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Managing IHRM Challenges in McDonald's Global Expansion: A Case Study

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Executive Summary

McDonald's expansion into China has brought about various challenges in international human resource management (IHRM), particularly in the areas of staff recruitment, training, and development. Successfully, the company has tackled these challenges by understanding the local talent landscape, adhering to local labor laws, and implementing strategies to attract and retain young employees. McDonald's has also recognized the significance of offering clear career paths and development opportunities to enhance staff's job satisfaction, reduce turnover, and build a strong workforce in China. To further improve, it is recommended that McDonald's in China should implements continuous learning and development programs similar to those available in the United States (US), which would contribute to greater employee retention and job satisfaction. Overall, McDonald's is adept in managing the IHRM challenges during its expansion into China and positioning itself for ongoing success in the international market.

Introduction

McDonald's Corporation, one of the largest and most famous fast-food chains globally, is acclaimed for its hamburgers, French fries. The company was originally found in 1940 in California, United States and started its expansion outside United States in 1967 (McDonald's Corporation, n.d.). Now, McDonald's has become a global corporation that operates and franchises more than 40,000 restaurants in over 100 countries. (McDONALD'S CORPORATION, 2022).

According to Forbes (2023) record, McDonald's was ranked #217 worldwide and signified as one of the most successful international companies (Forbes, 2023). To make the expansion a success, McDonald's has developed solid international human resources management (IHRM) strategies to effectively handle some important HR considerations and challenges. The key strategies applied by McDonald's in IHRM includes cultivating a diverse workforce, providing training, and learning opportunities, offering competitive compensation and benefits, and maintaining high standards of health and safety measures for employees and customers.

Though McDonald's has experienced impressive success in its global expansion and growth on an international scale, its expansion journey has not been without challenges. Like other multinational companies, McDonald's has taken consideration of several critical factors related to human resources management while expanding to new markets. These factors span simultaneously into multiple dimensions, such as attracting and recruiting employees, implementing competitive compensation and benefits schemes, providing robust training and development opportunities, and ensuring cultural compatibility (Schuler, et al., 2011). These evolving considerations enhanced McDonald's ability to effectively address global talent challenges and established a sustainable competitive advantage when expanding internationally.

To address the possible challenges that would be encountered in IHRM, this report will focus on examining and analyzing the challenges faced by McDonald's in one of its key branch countries, China, which stands as the third-largest market for the company worldwide (World Population Review, 2023). The report will also explore potential solutions to overcome these issues.

Key Challenges in IHRM for McDonald's

When expanding operations into a new market, McDonald's has faced a lot of HR management challenges. The following parts of the report highlight two critical challenges: (1) staff recruitment and (2) training and development.

(I) Staff Recruitment

It is believed that building a talented and culturally diverse workforce is essential for success in the new market. Staff recruitment plays a key role in shaping the organizational culture, driving innovation, and ensuring operational excellence. In order to recruit the right individuals in a foreign market, the expanding company requires a deep understanding of the local **talent landscape, cultural nuances, and effective recruitment strategies**.

In the case of McDonald's expansion into China, navigating the challenges in staff recruitment is crucial for establishing a strong presence and gaining a competitive edge in the Chinese market. Thus, finding the right employees to staff the Chinese subsidiary is the key to McDonald's expansion success.

1.1 Recruitment strategy in the US versus China

As McDonald's needed to expand into a different territory, its current marketing teams were not familiar with the language in the new area. Therefore, hiring a new team in China that is familiar with the language would be necessary to create marketing strategies that resonate with the needs of the local Chinese people. The McDonald's China team then took ownership of these new tasks,

ensuring complete control over the production process in the local environment, bringing them to fruition, and contributing to the business's success.

