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Module Title: Introducing the Modern Workplace LCBB4003

Assignment Title: Assessment 1. Organisational Structure and Culture

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Understanding of Organisational Behaviour in Organisations

Executive Summary

The following report will analyse the relationship of organisational structure and culture with organisational performance. After having provided general information, regarding the structure and the culture of an organisation, the report will relate the information and the knowledge achieved to McDonald's Corporation. As McDonald's is a large international corporation with a different structure within the restaurant and the corporation, the report will focus to analyse the latter. The main author that has been consulted during the research is Mullins (2013a), while the information relatives of the McDonald's organisation have been collected through its website and the interview released by the CEO of the company.

Organisation's profile:

According to Love (1995), Kroc and Anderson (1987), McDonald's Corporation is an American fast food company, founded by the two brothers Richard and Maurice McDonald in 1940.



[Source: McDonald's website (2021)]

The expansion of the McDonald's restaurant started in 1955 when Ray Kroc opened his first franchising in Illinois. Soon he developed a strategy to take the control of the business and he purchased the brother's equity in 1961 for \$ 2.7 million.

In 1967 the first foreign McDonald's store is opened in Canada. In 2021 McDonald's has stores in over 120 countries and territory around the world. The Company went Public in 1965. Chris Kempczinski is the actual president and executive chief officer at McDonald's Corporation, that according to Marketwatch (2020) has a market capital value of \$ 158.01 Billion.

Organisational Structure Appropriateness with Different Organisations

(Mullins 2013a) An organisational structure aims to define and coordinate the business's activities to achieve the goal and objectives. Especially for big companies, to be successful, it is essential to have an appropriate organisational structure, adapted to fulfil its objectives. Several types of organisational structures reflect the different needs of the business. E.g. Functional, Divisional, Matrix, Flat, Tall.

- In a functional structure, employees are grouped based on their tasks, skill or knowledge. The roles are fixed and well defined with the advantage of clear accountability and employees can fast achieve high performance. However, the monotony of the job tends to decrease the employee's motivation. Is suitable for business that deals with operations e.g. manufacturing industries. (Usmani 2020)
- With a Divisional organisational structure, the activities of the company are organizing in different division regarding geography, market, service or product. Every separate division of the organization is accountable for its operation. It is an appropriate structure for a large business with several regions, markets or products as it facilitates fast- decision making along with the division.
- A matrix structure is more complex since it incorporates elements of the functional and divisional models. It organises employee into functional specialisation departments, then divides them into divisional projects. The team members in a matrix system are granted more control and are required to take on more responsibility for their work. This boosts team morale, encouraging motivation, and assist managers to solve decision-making issues collaboratively through group engagement. E.g. is functional for university, colleges, insurance company.
- A flat organisational framework is structured with a few or only one layer of management. Has a wide span of control, and short chain of command.

Although if the employees are engaged and involved in the decision-making, there are scarce opportunities for career progression. E.g. suitable for small business and tech start-up.

- Tall organisational structure has many layers of management. Consequently, there is a long chain of command from managers to employee and a narrow span of control. The decision-making is centralised to the highest layers of management. The employees are not involved in the process of decision-making, however, they are motivated for the many opportunities of career advance along the hierarchy. The high-cost management involved implies the structure suitable for big companies, rather than small business. E.g. fast food franchising.

Organisational Culture Appropriateness with Different Organisations

(Armstrong and Taylor 2017) Organisational culture is a philosophy that reflects an organisation's character and guides workers in their everyday working relationships, including how to conduct and interact within the organisation. Organisational culture influences organisational structure in terms of design and implementation. Corporate culture affects organisational structure since it shapes top leadership interpretative schemes, which choose the corporate structure model. The organisational culture establishes a reference frame through which the organisation's leadership consideration and thoughts flow throughout the phase of making decisions about the organisational structure model. Armstrong also reported in his book the process of 4 different forces that shape the culture of an organisation identified by Schein: leaders, critical incidents, the exigency of maintaining an effective working relationship and the

