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## McDonald's UK: Staffing & Retention Issues

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**Abstract:** The ever changing structure of the business unit often presents some of the most interesting challenges in the world of business. A lot of companies have faced significant challenges with issues like staffing and retention of employees. In the business unit, there are a multitude of factors that have led to and continual decline in the amount of people who remain at a job three years after the first inquiry. This paper focuses on strategies and measures that a business can use to improve on their staffing and employee retention. The principles discussed in the paper give a theoretical framework of approaches that have worked in the past and present and have potential sustainability in the future. The focus of the paper is McDonalds UK. While the theoretical issues discussed have been applied in different institutions, the theoretical issues discussed are explicitly valuable to the staffing problem that Mc Donald's UK had since 2008 till date. The paper therefore merges the principles in human resource management and applies them in the context of Mc Donald's UK.

**Key Words:** McDonald's UK, staffing, retention

### INTRODUCTION

McDonald's at a glance is one of the largest food service companies in the world. As of 2016, sales volume was approximately at 27 Billion dollars. The Multinational Company has continued to be a leading employer in the US and other countries. McDonald franchises are more than 28,700 restaurants across over 120 countries in the world. McDonald records a massive 68 million people being served on a daily basis (Annual Reports: McDonald's, 2017). With these statistics, the multinational corporation is competing against very small businesses. However, these statistics does not indicate that the management is having an easy time. The advent of globalization has seen the growth of many new players in the emerging world markets. McDonald's is having a hard task keeping and retaining its employees. The most complex issue with human resource management at McDonald is the staffing problem. Employee retention is a major staffing problem that makes the human resource department wonder how it will proceed in future. Employee retention in staffing became an issue for the company. The company had

to deal with staffing issues to avoid the rise in employees leaving for other jobs elsewhere. The case will refer McDonald's UK branch in the year 2014.

McDonalds UK traces its beginning back to 1974. The company put up its first location in Woolwich and has since grown to 1200 locations across the United Kingdom. In the forty years that the company has operated in the United Kingdom, there have been significant strides in improving capacity of the UK economy to create jobs and advance culture ("Serving the UK, McDonalds at 40", 2014). The food and beverage industry is an irreproachable facet of the UK economy and McDonalds UK have played a pivotal role in the establishment of the company culture, provision of jobs, creation of a competitive industry atmosphere and an increased economic development. It is important to note that the difference in the way that the company has managed the continued increase in job demand has seen over 1.5 million jobs created over the course of the 40 year tenure of McDonalds in the UK. It is therefore important to put the company into perspective with regard to the different cultural and social issues they have had to overcome ("Serving the UK, McDonalds at 40", 2014).

In the wake of the 21<sup>st</sup> Century, the automaton of business, increased circulation of information all across the world and continued diversification of the business has seen inspired a lot of issues with regard to human resource and management of the labor force. McDonalds UK is no exception. Their value in the economy of the UK presents some of the most dynamic and incremental management of workforce. This study cannot take an objective and single perspective on McDonalds but rather tailor the principles that have been practiced by McDonalds, the international corporation. Franchising takes from the parent company and localizes the management and operational policies and competencies in improving the value of productive business, corporate social responsibility and human resource. A look at the McDonalds franchise as a single business unit puts the value of competent and inclusive management into perspective ("Serving the UK, McDonalds at 40", 2014).

McDonald's made a profit of between \$400,000 - \$700,000 from one franchise every year (Annual Reports: McDonald's, 2017). McDonald's has made its name through branding and building an image for itself. The company has grown to ensure that it provides quality services and products to its consumers. The company has created loyal customers by ensuring it maintains a high standard in service delivery.

### **STAFFING AT MCDONALD'S**

Employees at McDonald's fall into three basic categories; Restaurant workers, Franchise Owners, and Corporate staff.

A local McDonald restaurant employs about 50 to 65 employees. The corporate staffs, on the other hand, work at the headquarters or the 40 regional offices. A large percentage of the staffs are part-time employees. Their wages are considerably low as compared to the other crew members. However, the part-time employees attract a higher hourly wage as compared to the permanent employees. The business grows beyond limits if the staff is carefully selected from the numerous applicants yearning for the same job. A recent company survey shows that the company has absorbed a high percentage of employed teenagers in the USA. 12% of the employed teens are absorbed by McDonald's restaurants (Styles, & Goddard, 2014).

Staffing entails a multitude of activities that McDonald's human resource department must ensure that is catered for extensively. Staffing includes activities such as; selection, recruitment, hiring, training,

deployment and development of employees. This is a major section of any organization. The staffing role demands that the staffing officials recruit at the appropriate time and also get the qualified individuals to join the company. The year 2009 saw McDonald's provide 6000 apprenticeship out of the 72000 employees in the workforce. This seemed as a strategy to have the employees gain experience. According to the Vice President, UK branch, the move to offer apprenticeship would help retain the existing staff and attract new recruits (Wang, & Mathur, 2011).

