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MULTINATIONAL CORPORATIONS

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MCDONALD'S CORPORATION AS A SUCCESSFUL CORPORATION

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ABSTRACT

With the globalization process multinational corporations take important role in the world trade. Therefore in this project multinational corporations and their issues foreign direct investment, advantage of disadvantage of MNCS examined. Also an example for the succesful multinational corporation is analyzed. I chose the McDonald's. Because they are very aggressive in international areas. As a result they have succesful investments in different international areas. The success of McDonald's is examined widely. Their international activities and strategies are examined as a multinational corporation.. With this way we clearly understand the reason of their successes.

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I. INTRODUCTION

One of the most significant international economic developments of the post war period is the proliferation of Multinational Corporation (MNCs). These are firms that own, control or manage production facilities in several countries. They have important role in international trade. Because the MNCs account for about 25 percent of world output, and intra-firm trade (i.e., trade among the parent firm and its foreign affiliates) It is estimated that they control about one-third of total world trade in manufacturing in present days. Some MNCs, such as General Motors and Exxon, are truly giants with yearly sales in the tens of billions of dollars and exceeding the total national income of all but a handful of nation. Most of the foreign direct investments are made by MNCs.

The MNCs and their issues and a succesful multinational corporation “McDonald’s” are subject to discussion.

This research attempts to explain multinational corporations and their issues such as types of international trade, foreign direct investment, their effects, advantages and disadvantages of being a multinational corporation. And with an example corporation “McDonald’s”. We understand the a corporation’s structure, activities, international operations, their strategies in international areas, how they win their successes, what makes them worldwide leader. With these informations we will analyze McDonald’s as a multinational corporation.

I examined the McDonalds because this company is worth investigating to see what led them to their successes.

Firstly, I examined the multinational corporation concept. Then a brief history of MNCs and characteristics of multinational corporations, forms of international trade, reasons of foreign direct investment. Also advantage and disadntage of being a multinational corporation are analyzed. We clearly understand the multinational corporations facts and their related issues we will analyze the McDonald’s as a multinational corporation.

McDonald's is the largest and best-known global food service retailer with more than 20,000 restaurants in 121 countries. Firstly, I will explain the history of McDonald's, how they rose from 1955 to present days. Then I will analyze the McDonald's as a multinational corporation. I will explain about their organization structure, their strengths, their dimensions that make McDonald's worlwide business leader. Their operations and their values and principles also will be examined.

Then, their franchising system widely will be analyzed. Because they use the franchising system to expand their company globally. International expansion an important part of the company's business strategy. McDonald's known as the best-known franchising company in the world.

Then, we will look their international activities in the world. How they establish an international place, which process they apply... Also their global strategies and their sensitivity to global customers will be analyzed.

Finally we analyze the reasons of McDonald's to be successful multinational corporation. I will make general comments about McDonald's successes. Their strategies and differences in operation and international activities will be analyzed.

While research is preparing, books, some reearches and articles used. Especially McDonad's web sites for different contries help me to collect informations.

II. MULTINATIONAL CORPORATIONS

The term multinational corporation or MNCs is also common in the literature of international business and is often used as a synonym for MNE. I prefer the MNCs designation in the project. Another term sometimes used interchangeably with multinational corporations, especially by the United Nations is transnational corporation or TNC. This term is used also to refer to a company owned and managed by nationals in different countries.

Multinational Corporations play an important role on the international trade and the welfare prospects of nations. MNCs are giant firms which employs lot`s of people, they produce and sale even more than most of the developing countries GDP and they have huge economic power and abilities to effect international economies. "Multinational Corporation is a company that has headquarter in one country but has operations in other countries." Another definition is; "Multinational Corporations are simply defined as an enterprise that operates in more than one country"

Multinational Corporations beyond the control of any single government If international business is the process of conducting business across national boundaries, then multinational corporations are the principal participants in this activity. They are, so to speak, the actors or players in the international business "game". Most multinational corparations based in developed countries . The name "Multinational corporations" should be distinguished from "international corporations." The latter term was used in the 1960s to designate a company with a strong national identification. The home market was the company's primary focus. Foreign operations were usually wholly owned subsidiaries controlled by home country nationals. By the 1980s, international corporations had evolved into more globally oriented companies. While still maintaining a domestic identity and a central office in a particular country, a multinational corporation aims to maximize profits on a worldwide basis. The corporation is so large and extended that it may be outside the control of a single government. Besides subsidiaries, a multinational corporation may have joint ventures with individual companies, either in its home country or foreign countries.

Some multinationals enter foreign markets by buying stakes in companies of a particular country. For example, Anheuser-Busch companies, Inc. sought to expand into the Mexican beer market by buying a stake in Mexico`s leading brewery, Grupo Modelo, SA. The following are some examples of multinational corporations.

RANK	COMPANY	REVENUES (Billions)
1	General Motors	178,174
2	Ford Motor Company	153,627
3	Mitsui & Co., Ltd	142,688
4	Mitsubishi Corporation	128,922
5	Royal Dutch/Shell Group	128,142
6	Itochu Corporation	126,632
7	Exxon Corporation	122,379
8	Wal-Mart Stores, Inc	119,299
9	Marubeni Corporation	111,121
10	Sumitoma Corporation	102,395
11	Toyota Motor Corporation	95,137
12	General Electric Company	90,840
13	Nissho Iwai Corporation	81,894
14	International Business Machines Corporation	78,508
15	Nippon Telegraph & Telephone Corporation	76984
16	AXA	76,874
17	Daimler- Benz AG	71,561
18	Daewoo Group	71,526
19	Nippon Life Insurance Company	71,388
20	The British Petroleum p.l.c.	71,193

Table 1.1.: [1] The world `s largest 20 industrial multinational corporations in 1998 (see appendix A)

Multinational corporations face many of the same issues as domestic companies, such as maximizing profits, meeting customer demands, and adapting to technological

[1] Table is provided from www.fortune.com

change. In addition, multinationals must stay current with trends and events in the countries in which they operate.[2] Political reforms in South Africa, economic liberalization in China, and social trends in Europe are examples of issues that are important to corporations operating in these countries. Accountability is also an issue multinational corporations face. Because they are so large (their annual revenues ofteen exceed the Gross Domestic Product of some developing countries), multinational corporations can, and sometimes have, exert questionable political and economic power in some countries. As a result, some host countries may view multinationals with suspicion and may seek to impose restrictions on them. If we look at the characteristics of MNCs:

▶ An MNC is among the world`s largest firms. The sales of each of the top ten MNC more than the GDP of at least 100 countries.

▶ MNCs tend to be oligopolistic corporations in which ownership, management, production, and sales activities extend over several national jurisdictions. By 1994, there were 37,000 firms with business activities in foreign countries, controlling over 206,000 subsidiaries or foreign affiliates.

▶ Decision making for MNC tends to be centralized. Key decisions involving foreign activities, such as the location of production facilities, distribution of markets, location of R&D, capital investment, etc are made by the parent.

▶ MNCs are concerned about securing the least costly production of goods for world markets, making profits, increasing market share, corporate growth. This goal may be achieved through acquiring the most efficient locations for production facilities or obtaining taxation concessions from host government.

▶ MNCs have a large pool of manegerial talent, financial assets, and technical resources, and they run their gigantic operations with a coordinated global strategy.

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[2] Kahal, S.E. (1994), Introduction to international Business, New York: McGraw-Hill, Inc.

2.1. HISTORY OF MULTINATIONAL CORPORATIONS

After the war the only real global players left were American MNCs, mainly in oil, mining and agriculture. The first rise in multinational investment took place during the late 1960s. American MNCs were the leaders in this rise. They build replicas of themselves in foreign countries – "horizontal investment", i.e. they built relatively self-sufficient replicas of themselves in foreign markets, relying on local suppliers for replacement parts. One of the reasons they did this was to penetrate markets, which were protected and thus difficult to access. One good example is IBM, which in the 1960s set up production facilities in France and other European countries in order to be able to sell computers within the Common market, which was protected by tariffs.

