McDonalds Latin Flavor

McDonald’s was once the leader of “fast and friendly” service, according to customer opinions of Latin American restaurants. Over time, the company saw its margins quickly shrinking, and in some areas of Latin America, competitors were edging ahead. With mana- gerial turnover at 40 percent, and an astounding 90 to 100 percent turnover rate among employees between 16 and 18 years old, it was clear that motivation and morale were too low for a sustainable work environ- ment. Clearly, something had to change. In the past, organizational operations were carried out on a country-by-country basis, where initiatives were created to mirror the specific region in a way McDonald’s calls “freedom within a framework.” The stagnant sales and dissatisfied employees indicated that while the company could survive, altering initia- tives could lead to further success. The human resources department recognized its crucial role in changing the atmosphere, and soon plans emerged. First, it modified the HR board to include one member from each country. This provided efficient communica- tion, collaboration, and coordination among the Latin American countries. A three-year plan was then set in place, accentuating a continuous-improvement mental- ity which would keep processes and employee satis-faction in check. However, no plan is effective unless it is put into action. McDonald’s began a point reward system in which each store was allotted a base number of points, depending on sales for that store. A competitive struc- ture was then furthered by allowing lower-level employ- ees to increase points by filling out operational surveys, a tactic used to promote product knowledge and enhance employee skills. These points could then be cashed in for prizes such as backpacks and even an iPod. Furthermore, global recognition programs were instilled that rewarded top-performing employees. For example, McDonald’s sent the top 300 performers from around the world to the Turin Winter Olympics, where crew members attended various McDonald’s spon- sored events and, of course, the Olympic games. Man- agers were also given the opportunity to profit from their actions, and the company stressed creativity throughout the process. Periodic meetings among regional managers allowed each to share “best prac- tices” that have helped each store, and company strat- egies were often brought to the table to better inform those in charge. A Latin American Ray Kroc Award program was created to bring the top 1 percent of managers in the region to McDonald’s headquarters, where participants had a chance to meet with top executives and engage in forums. The company fur- ther encouraged success through offering managers the opportunity to take business classes at surround- ing universities and work toward a degree. Further- more, managers engaged in training courses which shifted focus from administrative work to customers and employees under the assumption that given a more hands-on approach, personnel can better under- stand and achieve organizational and personal satis- faction goals.

McDonald’s seems to have made all the right moves. Employees at every level are more motivated, and it shows in the numbers. After implementing the new HR strategy, sales in Latin America initially increased by 13 percent and continued to grow by 11.6 percent the next year. More crew members and managers remained at the stores as well, with turnover reducing to 70 percent and 25 percent, respectively. Furthermore, employee surveys indicated that there was an increase of overall commitment to the company by 9 percent, far surpassing the goal of 3–4 percent projected by the company. Latin America sent a strong message to McDonald’s without having to say a word. Personnel originally did not feel challenged and therefore sought other lucrative endeavors. McDonald’s global strategy clearly was not universal, and in order to successfully integrate, local responses were impera- tive (see Chapter 8). The company’s ability to balance its global HR standardization with regional cultures proved to be beneficial to all. Motivating personnel to achieve goals through rewards programs keeps morale high, and could save McDonald’s a great deal of money as retention rates rise and the need for new worker training declines. Employees have had a taste of the revised HR programs, and it shows they like the new Latin flavor.