### **Recruitment History and Challenges**

The case narrows down the McDonald's practices in the UK. Through the UK lens, it is possible to deduce the steps and challenges that McDonald's has had to take. In 2008, McDonald's UK changed its mode of employment by introducing the contractual employment that was used in concurrence with the company's proprietary terms. Under these terms employees in the UK could apply to be paid on an hourly basis. Young adults and students found this new strategy very appealing. Therefore, the new contract made it easy for the young to apply more. It is this strategy that saw more job opportunities for the youth. In 2015, the company was ranked bottom on the top 10 worst companies to work in the fast food industry. It is therefore, presents one of the most important evidence of the progression of the employee retention problem from 2008 to date (Burn, 2014)

The number of job applications after the new method surpassed the figure 300,000 per year and prompted the HRM to review its recruitment strategies to help process the large pool of applications. Given the new system and the influx, the company needed to adopt a different model. The company decided to outsource the services of *Peoplefluent* to run the recruitment process. The new system employed in the McDonald's UK stores made it easier to have a look at the resume and decide on the best candidate. The system helped save time and costs. During this period the company saved 500,000 pounds per year. The system proved to be successful in getting the desired results. Ultimately, McDonald's had a new system that applied to all other stores and saved on time and costs. Seemingly, the system had achieved the best results regarding costs and ensured the best candidates needed would get the job (Tracy, 2013).

Based on the company data, the system was successful in giving the company staff members from a wide pool of applicants. Initially, the company would have spent more money and human resource to be able to handle the applications. The company also managed to vet the high number of applications within the short time. These staffing technologies help eliminate and determine the best candidates to get the job. McDonald's seeks to be fair in its procedure of getting new recruits.

### **Employee Retention**

Employees need a clear-cut program that forecasts the need for motivation. Multinational Corporations have a problem keeping the employees. That problem is also evident with McDonald's. The attraction and retention of McDonald's employees are dependent on numerous variables. Motivation plays a vital role in keeping employees at a workstation. The McDonald's UK new system managed to streamline the tedious process of getting new recruits. The major problem was how to retain these employees. The turnover percentage at McDonald's was at 150%, the high percentages of turnover made the employees lose morale to work ("McDonald's: Burgers, Fries & More. Quality Ingredients." 2017).

The company faced a rough time trying to steer away from a derogatory term “McJob.” The term was coined by the company in 1984 but has taken a new meaning as the company has grown. The term was used by customers and employees as well. There was a need to consider a better marketing strategy to get rid of the name. Also, it was necessary to think of ways of ensuring that MNCs could keep their employees happy enough to stay at the job longer. Research shows that McDonald’s pays about 5-11 pounds per hour depending on the store. The increase in wage alone would not solve the problem of employee turnover. How then would McDonald and other MNCs get to ensure that they retain their employees.

McDonald’s had a staff value proposition in 2009 that made the employees feel valued and cared for. Employees always need to feel safe within their environment to feel safe and valuable. The staff value proposition is entrenched on three pillars; Flexibility and Variety, People and Culture and Variety. The proposition insights on an energizing working environment and that are conducive to learning and mutual respect. New recruits are supposed to learn these values during the employee training program (*“McDonald’s: Burgers, Fries & More. Quality Ingredients,”* 2017).

Twice every year there is a performance evaluation between the employee and the manager. Employees at McDonald’s are free to voice their concerns and receive immediate feedback on their performance. Employees also get to answer questions about the quality of work environment. The session gives the employees a chance to voice their concerns and the management takes the concerns and give appropriate action (Halme, Lindeman, & Linna, 2012).

The employees go through a training program that is engineered to give McDonald’s employees a chance to learn while on the job. The program is supposed to give the employees skills that are precious even in other job markets. The role of the program is to keep the employees updated on the skills needed in the job market.

### **Problems with Retaining Employees**

To ensure that the employee turnover percentage falls, the business put measures into place. Employees often had different reasons for leaving a work station. One of the reasons was less morale and dissatisfaction. According to Altbach (2015) McDonald’s understands that MNCs can have various problems keeping the massive number of employees from leaving and moving on. Loyalty is today’s problem; employees are no longer attached to their work. In the past McDonald’s would focus on individual demands and listen to personal needs from its employees. This strategy failed because most of the times individuals would make their issues known but very little would be done about it. People would often coil back and seek a solution elsewhere. However, if MNCs adopt a collective bargain approach, it gives the thousands of staff members a chance to voice (Wang, & Mathur, 2011).