A further leap in internationalisation had to wait the mid-1980s. This was the result of important changes in the international economy. Starting in the 1970s there was a growth of the Eurodollar market (dollar accounts in European banks) which was sustained by the overseas expansion of US banks and led to the emergence of a global, closely integrated, financial markets. This was further enhanced other changes in the financial sector such as deregulation, removal of capital controls, increased size and velocity of financial flows. Particularly important were the huge OPEC monetary surpluses and the need to recycle them in the international economy. Financial markets facilitated reorganisation and transformation of international business. A single global market for corporate ownership and corporate take-overs emerged.

There was a shift from an American dominated era to a much more complex system of MNCs. Many nations increased their foreign investment and the United States became the world's foremost host economy as well as home economy to MNCs. Also the nature of multinational activities changed. The service sector became a more important field of investment, because of the information revolution and the link between services and manufacturing. MNCs rely less on an "horizontal" investment strategy and more on a 'vertical' one. In a vertical strategy production processes within an MNC are integrated and rationalised worldwide. The company decides where to produce, assemble and market its products – very often in different localities. The decision is taken on the ground of the company's strategy – possibly to avoid trade barriers and pay the lowest rate of tax. As a result of this dislocation, you have international outsourcing, which means that components produced in one location are assembled in other economies and exported throughout the world economy, including into the MNCs home country. It is easy to see how this pattern of MNC investment affects flows of world trade as well as the distribution of industrial and service capacity in the various countries and regions.

Technological change has helped bring about these changes. Advances in communications and transportation, such as the Internet or teleconferences, have made it possible for firms to globalise their organisation, bringing down costs. Foreign direct investment (FDI) by multinational corporations (MNCs) increased by 30% a year between 1985 and 1990, much more rapidly than world trade and economic output. This rise has continued into the 1990s, for example FDI outflows from major industrialised countries to industrialising countries rose at approximately 15% annually while. FDI flows among the industrialised countries grew at about the same level.

In the late 1990s the cumulative value of FDI amounted to hundreds of billions of dollars. The greatest proportion of this investment has been in high-tech industries, such as those of automobiles and information technology. But in the service sector too such as insurance, banking and retail multinationals, particularly from the US, have played an important role.

In 1998 there were 53,000 MNCs with 450,000 foreign subsidiaries. The 100 largest MNCs control about 20% of foreign assets, employ 6 million workers. MNCs account for 2/3 of world trade, and 1/3 of world trade is intra-firm trade between branches of the same company. About 50% of the trade between Japan and the US is actually intrafirm trade. MNCs play a major role in the generation and diffusion of technology, the account for about 80% of world trade in technology and for a large share of private R&D. European firms, Japanese firms and firms from Taiwan and South-Asia have become major international players.

2.2. SOME ALTERNATIVE WAYS TO INTERNATIONALIZE

2.2.1. FRANCHISING

Expanding through franchise arrangements is similar in many ways to licensing. The franchise obtains the rights to duplicate a product-perhaps a restaurant, photocopy shop, or videotape rental store- and the franchise obtains a royalty fee in Exchange. McDonald`s and Kentucky Fried Chicken have used this approach to reach consumers overseas, and smaller companies are following suit. Among the hundreds of U.S. franchisers with foreign outlets are Alphagraphics Printshops, Gymboree preschool programs and novus, a windshield repair service. By franchising its operations, a firm can minimize the costs and risk of foreign expansion and avoid violating trade restrictions.

2.2.2. IMPORTING-EXPORTING

One of the most common forms of international business is to import or export merchandise. Export is the most common mode for initial entry into international markets. Sometimes, an unsolicited order is received from a buyer in a foreign country, or a domestic customer expands internationally and places an order for its international operations. This prompts the firm to consider international markets and to investigate their growth potential. Exporting is typically used in initial entry and gradually evolves towards foreign-based operations. In soma cases where there are substantial scale economies or a limited number of buyers in the market worldwide. (for example, aerospace), production may be concentrated in a single or limited number of locations and then exported to other markets. There are two types of exporting. Direct and Indirect exporting, in direct exporting, export tasks are carried out directly by thr company itself. In indirect exporting the company is not engaged in international business operations in a full sense, but delegates this function to outsiders. These can be either agents or export firms.

2.2.3. LICENSING

Licensing is an appropriate mode for entry ıf the firm has some type of proprietory asset, such as a patented product or process technology, trademark, or brand name, from which it wishes to benefit on an international scale without committing resources to international operations. In a licensing agreement, a firm gives a licensee the right to utilize the patented technology, trademark, or brand name in return for payment of royalty fees. Typically these fees are a percentage of sales covered by the agreement. Licensing agreements thus enable a firm to benefit from international sales utilizing its proprietary assets, with minimal commitment of resources and risk. In recent years, there has been substantial growth in international licensing of trademarks from designer names such as Pierre Cardin and Lauro Ashley, and cartoon characters such as the disney characters or the flinstones. Disney alone derives millions of dollars from licensing its characters for use on children's games, clothing, and other novelties. In this case, there is a further danger that the licensee will use the trademark on products that do not meet approved standarts of quality or reliability, or will market them inappropriately. This may damage the reputation and value of the trademark.

2.2.4. JOINT VENTURES

Another way of internationalization is Joint Venture . The two companies share the investment costs as well as the profits of the venture. Each brings necessary skills to the business. Joint Ventures can provide an effective means for U.S. and European companies to enter countries with substantially different economic systems or market environments. Such as Japan, China or developing countries. Joint Ventures can take a variety of different forms depending on the firm's objectives, capital requirements of the venture, and government regulations with regard to foreign ownership. More common forms of Joint Venture are those between two private companies. For example, a firm may establish a Joint Venture with a local company in a foreign market. Often the foreign company brings to the venture technological and production expertise, and sometimes a brand name and corporate reputation, while the local partner provides access to the distrubition network, as well as knowledge and familiarity with the local market environment.

2.2.5 FOREIGN DIRECT INVESTMENT

Another alternative is foreign production or direct investment, which simply means 100 per cent ownership by the firm of its overseas operations. There are various ways in which a company may establish its production facilities in another country while retainig total ownership. This can be achieved by acquiring foreign production facilities or by establishing complete manufacturing system or assembly plants through direct investment by the firm in a host country.

2.3. REASONS FOR FOREIGN DIRECT INVESTMENT

There are some reasons that foreign direct investment preponderate compared with other methods. The first reason for that is related with inputs and raw materials; in extractive industries the reason for foreign operations is obvious because local firms lack the capital and technology needed to find and develop natural resources.

Manufacturing firms can buy inputs on world markets, but they may have an incentive to acquire control over foreign sources of inputs. For example, a firm can guarantee its source of supply and avoid delays, it can reduce its holding of inventories, and the inputs can be designed or packaged to meet the needs of corporation. Also, ıt may be possible to deny competitors' access to input.

The second reason is related with costs. Corporations may invest in other countries to take advantage of lower production costs. Low wages are an important example, as are subsidized capital and low rents

The third reason being is international subcontracting. Initially, foreign production by multinationals was often destined for local markets. During the late 1960s and 70s there was growth of foreign productions for re-exported to the home country or to other foreign markets. The reason for this development was wage differences between countries exceeded that of differences in productivity. In this way, foreign subsidiaries are incorporated into an international production process.

Another reason is related with the technology and manufacturing, when a company has a secure domestic market position, it may own intangible assets such as managerial skills, patents, and trademarks. The company may be able to use these assets in foreign markets without jeopardizing the home market. Foreign production is sometimes preferable to exporting because minor minor modifications can be made to suit local specifications and tastes. Also, exporting may be difficult because of high transport costs or barriers to trade.

Also high transport costs associated with exporting faster access to the local market, under capacity at home, wanting to spread the risk of downturns in particular markets and desires to minimize world wide tax burdens. Especially favourable economic conditions in particular countries such as big markets, rising consumer incomes, easy access to finance, low interest rates and so on are good reasons to prefer foreign direct investments as an internalization alternative compare with the exporting and licensing. As a result of those listed reasons, its better to establish production facilities abroad by foreign direct investments compared with exporting. After that, two alternatives remained for the firms to do business by the rest of the world. A choice must be made between setting up foreign manufacturing facilities through foreign direct investment, or selling the right to produce a product to foreign manufacturers.