business's environment. Consequently, external factors can evolve the organisation's culture over time. There are numerous ways to classify different Types and Model of Organisational Culture. E.g. Clan Culture, Adhocracy Culture, Hierarchy Culture, and Business Culture. Employee-oriented leadership, coherence, participation, and coordination are characteristics of a clan or supportive community (Ridlwan and *et al.* 2021). Adhocracy, also known as an entrepreneurial community, is characterised by its ability to be innovative, imaginative, and adaptable. Hierarchy culture is a set of rules and regulations used to manage operations within an organisation. Competition and achieving corporate goals are part of market culture. Clan culture assumes and values human association, cooperation, attachment, confidence, loyalty, and support. In a clan culture, managers must work democratically to empower and encourage workers to create an organisational culture of excellence. In a good organisational culture, interpersonal relationships are involved. When members of an organisation have confidence in, allegiance to, and ownership in it, they act properly and develop a sense of ownership. Teamwork, participation, employee engagement, and open communication are all part of the clan community (Prasad, 2020). Company leaders in a clan community promote teamwork and employee empowerment. Clan culture's overarching aim is to improve employee performance through engagement, ownership, and accountability. Clan culture has a positive relationship with organisational success. Employee involvement and loyalty to the company are encouraged in a clan culture because dedicated workers can perform their tasks efficiently and effectively deliver their responsibilities. Organisation members can need clarity for their job assignments in an adhocracy or entrepreneurial culture, including the assignment's significance and effect on achieving organisational goals (Maduenyi *et al.*, 2015). Business managers with an effective corporate culture use the

organisation's members' principles, goals, and attitudes to make the company's business journey simple and competitive in the marketplace. For organisational culture to be successful, fair competition and stakeholder satisfaction must be properly aligned.

Organisational Structure Influences Organisational Performances

According to the citation of Ducker, reported by Mullins (2013b, p. 395) 'Good organisation structure does not by itself produce good performance. But a poor organisation structure makes good performance impossible, no matter how good the individual managers may be'. It identifies the pivotal importance of the organisational structure for a company to perform its best. Many international businesses as McDonald's, adopting only one organisational structure may not satisfy all the needs. For this reason, McDonald's is using different structures between the corporation and the stores. McDonald's Corporation is using the Divisional organisational structure, to satisfy the flexibility required to operates internationally. It gives the advantage for a business that operates with franchising and chain restaurant, as McDonald's, to better adapt in the local market.

McDonald's has a Geographic division: U.S., Europe, Asia/Pacific, Middle East and Africa, Other Countries and Corporate. Thence, the organisation is divided and grouped for the geographical area with all the required functions and resources. (Thompson, 2019)

(Picchi, 2015) The divisional structure permits McDonald's to operate with a Decentralised system decision. According to Mullins (2013), most global organisations

need to adopt this system, in order to respond efficiently to the different local business environment's demand. The control of the decision's making is delegated between the layers of management, rather than restricted to the highest. This involves increasing the responsiveness in the process of decision making. Decentralization, involving the employee's participation, increases their motivation and their engagement with the company. Decentralization gives McDonald's the flexibility to tailor its menu for the local's need. E.g. McDonald's restaurant in Egypt serves Halal meat, while the UK's restaurant does not. McDonald's in the UK conducted a Halal trial in a restaurant and concluded to not proceed with Halal product to the other restaurants, because of the low demands. The decentralised decision permitted the Manager to respond with time efficiency to the trial. (McDonald's, 2021) (McDonald's Egypt, 2021).

To demonstrate how the organisational structure can influence the business's performance, if McDonald's Corporation e.g. would have adopted a Tall Hierarchical structure, Managers could not have been able to respond to the UK's Halal trial with time efficiency as the communications flow slowest through the hierarchy.