“There are too many black people in the store.” That’s the statement that sent the name of McDonald’s to court. The statement was uncalled for and showed just how much the company values the diverse nature of its employees. These were the arguments of the workers who were fired at the time. In numerous occasions, the employees would end up fired over simply no reason. The plaintiffs argued that the company failed to consider their performance but only focused on race. These are most common challenges for MNCs. The values of the company were put to the test in the Virginia case.

Poor pay is another complaint that may have caused the sudden rise in the employee turnover. McDonald's just like other MNCs must always ensure that the wage is reflective of what the employees get from other markets. In the class action suit, McDonald's was held liable because the company had stakes in the franchise ("McDonald's: Burgers, Fries & More. Quality Ingredients.", 2017). Being liable for the labor violations means that the company needed to make a decision on how to precede. The company has to ensure that the staff members even at the smaller shops receive the best treatment. The brand should not be tainted by the owners of their branches.

### **Solution Adopted**

According to Moesgaard Andersen (2014) the MNCs need to ensure that the staff members are retained on the job. Retention equals continuity. For McDonald's, the rate of employee turnover rate at McDonald's was alarming. A rate of 112% of employee turnover could have resulted in the sales drop. Employees are shifting work places at a high rate due to common reasons that end up affecting most multinational companies. Additionally the restructure of the company hiring policy means the company realizes a more diverse labor force. The changes in the employment approach of the company remain an irreproachable asset and liability in the function of franchises and specifically McDonalds UK. Recent surveys indicate that attracting and retaining employees is important to ensure financial success. MNCs that lack high retention ability stand to lose.

MNCs face stiff global competition for the highly skilled individuals. This helps boost the turnover rates. Some companies offer better packages that are tempting to other employees. Sometimes employees can be attracted to a small token of medical cover policies, scholarships, and better pay. These are all issues that affect the movement of employees from one work station to another. Employee retention is a major setback for MNCs today. Employee loyalty is no longer a reality. The organizations experience changes all the time, and this kills the continuity of the values of the company.

The theoretical perspective to employee turnover is employees' resignation due to numerous reasons. Sometimes it is the need to get a better paying job when other times it is due to dissatisfaction with their current working conditions. The Push and Pull factors means lack of motivation to perform better at work. In order to retain employee McDonald's set rewards for long service, 2, 3, 5, 20 years categories. 60% of the employees at McDonald's served as crew members and rose within the ranks to make it to managerial positions ("Serving the UK, McDonalds at 40", 2014).

The case reveals that the franchise must be able to tackle issues that relate to employee mistreatment and be liable for any labor law violations within their branches. The case made it to the local news and invited the question of diversity. The diverse nature of the MNCs invited such problems. The company found itself in problems when the values of diversity and inclusion were not clearly spelt out. Through performance appraisal, the employees that perform best could receive awards and get recognition. Through performance appraisal, it was possible for McDonald's to appreciate the dedicated employees and award them in different ways. The mode of appraisal at McDonald's considers how the worker has good communication skills, performs extremely well and if the employee is self-driven. McDonald's introduced education to the young employees. The in-service training was supposed to give the young workers a chance to learn new skills while on the job. These little incentives made McDonald's a strong MNC all over the world. The company was keen to give other employees training to develop a high level of skills. The

training helped the company to avoid competition by ensuring that the services are the best (Boxall, & Purcell, 2011). There was an increased interest in the McDonald's company.

The ergonomics of human resource management and employee turnover are an important influence on how a company performs. Looking at the diversity in workforce of a company makes for an in-depth understanding of the scope of the issues related to employee management and retention of employees. The working environment of people in all McDonalds companies are predefined and very specific in their preferred employment process. It is for this reasons that an examination of the diversity in work force makes for insightful information on the problems managers across all McDonald franchises in the UK face.

McDonald's boasted of a strategy that was customer oriented. The company focused on the lifestyle, language, and perception. Initially, the company was known for hamburgers and beef burgers. When it realized that there was a need to reach out to other countries, McDonald's introduced other products that could appeal to other customers with different cultures. The franchise was quite creative as it was very receptive to client demands. At one point a survey indicated that the number of vegans had increased and the company introduced "McVeggie" as a new product. These surveys and market research helps the company reach out to the customer needs.

## CONCLUSION

In summary, the case reveals numerous areas that need improvement and areas that McDonald's seems to be working better than other corporations. The case clearly helps distinguish McDonald's from other MNCs. Each company has its unique way of handling HRM issues. Staff issues make an organization success or failures. For McDonald's, the MNC has made huge leaps to help keep the business in competition even during the recession. Due to the strategic positioning of the business the company has succeeded in expanding and offering employment to thousands of employees. Despite the challenges, the employees should get better treatment to ensure that the production and service delivery is perfect. The staff is the force that represents the company at any level. The McDonald's UK branch used the services of an online recruitment process to get the best suited employees.