Foreign direct investment may be preferred for a number of reasons. Patents can be sold, but a company cannot easily sell its manufacturing experience. Also, when a company sells license to foreign production, it has less control over the product. The company may want to protect its name and keeps its manufacturing technology secret.

Finally, foreign licensing is not an option if potential foreign licensees o not have adequate capital. Market access is another reason; this is important for corporations marketing products worldwide. Market access can be limited by transport costs or by government barriers to trade. The effects of transport costs are obvious: American corporations selling in Europe are more competitive if they do not have to ship their goods across the Atlantic. Tariff and non-tariff barriers to trade can also be a significant influence on a company's location decision because a company can avoid trade barriers by producing within a country.

The main aims of most of the foreign direct investor's (MNCs) are to have total control over their businessess and they want to lead their business by their business teams so they protect their corporations wholly. "The MNCs want to take advantage of technological expertise by manufacuring goods directly rather allowing others to do it under licensee"

Dealer network is is also another reason to choose foreign direct investment as an alternative. Activities of a company do not always end when a product is sold. The availability of services and advice to customers is often an important part of a company's activities.

The foreign direct investment is sometimes needed in order to provide customer services, but the provision of dealer network does not necessarily imply foreign ownership. Local franchises can be a substitute for a dealer network owned by company itself.

"Finally, corporations must consider the range of taxes that countries apply to their activities. Taxes on profits are one important example. States or towns often compete with each other by giving periods of tax exemption to attract a company. Although taxes may influence location, it is unlikely that they are the dominant influence relative to other factors such as market proximity and economic and political proximity.(The reason is that multinationals can often find ways to avoid paying taxes.)"

2.4. ADVANTAGES AND DISADVANTAGES OF MULTINATIONAL ENTERPRISES

Multinational Enterprising gives a major advantage to the host country and that is the investment of these corporations. With large investments they will be creating employment opportunities for local residents of the host country.

It may also be advantageous for the corporation if the wages, tax rates etc. are low in that foreign country. Due to these the cost of production may be low and can gain a competitive edge in the market place.

Through multinationals the home country can penetrate into different cultures and expand in spreading its cultural values. Multinationals are shifting production and assembly operations abroad to minimize transportation expenses, capitalize on lower labor costs, and take advantage of local raw materials.

In the end when the profits are re-patriated, it becomes profits earned abroad and brought home which is an advantage for the home country.

It is a major disadvantage for the home country as big investments are leaving abroad.

Huge lump sum amounts will be taken out of the home economy and invested in the host country. However, these huge investments will return to the home country as the multinational company starts realizing profits and repatriate those profits.

Another major disadvantage in the investment countries might be the lack of education and skills, especially technological, in the work-force. Particularly in developing countries, managers find few workers with interest and experience in handling and maintaining machinery. Because those countries are still in a labor incentive economy and have had little opportunity to see modern equipment in use they may not have developed an appreciation of its value.

It is often not possible to obtain needed components locally. Sometimes the equipment that is available differs from, or is incompatible with, that is already in use.

Managers who are woman may face special problems in representing their firms in some parts of the world; so many those of specific religion or races. Frequent changes of government authority and policies can cause an unpredictable environment. Inflation and currency devaluation have a major impact on costs and profits. Turkey is a good example for this. Law concerned with taxation, banking, and personnel are among those that differs among countries.

Another disadvantage might be complex standards and procedures for measuring productivity and performance, because there are so many factors involved which some of them are intangible.

To sum up, there may be some up front disadvantages for the home country, as a huge lump-sum leaves the country, and for the host country may be the multinationals will gain a lot of powers to influence politics and the culture of the residents, we can still say that the overall effect will be positive. That is to say that in the long run the both countries will benefit. The multinational and the home country will be able to stay competitive in the global market. While the multinationals are investing in the developing economy will be growing at a faster pace and soon the host country will find herself developed. A lot of new job opportunities will be created. The negatives or the disadvantages may be overcome.

III. MCDONALD'S CORPORATION

3.1. HISTORY OF MCDONALDS

Since the 1950s, McDonald's family-oriented restaurants have revolutionized the fast-food business and the company has become one of the best known in the world. Thousands of McDonald's restaurants in countries around the world serve millions of customers a day.

In 1948 brothers Dick and Mac McDonald remodeled their McDonald's drive-in restaurant in San Bernardino, California, creating the prototype for the modern fast-food restaurant. The menu was limited to nine items: hamburgers, cheeseburgers, three types of soft drinks, milk, coffee, potato chips, and pies. French fries and milkshakes were soon added. By focusing on efficient production and service, McDonald's cut the price of their hamburgers from 30 cents to 15 cents.

By the mid-1950s the original McDonald's generated $350,000 a year in revenues. In 1954 Ray Kroc, then a 52-year-old salesman of milkshake machines, visited the restaurant and became convinced that its concept could work in other cities. The McDonald brothers agreed to let Kroc sell McDonald's franchises (the right to market the company's products within a certain area). In 1955 Kroc established a franchising company known as McDonald's Systems, Inc. and opened a second McDonald's restaurant in Des Plaines, Illinois. Within its first four years, the company had opened 228 restaurants, which generated $37.6 million in annual sales. In 1961 Kroc bought out the McDonald brothers for $2.7 million.

During the 1960s, McDonald's began to mount aggressive advertising and marketing campaigns. In 1962 the company adopted the golden arches as its trademark. Ronald McDonald, the familiar clown that serves as McDonald's mascot, was introduced in 1963.

In 1965 McDonalds went public with the company's first offering on the stock exchange. A hundred shares of stock costing $2250 dollars that day would have multiplied in to 74360 shares today, worth over $2.8 million on December 31, 1999.

That year, signs at McDonald's restaurants announced that the company had sold more than 1 billion hamburgers. In 1968 McDonald's restaurants began serving the Big Mac, a two-patty burger that became the company's flagship product. The company launched its highly successful "You deserve a break today" advertising campaign in 1970. By 1972 McDonald's had 2000 restaurants and $1 billion in annual sales.

McDonald's also began to establish high-profile charities. The company opened the first Ronald McDonald House in Philadelphia, Pennsylvania, in 1974. Ronald McDonald Houses provide temporary housing near hospitals for the families of seriously ill children. Today, Ronald McDonald House Charities operate more than 170 Ronald McDonald Houses in 13 countries.

Although McDonald's remained dedicated to its established format, the company introduced a number of new products and services in the 1970s and 1980s. Many of these innovations proved startlingly successful. McDonald's began serving breakfast in 1973. By the late 1980s, one-fourth of Americans who ate breakfast away from home did so at McDonald's. In 1975 McDonald's introduced drive-through window service, enabling motorists to make purchases without leaving their cars. By the mid1990s, drive-through business accounted for about half of all McDonald's sales in the United States. In 1983 the company introduced Chicken McNuggets, bite-sized fried chicken morsels accompanied by dipping sauces. Within a few months McDonald's ranked as the world's second largest retailer of chicken.

In 1986 McDonald's began offering nutritional information about the items on its menu. The company also began to offer lighter entrées, such as salads and frozen yogurt.

International expansion also became an important part of the company's business strategy. McDonald's opened its first restaurant outside the United States in 1967. In 1988 McDonald's operated 2600 stores outside the United States, generating $1.8 billion in annual revenues. By 1994 the company had 4700 international franchises, *producing $3.4 billion in annual revenues. The first McDonald's in Moscow, Russia,* served more than 30,000 customers on its first day of operation in1990, setting the record for the most people served by one restaurant in a single day. In 1992 McDonald's opened a restaurant in Beijing, China. The Beijing McDonald's—which featured 700 seats, 2 kitchens, 29 cash registers, and 850 employees—is the company's largest. The Beijing McDonald's attracted 40,000 customers on its first day, breaking the record established by the Moscow McDonald's two years earlier.