Organisational Culture Influence on Organisational Performances

Organisational culture refers to the values that are ingrained in the organisation's principles and beliefs and can influence employee behaviour and expectations. It also influences how a company responds to the environment, its staff, and its stakeholders. Each organisation has a distinct identity because of its culture that is influenced by beliefs, perceptions, thought and feelings. 'The strongest the value, the more they will influence behaviour' (Armstrong and Taylor, 2017 p. 124).

‘What matters to our customers, matters to McDonald’s, so our vision for the future centers around five core values: Community, Inclusion, Family, Service and Integrity.’ (McDonald’s Corporate, 2021a)

- McDonald’s demonstrates its core value for the *Community* by undertaking and promoting several initiatives. E.g. reducing plastic and carbon pollution, eliminating deforestation on its global supply chain and the foundation of Ronald McDonald House Charities. (McDonald’s Corporate, 2021b)
- McDonald’s culture promotes *Inclusion* and influences the company on its decision. E.g. According to Lucas (2021), the company is aiming for gender parity in its leadership by the end of 2030.
- McDonald’s culture promotes values as *Family*, for this reason, decides to not sell the alcoholic drink in its UK’s stores. Although it would increase the revenue it would not be in harmony with the family-friendly’s culture of the organisation. (McDonald’s 2021).
- An example of how the value *Integrity* can influence the organisation is the ex McDonald’s CEO Steve Easterbrook that has been fired for having a relationship with an employee. May other company would not have fired the CEO because of adopting different value (Grahns, 2019).

Factors Influencing Individual Behaviour at Workplace

The employees’ workplace behaviour is influenced by a variety of factors. Leadership, work environment, job duties, successful communication, self-perception, and personality, among other factors, all have an impact on individuals. A strong and

effective leader is the foundation of all progress. An effective leader will guide his subordinates in the right direction, which is essential for the organisation's success (Nandakumar *et al.*, 2010).

The workplace environment has a significant impact on every company. The safety and protection of the workplace allow workers to focus on their jobs. Where safety and protection are prioritised, the company's success will be achieved. Another important factor in shaping individual actions is effective communication (Pleshko, 2007). Any organisation's success depends on its ability to communicate effectively. The proper and timely flow of information can be ensured by efficient communication. Managers must efficiently interact with their teams (Wood *et al.*, 2019). Employees lose interest in work when they feel left out or not respect.

As suggested by Mullins (2013c., p.369), while the term Leadership indicates the 'relationship through which one person influences the behaviour or actions of other people', the term Leadership style means the approaches that Managers are using to their subordinates, influencing their behaviour and engagement with the organisation. Different Leadership's style approaches can influence positively or negatively the employee's behaviour, and these can be simplified into 3 main styles: *Autocratic Style*, *Democratic Style* and *laissez-faire Style*. With the first one, the power is focusing on the management, without leaving to the employee the possibility to express their opinion. Approaching the last style, Managers operates passively, leaving the power of decision to the employee.

The Democratic Style is a balance between the other two. Is the leadership style adopted by McDonald's corporation where the power is distributed between the group, managers and subordinates as a whole. The UK McDonald's CEO Paul Pomroy

(Roper, 2019) stated in one of his interviews 'I don't chair executive meetings, I sit in the middle; it gives me a different perspective. I am trying to create less dependence on me'. Democratic Leadership style promotes, in fact, the employee's opinion, feedback and engagement. In another interview, McDonald's Corporation's CEO Chris Kempczinski (Rosefield, 2020) recalled the mantra of the company that has always been 'freedom within the framework'. It means, although the company has a strong framework, there is flexibility within that, where employees are encouraged to participating in the decision-making process.

Conclusion

The success of a company is inextricably related to its culture and structure. The structure of the organisation provides the framework for the culture, while the culture of the organisation acts as a charter or direction provider for the structure. The culture of the organisation shapes the management of the organisation, making it easier to achieve the organisation's objectives. The Divisional organisational structure designed to creates more flexibility is well aligned with the organisation's culture and leadership style that promotes the liberty and the engagement of the employee.

As a result, we can conclude that the organisation's culture and structure are critical to McDonald's Corporation growth and development.

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