Profit earning ratio

Forecast Profit Earning Growth Rate



Price/Earnings Ratio is a widely used stock evaluation measure. For a security, the Price/Earnings Ratio is given by dividing the Last Sale Price by the Average EPS (Earnings Per Share) Estimate for the specified fiscal time period.¹⁹

¹⁸<http://www.nasdaq.com/symbol/mcd/pe-ratio#.UXWFqCqXqMc>

¹⁹<http://www.nasdaq.com/symbol/mcd/pe-growth-rates#.UXWFEsqXqMc>

Exhibit-3 World recognitions associated with the brand McDonalds itself

McDonald's has been recognised as a great place to work in more than 30 of the markets in which we do business. Each year, many publications and organizations conduct surveys, polls, and benchmarking studies to determine which companies are doing noteworthy work in the area of inclusion and diversity. McDonald's has a proud history of being the recipient of many of these awards, some on a recurring basis.

- Great Place to Work Institute, "World's Best Multinational Workplaces", 2012
- Working Mother Magazine, "Top Companies for Multicultural Women", 2011 & 2010
- Black Enterprise Magazine, "40 Best Companies for Diversity", 2011
- Latina Style Magazine, "Best Companies for Hourly Workers", 2011
- Diversity MBA "50 Out Front for Diversity Leadership: Best Places for Diverse Managers To Work" 2011
- Executive Leadership Council, "Corporate Award", 2010
- Executive Leadership Council, "Corporate Executive Award - Don Thompson", 2010
- Thurgood Marshall Scholarship Fund, "Community Leadership Award - Neil Golden", 2010
- Fortune Magazine, "50 Most Powerful Women - Jan Fields (#25)", 2010
- Latina Style, "Best 10 Companies for Latinas to Work", 2010
- Congressional Black Caucus Foundation, "Avoice Corporate Award", 2010
- Black Enterprise Magazine, "40 Best Companies for Diversity", 2010
- Hispanic Business Magazine, "Top 10 Diversity Elite Companies", 2010
- PODER Magazine, "Top 25 Franchises for Hispanics", 2010
- "Top 6 Companies for Hourly Employees", Working Mother Magazine, 2010
- "Top Supplier Diversity Program for Women", Professional Woman Magazine, 2010

- Best Company for Promoting Asian Pacific Americans to Develop Workforce Skills”, Asia Society, 2010²⁰

Teaching Notes

Summary of the Case - This case study is about the McDonald's Training and Development and how the company achieve competitive advantage through training and development. Training and development is one of the important concepts of HRM. There is lots of concept in HRM like Recruitment, Selection, Performance appraisal but this case study basically focus on training and development concept. In this case study we are not comparing McDonald's Training and Development with their competitors like Burger King, Subway, Pizza Hut, Domino's, KFC. The main focus of this case study is to know how McDonald's achieve competitive advantage through their training and development process.

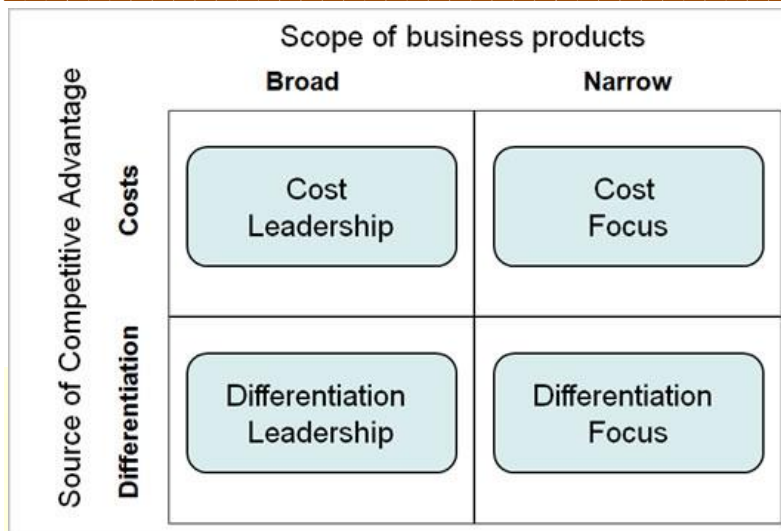
Main Objectives of the Case Study:

- To know the Training and development schedule of the company.
- Positive points of company's Training and Development schedule through which they achieve Competitive advantage.

Competitive Advantage through Training and Development

Competitive Advantage: A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. Competitive advantages give a company an edge over its rivals and an ability to generate greater value for the firm and its shareholders. Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The strategies relate to the extent to which the scope of business activities are narrow versus broad and the extent to which a business seeks to differentiate its products. The four strategies are summarised in the figure below

²⁰http://www.aboutmcdonalds.com/mcd/our_company/awards_and_recognition.html



The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments.

By contrast, the differentiation focus and cost focus strategies are adopted in a narrow market or industry.²¹

Training and Development:



Training is the act of increasing the knowledge and skills of an employee for doing a particular job. The major outcome of training is learning. Training enables an employee to do his present job more efficiently and prepare himself for a higher level job. It is a learning experience that is

²¹http://www.tutor2u.net/business/strategy/competitive_advantage.htm

planned and carried out by the organization to enable more skilled task behavior by the trainee. It imparts the ability to detect and correct error.

- **Development:** Development consists of all the activities by which executives learn to improve their behavior and performance. It is designed to improve the effectiveness of managers in their present jobs and to prepare them for higher jobs in future. Management development includes the process by which the managers and executives acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope.²²

Importance of Training and Development:

Good training managers are crucial to smooth-running restaurant operations. Every employee must have thorough and consistent training, from the wait staff to the cooks. A well-trained staff can save money, time and customers on a daily basis. How well your team is trained can be the difference between success and failure in the restaurant business.

Customers

- Well-trained wait staffs know how to take care of customers on any occasion. Restaurants rely on repeat customers for a good portion of their business, and the wait staff is one of the main reasons for a customer to come back or not. A waiter is the face of the restaurant to most customers, so yours should be trained to be the helpful and calm voice of reason.

Health

- Kitchen staff, as well as wait staff, must be trained in correct food-handling procedures. Employees who do not follow safe food habits are a danger to your customers' health and to your reputation. Bacteria can grow in any food that is not handled correctly, posing a health risk to the public.

²²<http://www.managementstudyguide.com/training-and-development.htm>

Food Cost

- Food cost is a major portion of a restaurant's variable costs, and frugal food handling can affect this number enormously. Cooks who do not waste food can save a great deal of money for a restaurant. Train your kitchen staff in the correct way to prepare each dish, and keep track of all waste so that you can track down any cost overages quickly.

Time

- A well-trained restaurant staff can cut time in many parts of the restaurant operation. Cooks who know how to effectively and quickly prepare meals will get the food to the customer faster. This can ultimately result in more tables being filled through a shift, with more income to the house.

Consistent Quality

- Well-trained restaurant staff will produce the exact same dish every single time that they cook it. Customers are happier if they know that their favourite dish will be prepared the same way, every time they order it. Wait staff should be consistent in their treatment of customers, as well. Regulars depend on certain team members being available, often scheduling their visits when favourites are on shift.

Smooth Running Operation

- Well-trained restaurant staffs is a smoothly running operation, where every employee knows exactly what to do and knows what everyone else is going to do. The analogy to clockwork is not a false one, as a good restaurant staff meshes together without seeming to even think about their actions. Customers are served their food consistently and quickly, and they leave happy, creating a plus for the bottom line²³

²³http://www.ehow.com/about_6136913_importance-training-restaurant.html