In the mid-1990s the company earned about $1.4 billion a year in profits on $30 billion in sales and opened a new restaurant every three hours. The company has continued to grow in the United States by opening new restaurants in urban areas and establishing smaller outlets in hospitals, zoos, airports, and many other locations. In 1993 McDonald's began opening outlets in Wal-Mart Stores throughout the United States. In 1996 McDonald's signed a 10-year agreement with The Walt Disney Company. Under the terms of the agreement, McDonald's will operate restaurants at Disney theme parks, and Disney will promote its films through McDonald's. In 1997 McDonald's announced a campaign to increase sales at its restaurants by cutting prices.

McDonald's Arch Deluxe, a hamburger marketed to adults, generated disappointing sales when it was introduced in 1996.

America's number-one franchise is McDonald's. Perhaps the fact that McDonald's management listens so carefully to its franchisees has something to do with McDonald's being named Entrepreneur's number-one franchise for 1997.

McDonald's aims to be present in every market place around the world. Among these markets they select the ones that has a good buying ability and prospect for a better future.

3.2. ANALYZING OF MCDONALDS AS A MULTINATIONAL CORPORATION

McDonald's is the largest and best-known global food service retailer with more than 20,000 restaurants in 121 countries. Yet on any day, even as the market leader, McDonald's serves less than one percent of the world's population. Their outstanding brand recognition, experienced management, high-quality food, site development expertise, advanced operational systems and unique global infrastructure position of them to capitalize on global opportunities. They plan to expand their leadership position through great tasting food, superior service, everyday value and convenience.

Their efforts to increase market share, profitability and customer satisfaction have produced good return to shareholders. McDonald's vision is to be the world's best quick service restaurant experience. Being the best means providing outstanding quality, service, cleanliness and value, so that they make every customer in every restaurant smile.

McDonald's has become not only the largest fast food restaurant organization, but has come to symbolize globalization itself as it has literally changed eating habits around the world. It commands the leading share (42%) of the U.S. fast food market and runs more than 28,000 restaurants in 120 countries. Each day, about eight percent of the U.S. population will eat a meal at McDonald's, and each year, ninety six percent of the U.S. population will eat at a McDonald's. By 1988 McDonald's had opened 10,000 restaurants in just 33 years. It was then able to reach the 20,000 mark in another 8 years.

There are giant corporations in fast-food industry such as McDonald's, Burger King, Wendy's, KFC etc. But the McDonald's is the strongest one. Market shares of this competitors:

- McDonald's : % 42.5
- Burger King : %38.2
- Wendy's : %36.5
- KFC: %9

By 1997 McDonald's was opening 2,000 restaurants per year – an average of one every five hours. McDonald's serves less than one percent of the global market per day and sees the opportunity to continue growth into the next century

There are many dimensions that make McDonalds worldwide business leader Mainly they are:

► First; McDonald's is a real estate company, owning 60 percent of their restaurant sites and leasing virtually all of the remainder under various long-term lease arrangements.

► Second; McDonald's is a marketing company, whose advertising reach and frequency are such that millions of people view their message everyday.

► Third; McDonald's is a franchising company, with about 80 percent of McDonald's restaurant businessess locally owned and operated by independent entrepreneurs.

► Fourth; McDonald's is a worldwide company, with 12000 U.S. restaurants and more than 20000 worldwide in 121 countries.

► Fifth; McDonald's is a quick service restaurant that provides good quality, hot food in a clean establishment with fast and friendly services for satisfying our customers' needs/wants perfectly.

McDonald's tries to maximize its market share by opening up new restaurants, developing their competencies, satisfying their customers' desires etc. They determine the prices of their product by looking at their competitors in each country. Their place policy is to enlarge the number of our restaurants. And they prepare certain campaigns at certain times for especially kids.

Their organizational strengths are to be market leader of the fast-food industry; brand recognition; experienced management; high-quality food; unique global infrastructure position; value, convenience and availability; innovative marketing strategy; profitability in the internal markets as well as in the domestic market; much money for promotions to keep existing customers; the best and most successful franchised sales; "thinking global, acting local strategy."

Their target segments are families with children, businesspeople, and ethnic/global groups. Their needs are quick, clean, friendly and standard service; play area for kids; politeness; and variety of menus, they satisfy their customers' needs/wants in the best way, they believe that. Because of that, they are the market leader of fast-food industry.

They have strong organizational structure with real trained employees, also their capital structure is very strong to finance and expand their business widely. Their delivery system is more effective then their competitors. The key industry success factor is quick service, clean and comfortable environment with break. They are using standardized raw material and modern equipment in their production system. They are far away from their competitors in this area. Their another strength is finding, negotiating, building, and managing complex network of real estate location. they are using latest technology in their inventory system, production process that is their most distinctive competence; they are focusing more upon expanding their business aggressively in international markets by their strong capital structure, suppliers and distributors and using heavy promotions.

Opportunities existed for quality, clean, quick, and value for money restaurants. McDonald's identified this opportunity and made the right investment at the right time.

McDonald's strategy for growth focus on three key elements: Adding restaurants, maximizing sales by existing restaurants, and improving international profitability.

Adding restaurants can be achieved with their people and capital resources. Maximizing sales by existing restaurants can be accomplished through better operations, reinvestment, product development and effective marketing.

Same opportunities existed in many parts of the world. The success of the firm is identifying the opportunities and using them. Threat came from the new entries to the market. There are other big hamburger restaurants with similar services, and the entry into this market is relatively easy. McDonald's avoided the threat by differentiating their products and services. They built an image for cleanliness, quality and fast service.

They also proved themselves in many other parts of the world. They face threats from the local producers. For example in Japan they are competed by the fast sushi. Being flexible helped the firm to get rid of the threats. They allowed local McDonald's restaurants to make products according to the local needs and traditions. McDonald's menu will continue to evolve to remain responsive to customer preferences, and their commitment to high-quality ingredients will remain unchanged.

McDonald's restaurants, which offer toy promotions and often feature playgrounds, are especially popular with children. They were the first restaurants to allow children into the restaurants. It was not allowing but also encouraging. They usually give presents for the children. They usually have special packages to the children. For the children and young people, going to McDonald's is a fun. This is a strategy of McDonald's.

McDonald's restaurants compete with international, national and regional restaurants and carry out operations and with locally owned restaurants, drive-ins, and other establishments who compete for eating-out dollars. McDonald's competes on the basis of price and by offering quality food products with speed and courtesy in contemporary restaurants, where cleanliness is emphasized.

McDonald's prices overall were extremely competitive and value oriented. Its various hamburgers were proceed equal to or cheaper than most of its fast-food competitors.

To satisfy the needs of people, McDonald's developed the concept of Q-S-C-V; Quality, service, cleanliness, and value. Quality meant fresh, good tasting meals using quality ingredients and served hot. Service meant fast, friendly serviceby trained McDonald's personnel. Cleanliness meant that the store's interior and exterior were free from dirt and trash. Another dimension value; ıt emphasize the price – value relationship of McDonald's meal.

McDonald's philosophy may be summed up as "the customer is the King". They make and give what the customers want. If that was not the case, they would keep the same standard menu all around the world and do not think about the local peoples taste and desires. McDonald's has introduced new dining habits and customs to people in many countries. For example, at the time McDonald's entered the Japan, the japanese used potatoes, not so much as food, but to make various starches. When McDonald's entered germany, most germans had never seen a hamburger. To them, a "hamburger" was someone from the city of hamburg. Today, french fries are common in Japan, and in Germany the word "hamburger" most often means a sandwich.

The **Big Mac** is their flagship product. Their other main brands are: Chicken McNuggets, McMuffin, McChicken sandwich, McDonald's Filet-o-fish, McDonald's Vegetable Deluxe and McFlurry. The price of Big Mac hamburger sold by McDonald's has been used as an informal measure of purchasing power parity between two currencies.

With the quality, fast and friendly service, also McDonald's is the innovative corporation when they make new products at the same time they develop new products to ease their operations. Such as a clam shell grill that cooked patties simultaneously on both side, wireless communication headsets used by customers as they came through the drive-thru and more.