## TEACHING NOTES

### 1. Case Synopsis

McDonald's at a glance is one of the largest food service companies in the world. The sales volume is approximately at 23 Billion dollars. The Multinational Company has continued to be a leading employer in the US and other countries. McDonald franchises are more than 28,700 restaurants across over 120 countries in the world. McDonald records a massive 68 million people being served on a daily basis. With these statistics, the multinational corporation is competing against very small businesses. However, these statistics does not indicate that the management is having an easy time. The case investigates the reasons why McDonald's is having staffing woes.

Reward management changed the outlook of the McDonald's franchise. It led to the growth of the employee loyalty. Career development through training made it easier for the company to restructure the



staffing department. The company boasts of high interests to join its workforce. The loyalty level has also increased since the reforms. The company set rewards for long service, 2, 3, 5, 20 years categories. 60% of the employees at McDonald's served as crew members and rose within the ranks to make it to managerial positions.

## **2. Target Group**

The case is intended for any business class from high school onwards. The target group is wide and expansive.

Any other department can use the case to relate to other business oriented classes.

## **3. Learning Objectives**

- To analyze McDonald's mistakes in staffing
- To identify McDonald's strengths when handling employees
- To investigate the role of employee motivation in a business
- To highlight the successes of the changes in staffing approaches

## **4. Teaching Strategy**

The class will be organized into groups of four and each group will handle a subsection of the case study. Each group will present the points of concern and how to mitigate the problems that they will notice.

The class will investigate the role of motivation in employee retention. Through role play and further study of the recommended readings, the class can easily deduce ways of ensuring employees stay at McDonald's.

## **5. Questions for discussion**

- Who is to blame for McDonald's problems?
- How can McDonald's ensure they remain competitive across the world?
- What are the best strategies when handling employee motivation?
- How would you improve sales at McDonald's?

## **6. Analysis of the Case Questions and Answers**

### ***Question 1. What are the HRM issues faced by Mc Donald in UK?***

McDonald's has a staffing problem and massive culture conflict issues and a high employee turnover rate for its employees. The case will provide insight on the issues affecting the employee morale.

The main problem at the time was lack of clear motivational framework. Currently, McDonald's continues to dominate as one of the major recruiters in the USA. The strategy to improve on recruitment and motivation has improved the turnover rate.

**Question 2. If you were an HR manager at Mc Donald what retention strategies would you suggest to the company?**

Motivate the employees by rewarding their efforts. Secondly, give the employee's a sense of value and belonging and lastly cultivate teamwork by exploring team building activities. The brand should also show value for employee families by giving packages for the families too.

**Question 3. Critically analyze in light of the case as why Mc Donald failed to retain its employee?**

According to the case, McDonald's showed less interest on its employees especially when a branch underpaid its employees. These actions led to a lawsuit and damage to the brand. Secondly, failing to motivate employees led to employee's leaving at a high rate.

**Question 4. Do you think outsourcing of recruitment process had been a good decision for the company? Please provide the reasons to justify your choice**

Yes, though the system had faced a bad reception it helped the company save on costs and time. The system opened up the recruitment process to a larger number of applications. Therefore, McDonald's could choose from a larger pool of applications. Though, the poor reception may have given McDonald's a bad title "Mcjobs" it helped give a chance to more young people to get employment.

**Question 5. What are the issues HR must keep in mind while managing a multicultural team?**

The HR should remember that different cultures can easily result in misunderstandings and issues of respect. Therefore, he HR should create awareness about the different cultural issues among its employees. The host nation culture should be reviewed to understand the unique demands of every business location around the world.

## **7. Theoretical Framework**

The motivational theory by Maslow is used to give the avenue through which the company could use to eliminate a high percentage of employee turnover. The motivational theories help induce a much-needed motivation to stay and work for McDonald's. Employee turnover rate of 12% needed a change in the approach on employee relations in the company.

Currently, the solution to create a motivational plan has paid off for McDonald's as it continues to hire more young workers in the USA and UK. The young students are motivated to stay at the company through training and development incentives. The company takes the new recruits through a rigorous training on skills required in the restaurant markets and beyond.

## **8. Recommended Readings**

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Halme, M., Lindeman, S., & Linna, P. (2012). Innovation for Inclusive Business: Intrapreneurial Bricolage in Multinational Corporations. *Journal Of Management Studies*, 49(4), 743-784. <http://dx.doi.org/10.1111/j.1467-6486.2012.01045.x>

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