1.2 Complying with local legal requirements

In addition to recruitment, there are some differences in the hiring process that McDonald's needs to comply with China's local laws. For example, in China, employees are entitled to 128 days of paid family leave (Jia, et al., 2018), whereas in the US, this form of paid leave is not generally required by law. Furthermore, China mandates a minimum number of paid vacation days based on an employee's years of service (Yang, 2017), while the US does not have a federal requirement for paid vacation. These divergences in labor laws emphasize the importance of understanding and complying with the specific legal requirements in China when recruiting staff. By being aware of these differences, McDonald's can ensure fair treatment of employees, maintain compliance with labor laws, and establish a strong foundation for their workforce in the Chinese market.

1.3 Cultural differences

Cultural differences pose another challenge in staff recruitment. The changing economic environment in China affects the perspectives of the young workforce regarding their job preferences. Employees consider whether a firm has a unique organizational culture when choosing where to work. They seek workplaces that go beyond providing just a job, but also offering a sense of community, personal development, and moral guidance. This indicates that the younger workforce may have different expectations from their employers. Employees are interested in companies that not only offer good salaries and training but also provide cultural, educational, and sporting activities that help them develop as individuals. (Hawes, 2008) (Valax, 2012)

To attract and retain young employees, McDonald's has successfully developed a unique corporate culture that aligns with their expectations. To recognize what potential employees want, McDonald’s had studied their preferences to attract them to apply for the job.

To attract young people, McDonald's China also launched the "520 National Recruitment Week" starting from 2012. This initiative effectively combined online recruitment channels with physical restaurants, offering job seekers a comprehensive recruitment experience. Throughout the recruitment period, individuals had the chance to visit any McDonald's restaurant nationwide, gaining in-depth knowledge of the job requirements. They also had the opportunity to tour the work and break areas, gaining a holistic understanding of McDonald's corporate culture and career development system. The simplified and efficient application process allowed young people to gain better insights into the available job positions and explore their professional potential. (麦当劳 中国, n.d.) (中国青年报, 2014)

Besides, McDonald’s also offers recognition and reward programs. The company has effectively motivated and retained talent, while fostering a lively and energetic atmosphere within the McDonald's family, where mutual support and friendship thrived (麦当劳 中国, n.d.). Engaging events like singing and talent competitions had further enhanced the connection with young employees. (中国青年报, 2014)

(II) Training & Development

2.1 “McJob”

The word "McJob" gained significant attention and popularity in the early 2000s, and its origin is indeed associated with McDonald's. The term is commonly used to suggest that jobs in the fast-food industry, particularly at McDonald's, provide limited prospects for career growth and personal development (Reuters, 2005). During that period, the term "McJob" was not only well-known in the United States but also in China. After the first McDonald opened in China in 1990 (Griffith, 2008), McDonald's had faced challenges in China due to its relatively unknown brand and criticism regarding poor employment conditions and worker exploitation (Watson, 2006). The perception of limited or insufficient opportunities for professional development had a significant impact on McDonald's reputation as an employer in China at the time.

The negative reputation resulted in high turnover rates and this presented a significant challenge for McDonald's management in China. To address this challenge and overcome the "McJob" image associated with the industry, McDonald's recognized the importance of providing future-oriented aspects to its employees. Training and Development played a vital role in retaining the best staff for their restaurants, and as such, McDonald's has developed a comprehensive People Strategy designed to offer a compelling employment value proposition.

2.2 Hamburger University

According to McDonald's China Employee Value Proposition, the company places great importance on the growth and development of its employees. To ensure their continuous progress, McDonald's has established a well-defined growth path that serves as a roadmap for employees to advance in their careers. This growth path outlines various positions, roles, and responsibilities available within the organization, providing employees with a clear understanding of how they can progress.

In 2010, McDonald's made a significant move by establishing a new "Hamburger University" in Shanghai, China (麦当劳中国, 2022). This esteemed institution takes on a key role as a central hub for the company's human resource training programs throughout China. The primary objective of this university is to cultivate and develop local talent as future management leaders specifically for the Chinese market (Syeda Maseeha, 2009).