For many years McDonald's mostly targeted the young people and families with children however this has changed in this decade; McDonald's has turned towards a more general market. By doing this McDonald's concentrates on the family, targeting a diverse market which includes consumers ranging from children to elderly people, using products such as the "happy Meal" for children and "Egg McMuffin" for the elderly.

McDonald's also realized the changing world we live in and the need for healthier food, since there is an ever changing demographic group, who demand fast, top quality food that is low in calories. McDonald's responded to this opportunity and introduced a new and innovative product. This new product was a regular hamburger that tasted like the real thing but was made of plant material like Soya beans. This same product also targets another demographic group, vegetarians. McDonald's mostly uses psychographic segmentation targeting the working and middle classes. These are the people that are more susceptible to enter a fast food restaurant, since these are the people that lead a fast moving life and thus require a fast meal.

In brief McDonald's customers are of all classes, but largely working and middle classes, and people of all ages.

As McDonalds grows around the world, the company`s community spirit goes along. It was Ray Kroc`s belief that to be succesful, you have to give something back to community you serve. McDonald`s restaurants everywhere are committed to being good neighbors, businesses that provide a service to the community. This service includes not only the Quality, Service, Cleanliness and Value (QSC&V). McDonalds delivers in its restaurants every day, but also a commitment to the welfare of the community as a whole.

I think this philosophy is the proof of the McDonalds success in all over the world as a multinational corporation.

3.3. FRANCHISING SYSTEM OF MCDONALDS

There are some ways to expand your company in the international field. These are franchising, foreign direct investment, import and export, joint venture. Franchising played a major role in McDonald's growth worldwide. McDonald's powerful tecnique is strong franchising system to be global multinational corporation.. They are very succesful in this system in the world. Approximately 70% percent of McDonalds worldwide restaurants are owned and operated by inependent owners. A key factor contributing the rapid and succesful growth of McDonald's had been the manner in which its franchise system operated. The company attached great importance to the careful screening, training and developing of qualified franchisees who owned and operated McDonald's restaurants.

The franchise agreement grants to the franchisee the right and authorisation to operate a specific McDonald's restaurant, at a single address, usually for a period of 20 years.

These rights include the use of McDonald's trademarks, restaurant decor designs, signage and equipment layout, the formula and specifications for menu items, use of McDonald's method of operation, inventory control, book keeping, accounting and marketing. A separate franchise lease covers the right to occupy the restaurant premises.

The expense for opening a McDonald`s franchise includes rent, inventory legal fees, equipment, insurance, and licenses. These amounts are 10 times more than the start-up fee and they can reach sometimes more than $500,000-$600,000 related with the size of building, etc.

Item	Established Low Range	Established High Range
Franchisee Fee	$45,000	$450,000
Equipment/signs/decor	$397,000	$506,650
Inventory/Supplies	$12,000	$22,000
Additional Start-up Funds	$20,800	$65,500
Total Investment	$477,800	$1,401,150

Table 2.1. Investment required for start-up a McDonald's[3]

[3] Source of table2.1. is internet site of McDonald's www.mcdonalds.com

In return the franchisee agrees to operate the business in accordance with McDonald's standards of quality, service, cleanliness and value. The franchisee is expected to take a "hands on" role in operating the business and to become involved in local civic and charitable activities. Throughout the franchise term the franchisee must only have one business interest - McDonald's restaurants.

McDonald's owe most of their success to the franchising system as their marketing strategy. This system has acquired a worldwide acceptance. This system brings in a guarantee of standart and quality while there is autonomy in the management of the each restaurant. America's number-one franchise is McDonald's. Perhaps the fact that McDonald's management listens so carefully to its franchises has something to do with McDonald's being named Entrepreneur's number one franchise for 1999.

McDonald's granted its first franchise in 1955 and has always been committed to franchising as a way of doing business. For 42 years, their franchisees have played major role in the company's success. Approximately 80 percent of the U.S. restaurants are owned and operated by independent business people.

Franchising at McDonald's is unique. They begin by recruiting and training individuals with motivation, entrepreneurial talent, and a business background who will be active, on-premise owners, not just investors. The franchisee/company relationship stresses personel commitment, involvement, an emphasis on people and financial management, and a sharing of goals, principles, and ideas.

McDonald's had developed an extensive training and support program for its franchisees. The training program was one of the most rigorous in the business, including part-time hands-on training in a McDonald's restaurant interspersed with classroom training, culminating in the Advanced Operations Course at Hamburger University (HU). This course focused on management skills such as accounting, finance, human resource management and marketing. Candidates who successfully completed the training program and became independent franchisees continued to benefit from support through the McDonald's network. McDonald's assigned a business consultant to each franchisee, who assisted them in developing annual business plans and consulted on the application of appropriate strategies to achieve their individual goals. Business consultants evaluated franchises on an ongoing basis and assigned their restaurants a letter grade based on their overall performance and progress during the entire year.

McDonald's franchise development program

- **Restaurant Orientation:** Learning different operations, managing food production and directing employees.
- **Basic Operations Course:** A five-day class covering communications, training, food safety, product quality, customer satisfaction and other areas of restaurant operations.
- **Hands-on Restaurant Training:** Managing crew shifts.
- **Basic Management:** A four-day class that includes tests in handling customer issues, employee hiring, equipment knowledge, time planning and basic management.
- **Intermediate Operations Course:** A four-day course covering such areas as improved restaurant performance, managing costs and crew labor and training.
- **Restaurant Training:** Addressing advanced supervision, planning, quality, service and cleanliness, people skills and financial management.
- **Advanced Operations:** A six-day course at Hamburger University focusing on effective people practices, staffing and retention, management skills and building market share.

Franchise arrangements generally included a lease and a license and provided for payment of initial fees, as well as continuing rent, service fees and royalties to the company. Unlike other franchise companies, McDonald's sold only single store franchises and avoided territorial franchising (giving the franchisee the exclusive right to open outlets in a major market). New franchisee may also enter the McDonalds system by purchasing an existing restaurants from a frannchisee or from the company.

McDonald's maintained a strict control on the operational and service procedures of the franchises. To maintain uniformity, franchises had to use McDonald's:

- Formulas and specifications for menu items.
- Methods of operation, inventory control, book-keeping, accounting and marketing.
- Trademarks and service marks.
- Concepts for restaurant design, signage and equipment layout.

The prospective franchisee must be willing to enter a part-time restaurant training program which takes approximately two years to complete. McDonalds selects and develops the restaurant location and charges the franchisee a monthly rent based, in part, on the real estate acquisition and development costs. The franchisee is responsible for selection and purchase of the restaurant's equipment, seating, decor, and landscaping for a new restaurant, these costs typically average $610,000. the franchisee is required to invest 40 percent of this amount in cash and generally finances the remainder through a local lending institution.

The McDonalds franchise agreement allows the franchisee to operate a specific McDonalds restaurant, according to McDonalds standarts. McDonalds locates, develops and builds the restaurant under its own direction based on a nationwide marketing plan. This investment differs from restaurants to restaurant. Only individuals can qualify for a franchise. McDonalds does not grant franchises to corporations or partnerships and does not allow absentee investors.

The franchising system is built on the premise that the corporation should only make money from its franchisees' food sales, which avoids potential conflicts of interest that exist in so many franchising operations. All franchisees are independent, full-time franchisees rather than mixed or passive investors.

McDonald's has always been a franchising Company and has relied on franchisees to play a major role in their success. They remain committed to franchising as their predominant way of doing business.

McDonald's is, by choice, an equal opportunity franchiser, and they have a proven track record of franchising to all segments of the society. In the U.S., minorities currently represent 19.2% of all approved franchisees in the system and 53% of the applicants in training to become McDonald's franchisees.

Selection of prospective candidates is based on overall business experience, background and personal qualifications. Basically, they are looking for individuals with a demonstrated ability to effectively lead and manage people, good common business sense, and a track record of success in whatever they are doing. A restaurant background is not necessary. They do not franchise to corporations or partnerships and they do not allow investors.

