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'CAPTURING VALUE' WITHIN GLOBAL PRODUCTION NETWORKS

APPLIED CASE STUDY

As well as being one of the best known MNCs, and a symbol of corporate globalization in its own right, McDonald's is a good case study of the impact of GPNs on host states and labour markets, as well as of the complex nature of convergence and divergence.

Founded in the 1930s in the USA, McDonald's underwent a period of international expansion in the 1960s and 1970s, followed by a number of high-profile overseas establishments in the 1980s and 1990s in the former Soviet Union and China. McDonald's is particularly distinctive as an MNC in that, rather than adapting to consumer behaviour in local markets, it has by and large instead adapted the consumer behaviour to itself, for instance by running advertising campaigns instructing the public in how to use fast-food restaurants when penetrating markets in which such restaurants are unknown. As a result, it has become seen as a symbol of US and, more generally, corporate dominance, with the phrase 'McDonaldization' being used to imply a sort of forcible global convergence. The European section of the company was extensively studied in the 1990s by Tony Royle, with particular regard to its labour practices.

McDonald's is particularly interesting from the point of view of labour relations in terms of the ways in which it employs divergent strategies to achieve convergent ends. For instance, in recruitment, McDonald's employs what Royle calls a 'recruited acquiescence' strategy, targeting groups who are likely to cooperate with management and unlikely to agitate for worker representation. However, which groups these are depends on the social and legal structures of the country in question: in the USA, for instance, McDonald's overwhelmingly employs teenagers, whereas in Germany, where there are strict laws limiting the employment of persons under the age of 18, McDonald's concentrates its recruitment strategy on *Gastarbeiter*, the 'guest workers' and descendants of earlier guest workers who, not having full citizenship under German law, are not entitled to the same legal protection as German citizens.

Similarly, although McDonald's generally avoids unionizing labour in areas where it can do so, in states where the recognition of a union is mandatory, McDonald's either selects a relatively weak local union or else sets up its own 'enterprise union' (a union composed of employees of a particular company rather than workers in a particular sector), which are easier to control. Similar control systems also take place at the local management level: McDonald's prefers to select candidates with little or no previous restaurant-running experience as franchisees, so that it can then instruct them in its own practices without fear that they will instead impose their own, and forces them to undergo extensive training in McDonald's management systems.

McDonald's also responds dynamically to global markets. In recent years, faced with changing food markets and increased competition, McDonald's has been adopting a more diversified strategy, acquiring shares in other food businesses (such as the Pret A Manger chain of sandwich shops) and using different regional products and images (such as stir-fries at McDonald's in Thailand, or the 'café style' McDonald's in France). McDonald's also considers the value of particular markets; in the 1980s and 1990s, for instance, there was publicity value in setting up restaurants in communist countries above and beyond any potential profit which will be obtained from those restaurants in and of themselves. Similarly the company's recent announcement that it would be closing its Icelandic operations is not only a clear response to the impact of the 2008 financial crisis on Iceland, but also provides a clear disassociation between the company and the financial crisis (a further example can be seen during the Mad Cow disease outbreak in the UK in the 1990s, in which European McDonald's advertised prominently that its beef sources were not British).

The question thus remains of exactly how 'global' this global production network, precisely, is. On the one hand, McDonald's clearly strives to establish uniformity of policy throughout the globe. Its practices, however, are far from uniform, showing a strong degree of responsiveness to local conditions. In a sense, it is engaging in divergence in order to create convergence, in that its localized strategies are aimed at the appearance, at least, of global consistency. Furthermore, McDonald's both creates value for itself (introducing the concept of the franchised fast-food restaurant to new markets, developing franchisees familiar with its specific systems) and pursues it (establishing branches in communist countries, adopting a 'café' image for its European operations). From other perspectives, it also engages in value destruction (with critics arguing that it attacks local culinary diversity, and that the franchisees' experiences are not leading to skills being transferred to the local markets). McDonald's thus indicates the complex relationships between global and local which can emerge among globalizing organizations.

In conclusion, then, the McDonald's case gives some idea of the complexity of relationships between global and local within global production networks, as transnational corporations aim both at responding to local markets and at standardizing at the global level. It indicates that even when the aim is to create a global product, locality still matters, and affects the creation, destruction and conceptualization of value within GPNs.

QUESTIONS

1. How does McDonald's employment strategy complement its marketing and expansion strategies?
2. Outline the ways in which McDonald's creates and locates value, based on this case study.
3. To what extent is McDonald's 'global', and to what extent is it 'local'? How do the two complement and contradict each other?
4. Do McDonald's strategies in light of its recent economic losses constitute a genuine change in direction for the company? Why or why not?

FURTHER READING

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