The establishment of Hamburger University showcases McDonald's dedication to nurturing local talent. By focusing on developing individuals from within the region, McDonald's aims to attract, develop, and retaining talented individuals within the company and also to create a workforce that understands the local culture, customs, and preferences which ultimately enhance the overall customer experience. This also demonstrates its commitment to investing in the professional growth and development of its local employees in China.

Upon achieving promotion from crew trainees to middle managers and demonstrating successful performance, individuals at McDonalds China are eligible to enroll in the Management Development Program offered at the Hamburger University in Shanghai. This comprehensive training program focuses on enhancing leadership abilities, fostering effective teamwork, strategic

planning, and developing crucial skills in communication, interpersonal relationships, and human relations (王博艺, 2011). Through this specialized training, participants gain valuable knowledge, practical insights, and tools to excel in their managerial roles, contributing to their personal growth, encourages innovation and creativity and the overall success of McDonald's in China. (Valax, 2012)

This offer goes beyond simply providing competitive wage s and benefits, as to recognize the need to offer future-oriented aspects to its employees, and it emphasizes that working at McDonald's can be more than just a temporary job but an opportunity for long-term career development. By offering clear career paths, McDonald's enables its employees to envision a future within the company and provides the necessary training and support to help them progress, which ultimately enhances job satisfaction and reduces turnover.

Recommendation for further improvement

In addition to providing managerial development opportunities, it is highly recommended that McDonald's should also focuses on offering continuous learning and development programs, similar to the comprehensive education program available to employees and participating franchisees in the United States. Which the program provides employees with the chance to earn high school diplomas, graduate from college, learn English as a second language, and gain access to academic and career advising services. (McDonald’s Corporation, 2023)

Implementing a similar program in China would be especially beneficial, considering that McDonald's China has a significant workforce consisting of over 60% post-1995 generation employees. (麦当劳 中国, n.d.) By offering educational and personal development opportunities, McDonald's can not only invest in the growth and potential of its employees but also enhance their sense of belonging, talent retention, and overall job satisfaction.

By providing access to programs that help employees obtain high school equivalency, pursue higher education, and acquire language skills, McDonald's can empower its employees in China to broaden their educational qualifications and enhance their linguistic abilities. This, in turn, can open up new career opportunities within the company and beyond. Additionally, a comprehensive education program not only benefits individual employees, but it also contributes to the overall productivity, engagement, and loyalty of the workforce. By demonstrating a commitment to employee development and investing in their personal growth, McDonald's creates a positive work environment that fosters a culture of continuous learning.

Furthermore, McDonald's can strengthen its talent retention efforts. It becomes an attractive employer for prospective employees seeking opportunities for personal and professional growth which serves as a valuable incentive for employees to stay with the company, as they recognize the long-term benefits and opportunities it provides.

In summary, McDonald's may consider implementing a continuous learning and development program in China similar to the program offered in the United States. By offering such opportunities, McDonald's can enhance their employees' sense of belonging, increase talent retention, and promote overall job satisfaction. This investment in employee growth and development not only benefits the individuals but also contributes to a positive work environment and a culture of continuous learning within the organization.

Conclusion

In conclusion, McDonald's has overcome various challenges in international human resource management (IHRM) during its expansion into China. The company's strategies encompass understanding and complying with local labor laws, addressing cultural nuances, and providing clear career paths and development opportunities to enhance job satisfaction and reduce turnover. By adapting HR practices to ensure fairness and compliance with local regulations, McDonald's has managed the differences in labor laws between China and the United States. Moreover, the company proactively addressed the negative perception of "McJobs" by offering extensive educational and personal development programs, thriving to enhance the growth and potential of its employees, investing in employee growth, and promoting overall job satisfaction. Initiatives like the "520 National Recruitment Week" and the "Hamburger University" have further demonstrated McDonald's dedication to employee development and career advancement.

To further enhance employee retention and job satisfaction, it is recommended a continuous learning and development programs similar to those in the United States to be implemented in China. These programs would empower employees to expand their educational qualifications and linguistic abilities through access to high school equivalency, higher education support, and language skills training. In the long run, it fosters a positive work environment and a culture of continuous learning.

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