They are always seeking highly qualified individuals in both the U. S. and Outside U.S. markets to join the McDonald's family as new franchisees. For any businessmen to acquire a franchise they need the following qualifcations:

- An entrepreneurial spirit and strong desire to succeed;
- The ability to motivate and train people;
- The ability to manage the finances;
- The willingness to personally devote full time and best effors to the day to day operation of the restaurant as an on-premises franchisee;
- The willingness to complete a comprehensive training and evoluation program on a part-time basis, in order to become proficient in all aspects of running the restaurant business;

3.4. INTERNATIONAL DEVELOPMENT

McDonald's Corporation is the world's leading food service organization. The corporation started out as a small drive-through in 1948 by two brothers, Dick and Mac McDonald. Raymond Albert Kroc, a salesman, saw a great opportunity in this market and advised Dick and Mac to expand their operation and open new restaurants. In 1961 Kroc bought out the McDonald brothers. By 1967 McDonalds expanded its operations to countries outside the U.S.A. This unyielding expansion led the Corporation to open 23,000 McDonald's restaurants in 110 countries in 1994, producing $3.4 bn in annual revenues. In addition, McDonald's opens a new restaurant every three hours.

"Big Mac", the world's most sold hamburger was developed by Jim Delligutti in 1967 to feed construction workers. 'Big Mac' is the biggest attraction and backbone of the corporation. Moreover, McDonald's maintains its competitive advantage by constantly creating new items to add onto its menu. This shows us that McDonald's practices an analyzer type of strategy, introducing new items and defending its existing ones.

McDonalds international division was established in 1969. International expansion by McDonalds was accomplished through (1) McDonalds operated restaurants (2) Franchisees and (3) Affiliates.

Franchise operations had permission to use the McDonald's name and all proprietory labels. And were provided operational and marketing support for a fee. Affiliates were restaurants where McDonalds equity was less than 50 percent, with the remaining equity usually owned by resident national.

Foreign restaurants operated by the company at the end of 1984 were primarily in Canada, England, Germany and Australia. Its franchised restaurants were primarily located in Canda, Germany, other western european countries, Australia, Japan and Latin America. Affiliated restaurants were principally in Japan and other pacific countries. (see appendix B)

Since McDonald's first international restaurant opened in Canada in 1967, McDonald's restaurants have expanded around the globe. In the past five years, McDonald's has added more than 1,000 restaurants internationally. Customers are able to enjoy McDonald's food in downtown Tokyo, the Bavarian Alps in Germany, the Caribbean Island of Aruba, and Pushkin Square in Moscow.

It took 16 years for the first U.S. restaurant to achieve annual sales of $1million. Today, when a McDonald's opens in a new country, it often exceeds that number its first year.

Thirty thousand customers visited McDonald's in Moscow its first day of operation, and even more waited to try their first taste of McDonald's when we opened in Shenzhen, China. In 1980, total international sales topped the $1 billion mark for the first time. In 1988 McDonald's operated 2600 stores outside the United States, generating $1.8 billion in annual revenues. By year-end 1990, more than $6 billion in international sales represented 35 percent of McDonald's systemwide sales.

Region	1991	1998
Latin America	212	837
South Asia	0	3
South East Asia	113	409
East Asia	123	489
Arab States	0	69
Sub-Saharan Africa	0	17
Developing Countries	448	1,824
Industrial Countries	11,970	19,198
World	12,418	21,022

[4]**Table 2.2.** Number of McDonald's restaurants with regions.

[4] Table is provided from www.morechart.com

Much of the success of McDonalds international expansion is due to an emphasis on local ownership. New restaurants can be opened as a subsidiary, with a local franchisee running the operation, or an affiliate, where McDonalds equity is 50 percent or less and the remaining equity generally is owned by a resident of the country.

How does McDonalds establish new markets? While McDonalds has a basic method for opening new restaurants, every international market established or contemplated has different challenges and opportunities. These are no set rules or procedures that cover every situation.

We can outline the process, but some of their specific strategies are proprietary' information.

What is the basic process? First of all, top management makes the decision that a particular market is viable The International Legal Department explores the ramifications of doing business in that market —if they can do business there under the laws of that country. International Operations and Franchising begin to seek and screen potential licensee candidates. The Purchasing Department begins to search for and qualify local suppliers of food and paper products. The Equipment Department determines availability and quality of local manufacturers. The Personnel Department researches local labor sources and laws governing employment. When a licensee candidate is identified and begins a 10-12 month training program their international Real Estate and Construction departments begin to select potential sites and complete feasibility studies on the type of building needed. The Marketing and Public Relations departments select agencies to represent McDonald's, begin plans to take our story of Quality, Service, Cleanliness and Value to customers, and identify opportunities to become involved in the community. The Training Department is intensely involved in preparing the licensee and management team to assume operational control of the new store, once opened. It's a coordinated, comprehensive effort of all home office support disciplines to establish and launch a new market.

For McDonald's food products to taste the same around the world, the raw products and ingredients must be the same. The standardization of McDonalds has been emblematic of globalization, The hamburger must be 100 percent beef with a specific, Lean/fat content; the ground beef must be formed into the right-size patties. For example, the Quarter Pounder must have a pre-cooked weight of precisely four ounces.

McDonalds's derives more than 80% of its revenues from eight regional markets: Australia, Brazil, Canada, France, Germany, Japan, UK and the US. Inspite of its size and market position as the number one fast food service restaurant chain in the world, McDonald's has performed poorly since beginning of 2000. As of June 2002, the chain posted six consecutive quarters of earnings declines. The company attributed much of its woes to declining world economy and changing customer preferences.

(In billions)	**1996**	**1997**	**1998**	**1999**	**2000**
Number of restaurants	21,022	23,132	24,800	26,309*	28,707
Systemwide sales	31,812	33,638	35,979	38,490	40,181.2
- US	16,370	17,125	18,123	19,005	19,572.8
- Outside US	15,442	16,514	17,856	19,485	20,608.4
Total revenues	10,687	11,409	12,421	13,259	14,243
Operating profit	2,633	2,808	2,762	3,319	3,329
Net Income	1,573	1,643	1,550	1,947	1,977

Table 2.3. is provided from www.mcdonalds.com.uk

In 2000, systemwide sales exceeded $40 billion and net income was in excess of $1.9 billion.

McDonald's aims to be present in every market place around the world. Among these markets they select the ones that has a good buying ability and prospect for a better future.

When entering an international market, McDonald's develops a supply system to meet its needs. McDonald's does not sell or distribute products to its restaurants, the restaurants generally purchase food, paper, and operational supplies from local businesses. These merchants frequently overwhelmed when told that thousands of buns or hamburger patties will be needed daily. Sometimes McDonald's arranges for new suppliers to train at the plant of an existing supplier. Or, the company sends representatives of key U.S. suppliers into the new market to help new suppliers fine tune operations. Although every effort is made to obtain supplies domestically, when local suppliers cannot found or developed, restaurants import the necessary products.

3.5. REASONS OF MCDONALDS TO BE SUCCESSFUL MULTINATIONAL CORPORATION

Main and first reason is the ability to recognize the customer's needs and desires. This ability provides McDonalds to ensure best service for their customers. To ensure best service they set some rules and procedures from farm to customer. These principles in all stage of the operations make McDonalds best in the world. Efficient management of operations was an important parameter for their restaurant's success.

McDonalds system has pioneered food quality specifications, equipment technology, marketing and training programs and operational systems that are considered the standarts of the industry throughout the world.

McDonalds restaurants worldwide are committed to an operating principle of Q,S,C & V- quality food, quick and friendly service, clean and pleasant surroundings, and the best quick service food value.

Generally global companies think local also act global this strategy prevent the international growth for companies. McDonald's "think global, act local" strategy describes the their success in the world. They are using standardized systems everywhere but they don't ignore the local people need and preferences. The group constantly examines their menus around the world in light of changing customer's taste, as well as local customs. In addition to traditional favourites, customers will find special menu offerings in some countries outside the U.S. Examples include the popular Teriyaki Burger in Japan and vegetable Nuggets in India. Also in a large Muslim populations, such as Malaysia and many Middle East countries, their menu is Halal, prepared in keeping with Muslim guidelines. Research indicates that customers feel a unique emotional bond with the chain, the idea of a visit to them triggers a feeling of anticipation and excitement unlike in any other restaurant.

McDonalds is totally different company now in terms of how it runs and how it is organized. They have gone to a highly decentralized method of management, because of their size. And while the basic policies of the company are made in Oak Broak, the operating decisions are made primarily in their field offices. These principles in all stage of the operations make McDonalds best in the world. McDonald's Corporation will continually look for ways to improve their policies and work toward achieving the stated standarts.

McDonald's is committed to training and will continue the devote its resources to provides employees and franchises with effective, dynamic training programs that assure quality food products and fast friendly service. McDonald's success lies in the diversity and depth of their managers' and knowledge and skills. Especially in training field McDonald's has the most competive advantage in the world. They have hamburger university. Its main purpose is to instruct McDonald's personnel in the various aspects of its business. They believe that to be succesful company passes from well-trained employee and franchisees.

McDonald's is an operations company and their focus is on serving customers. Their attention to details and a single minded focus on the basis of the business are important reasons for McDonald's success.

McDonald's is recognised as one of the best marketers of the world, investing some hundreds of millions of dollars every year for advertising and promotion of its image.

McDonald's had a number of field service consultants who routinely visited restaurants several times a year. They reviewed a restaurant's performance on more than 500 parameters ranging from rest room cleanliness to food quality and customer service.

These studies represent the strong structure of company and proof of their success in the world.

McDonald's franchising system played a major role to be strong multinational enterprise. Thousands of its restaurants worldwide had been franchised and were operated by local business people. A key factor contributing the rapid and successful growth of McDonalds had been the manner in which its franchise system operated. The company attached great importance to the careful screeining, training, and developing of qualified franchisees who owned and operated McDonalds restaurants.

Another reason of McDonalds to be successful global corporation, their proven quality standarts at every part of their organizations. Total quality management of McDonalds starts from the cow in the farm and lies all part the of organization. Thet don't neglect the quality anytime.

The another reason of success of McDonalds is to contribute the general welfare of its neighborhoods and communities. By being a concerned neighbor, McDonalds has truly become a concerned citizen around the world. As Ray Krac said that "to be successful, you have to give something back to the community you serve."

IV. LIMITATIONS

When I prepare this project, I easily reach informations about the company. When analzing McDonald's I saw that their sales decreasing after the year 2000. Now a days McDonal's faced a problem for their fallig sales. I try to examine reasons of these falling in the sales, but I can not take informations from the company. I send a lot of mail to company's public relation manager, she said to me, for their company strategy they do not send any information about their sales accounts. Also their internet sites you can not reach these types of informations.

CONCLUSION

Multinational corporations like McDonald's are necessary for the world economy. They contribute more to the developing economies and ensure global welfare. Also they contribute the community welfare.

This study showed us that McDonald's corporation is a strong company and the leader of the fast-food industry.

Mainly corporation success is coming from efficient management system. Corporation's every activity is a systematic process. It means that when they makes an organizational operation or an investment, they are making those activities in the light of policies and principles to reach best result. Company's success relies on continously improved policies and principles to provide competitive advantage and to give best service for customers.

McDonald's high standart understanding in quality, service, cleanliness and value have helped establish them as the leader in the quick service industry.

This study showed that company success near the efficient management system based on the effective operations in the restaurants. With the assembly line approach McDonald's has distinctive competence in the sector.

As everyone knows that McDonald's most important ability is to understand the customer needs and desires. This ability plays important role for McDonald's success especially in regional restaurants.

Moreover, McDonald's maintains its competitive advantage by constantly creating new items to add onto its menu. This shows us that McDonald's practices an analyzer type of strategy, introducing new items and defending its existing ones.

According to my survey, McDonald's far away from their competitors about training field. McDonald's professional training and development on the jobs in the restaurant, in the regional offices and at hamburger university brings them more effective crew and succesful restaurants.

Another key factor contributing the rapid and succesful growth of McDonald's had been the manner in which its franchise system operated McDonald's restaurants. Company attached great importance to the careful screeining, training an developing of qualified franchisees who owned and operated McDonald's restaurants. Also decentralization of authority on franchisees makes them creative and active entrepreneur. With this strategy they contribute more to the company's success. In recent years most of the innovations came from franchises.

McDonald's another positive way is being an innovative company, which keeps McDonald's as a market leader.

Most of the successes of the company comes from marketing activities. I saw that company spend much money for advertising and promotion. Top quality advertising and marketing programs greatly contribute to their success.

While I was preparing the project, I found in the last three years, company's international sales are more succesful than U.S. sales. McDonald's give importance to the international expansion and their international division is very succesful.. Company has strong capabilities to find opportunities and make the right investments at the right time. But to find these opportunities in different areas are not easy. Their succesful international division and experienced management ensure this. But this operations have some stages under the international division control.

As everyone knows, McDonald's is a charitable company. They have lots of charity house in different countries. With those charity houses, company is creating good image in the eyes of the people and this good image reflect to their sales and growth.

As a result, company's reputation for quality, aggresive marketing and dynamic skilled staff , McDonald's has conquered a large stable clientele and in the next years McDonald's will maintain its first largest fast-food retailer brand in the world.

RECOMMENDATION

McDonald's with more than 20,000 restaurants in 121 countries, they are the leader in fast-food industry. But now a days people are more conscious about their food consumption. They don't want to eat unhealty foods. McDonald's try to prepare healty foods with best quality and sevice to customers. Because of their products' raw materials such as beef, fry and more. They aren't useful for people healts. Therefore people avoid to eat fast-food products. Instead for example they can use vegetable oil in their fries or they can boil the chickens. Although McDonald's gives some healty menus such as vegetarian menu, more vegetable hamburgers. But they are not enough they should increase the number of healtier menus. I believe that with more healty foods they can increase their segments and they can satisfy more customer demands.

Another issue, U.S. fast food market is near saturation, they should increase their activities in international areas.. They should give more importance to the worldwide operations.

There are strong competitors in the sector. Such as Burger King. They are offering new products and innovations for their customers. So McDonald's should closely follow their competitor's activities.

But with these difficulties, I believe that McDonald's overcomes from problems and they will continue their largest and best-known global foodservice retailer reputation in the future dates.

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APPENDIX A

Fortune Global 100 List (Internet Fortune,1999)

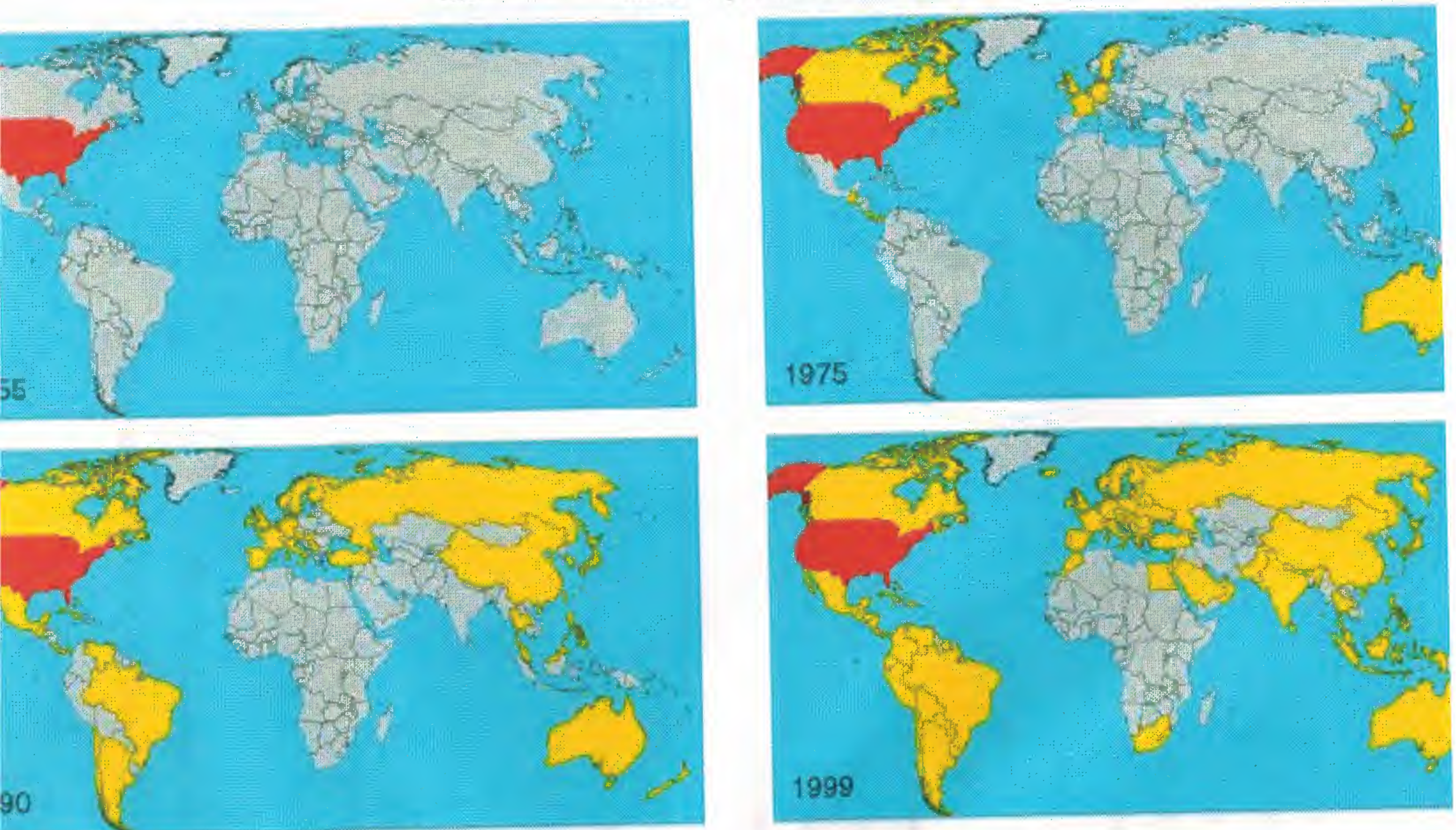
Global 100 Rank	Company	Revenues $ billions
1	General Motors	161,315.0
2	Daimler Chrysler	154,615.0
3	Ford Motor	144,416.0
4	Wal-Mart Stores	139,208.0
5	Mitsui	109,372.9
6	Itochu	108,749.0
7	Mitsubishi	107,184.4
8	Exxon	100,697.0
9	General Electiric	100,469.0
10	Toyota Motor	99,740.1
11	Royal Dutch/ Shell Group	93,568.6
12	Marubeni	93,568.6
13	Sumitoma	89,020.7
14	Intl. Busines Machines	81,667.0
15	AXA	78,729.3
16	Citigroup	76,431.0
17	Volkswagen	76,306.6
18	Nippon Telegraph&Telephone	76,118.7
19	BP Amoco	68,304.0
20	Nissho Iwai	67,741.7
21	Nippon Life Insurance	66,299.6
22	Siemens	66,037.8
23	Allianz	64,874.7
24	Hitachi	62,409.9
25	U.S. Postal Service	60,072.0
26	Matsushita Electric Industrial	59,771.4
27	Philip Morris	57,813.0
28	Ing Group	56,468.7
29	Boeing	56,154.0
30	AT&T	53,588.0
31	Sony	53,156.7
32	Metro	52,126.4
33	Nissan Motor	51,477.7
34	Fiat	50,998.9
35	Bank of America Corp.	50,777.0
36	Nestle	49,504.1
37	Credit Suisse	49,143.3
38	Honda Motor	48.747.7
39	Assicurazioni Generali	48,478.1
40	Mobil	47,678.0
41	Hewlet-Packard	47,061.0
42	Deutsche Bank	45,165.0
43	Unilever	44,908.0
44	State Farm Insurance Cos.	44,620.9
45	Dai-ici Mutual Life Insurance	44,485.6

	Veba Group	43,407.5
	Hsbc Holdings	43,338.3
	Toshiba	41,470,9
	Renault	41,353.3
	Sears Roebuck	41,322.0
	Fujitsu	41,017.8
2	Tokyo Electiric Power	39,808.4
3	Deutsche Telecom	39,710.5
4	Sumitoma Life Insurance	39,535.4
5	E.I. du Pont de Nemours	39,130.0
6	Zurich Financial Services	39,115.0
7	Royal Philips Electronics	38,455.6
8	CGU	37,588.5
9	Peugeot	37,539.8
0	NEC	37,234.6
1	Procter & Gamble	37,154.0
2	Electiricite De France	36,672.9
3	Rwe Group	36,603.1
4	TIAA-CREF	35,889.1
5	BMW	35,886.7
6	Elf Aquitane	35.864.0
7	Merrill Lynch	35,853.0
8	Munich Re Group	35,464.5
9	Vivendi	35,292.3
70	Suez Lyonnaise des Eaux	34,873.5
71	Prudentiai Ins. Co. of America	34,427.0
72	ABN AMRO Holding	34,235.0
73	Sinopec	34,025.2
74	Prudential	33,676.8
75	Kmart	33,674.0
76	American International Group	33,296.0
77	Credit Agricole	33,022.4
78	ENI	32,389.0
79	Chase Manhattan Corp.	32,379.0
80	Hypo Vereinsbank	31,816.2
81	Texaco	31,707.0
82	Bell Atlantic	31,565.9
83	Fannie Mae	31,498.8
84	Fortis	31,325.3
85	Enron	31,260.0
86	Bayer	31,197.2
87	Compaq Computer	31,169.0
89	Dayton Hudson	30,951.0
90	Tomen	30,934.9
91	Bank of Tokyo Mitsubishi	30,928.8
92	ABB Asea Brown Boveri	30,872.0
93	BASF	30,731.6
94	J.C. Penney	30.678.0

	Carrefour	30,479.0
	Home Depot	30,219.0
	Lucent Technologies	30,147.0
	Societe Generale	29,762.1
	Mitsubishi Electric	29,682.3
	Motorola	29.398.0

APPENDIX B

McDonald's Global Expansion 1955-1999



MCDONALD'S RESTAURANTS IN THE WORLD

DATES/COUNTRIES OPENED

April, 1955	U.S.A
June, 1967	Canada
November 10, 1967	Puerto Rico
September 4, 1970	Virgin Islands
December 28, 1970	Costa Rica
June 10, 1971	Guam
July 20, 1971	Japan
August 21, 1971	The Netherlands
September 1, 1971	Panama
November 22, 1972	Germany
December 30, 1971	Australia
June 30, 1972	France
July 20, 1972	El Salvador
November 5, 1973	Sweden
June 19, 1974	Guatemala
August 16, 1974	Curacao, N.A.
October 1, 1974	England
January 8, 1975	Hong Kong
August 4, 1975	Bahamas
June 7, 1976	New Zealand
October 20, 1976	Switzerland
May 9, 1977	Ireland
July 21, 1977	Austria

ch 21, 1978	Belgium
uary 13, 1979	Brazil
ober 20, 1979	Singapore
ch 10, 1981	Spain
il 15, 1981	Denmark
tember 27, 1981	Philippines
il 29, 1982	Malaysia
vember 18, 1983	Norway
uary 28, 1984	Taiwan
e 29, 1984	Andorra
cember 3, 1984	Wales
cember 14, 1984	Finland
bruary 23, 1985	Thailand
ril 4, 1985	Aruba, N.A.
ly 17, 1985	Luxembourg
ly 24, 1985	Bermuda
ugust 31, 1985	Venezuela
ctober 15, 1985	Italy
ctober 29, 1985	Mexico
pril 24, 1986	Cuba (Naval Store Only)
ctober 24, 1986	**TURKEY**
ovember 24, 1986	Argentina
pril 11, 1987	Macau
ovember 23, 1987	Scotland
arch 24, 1988	Yugoslavia

/arch 29, 1988	Korea
\pril 30, 1988	Hungary
anuary 31, 1990	Russia
)ctober 8, 1990	China
Vovember 19, 1990	Chile
⁻ebruary 23, 1991	Indonesia
Vlay 23, 1991	Portugal
Vovember 12, 1991	Greece