Five Guys
Company Overview
Mission Statement

Thank You Customers,

You the customer are the most important visitor on our premises. You are not dependent on us, we are dependent on you. You are not an outsider in our business – you are a part of it. We are not doing you a favor by serving you – you are doing us a favor by giving us the opportunity to do so.

Thank You,

Five Guys
Company Background

• Founded in 1986 by Jerry and Jane Murrell
  – The Original “Five Guys”
• First store in Arlington, Virginia
  – First five locations in Virginia
• Began franchising in 2003
  – Now over 1,000 locations
  – 1,700 under development
Five Guys Menu

FAMOUS BURGERS
FRESH GROUND BEEF (NEVER FROZEN)

HAMBURGER
CHEESEBURGER
BACON BURGER
BACON CHEESEBURGER
LITTLE HAMBURGER
LITTLE CHEESEBURGER
LITTLE BACON BURGER
LITTLE BACON CHEESEBURGER

100% KOSHER HOT DOG
CHEESE or BACON DOG
BACON CHEESE DOG
VEGGIE or GRILLED CHEESE

FAMOUS FRIES
FIVE GUYS STYLE or CAJUN

REGULAR
LARGE

Cooked in pure, no cholesterol, tasty peanut oil!

DRINKS

24 oz.
free refills
Coca Cola products

ALL TOPPINGS FREE:
Mayo Relish* Onions* Lettuce Pickles Tomatoes Fried Onions
Sauteed Mushrooms Ketchup Mustard Jalapeno Peppers*
Green Peppers A-1 Sauce* Bar-B-Q Sauce* Hot Sauce*

*Upon request only

WE SERVE PEANUTS IN BULK CONTAINERS
International Management Strategy

- Quality imperative
- Transnational strategy
- “localizing” a global focus
Accomplishments/Outcomes

• Accomplishments: Profitability, marketing, operations, finance, human resources
• Outcomes: consumer perceptions/relationships, ROI, employee retention
Development

- Environmental scanning
- Internal resource analysis
- Formulating goals
Regional Organization Chart
Cultural Issues

Must fully understand cultural differences

• High-Context Culture

• Concept of ‘Guanxi’

• Differences in time orientation

• Losing Face
Hofstede’s Dimensions

The 5D Model of professor Geert Hofstede

Scores

PDI  IDV  MAS  UAI  LTO

China  United States
# Cultural Differences

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<td><strong>Languages</strong></td>
<td>English</td>
<td>Mandarin, Cantonese,</td>
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<td><strong>History</strong></td>
<td>Approximately 200 Years Old</td>
<td>Thousands of Years Old</td>
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<td><strong>Natural Resources/Geography</strong></td>
<td>Diverse Natural Resources</td>
<td>Dwindling Natural Resources</td>
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Competitors

- KFC- 4,000 stores
- McDonalds- 2,000 stores

- Both are exceptional at tailoring product offerings to meet local demands
  - Menu customization
  - 24-hour delivery service
Rules & Regulations

• Adhere to U.S. labor and rights laws
  – OSHA, Civil Rights, FLSA, etc.

• Do not import meat or potatoes

• Work intensively with Chinese farmers
  – Chinese emphasize freshness
Economic Considerations

• Massive market potential
  – 1.3 billion people

• Many neighboring cities

• Growing disposable income
Overall International Management Policies and Processes
Centralized vs Decentralized Decision Making Systems

- Problem Perception: Decentralized Decision
- Problem Identification: Centralized Decision
- Search for Alternatives: Centralized Decision
- Evaluation of Alternatives: Joint Decision
- Implementation: Decentralized Decision
Total Quality Management

- Upscale Atmosphere
- Fresh Ingredients
- Localized Menu Items
- Branch Managers Discretion
Wholly Owned Subsidiaries vs Franchises

- Smaller Company
- Higher Profits
- Allow Growth
- Teach Five Guys Experience
- Shift to Franchises
Business Metrics Report

• Successful implementation of the international business plan must be measured through analytical research and metrics

• Business metrics allow a company to identify which areas of management to improve on

• The three most common performance measures include financial, personnel, and quality performance
Financial Performance Metrics

- Process of establishing critical processes and customer requirements, developing measures, establishing targets against which the results can be scored
- Profit, loss, and return on investment
- Profit relating to success and performance
- Cost metric analysis
Quality Performance Metrics

- Cleanliness, service, equipment maintenance
- Early warning system
- Quality control circles

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<tr>
<th>Food Quality/Taste</th>
<th>Service</th>
<th>Cleanliness</th>
<th>Atmosphere</th>
<th>Overall Value</th>
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<td>Five Guys (74%)</td>
<td>Five Guys (56%)</td>
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<td>In-N-Out (48%)</td>
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<td>Smashburger (73%)</td>
<td>Smashburger (53%)</td>
<td>Smashburger (56%)</td>
<td>Smashburger (46%)</td>
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<td>In-N-Out (68%)</td>
<td>Sonic (52%)</td>
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<td>In-N-Out (51%)</td>
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<td>Steak ‘n Shake (38%)</td>
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<td>Whataburger (43%)</td>
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<td>Jack in the Box (51%)</td>
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Personnel Performance Metrics

- Reputation pulse measure
- Assessment centers
- Employee satisfaction metric
- Management retention analysis
- Employee capacity analysis
Outcomes

• Analyze collected data

• Make necessary improvements

• Set future goals

• Continue growing
Executive Summary

• Cultural differences

• Total Quality Management

• Management metrics report
1 Company Overview

Five Guys Five Guys Burgers and Fries is a fast casual restaurant chain that emphasizes hamburgers, hot dogs, and French fries. The location of Five Guys headquarters is in Fairfax County, Virginia. Jerry Murrell first founded the company “the idea for a higher-quality burger restaurant back in 1986, as a way to keep his family nearby and, perhaps, make a little money on the side. He has succeeded grandly on both counts. He, his wife and all five of his sons (the "five guys") work for the company, live within 20 minutes of one another and vacation together every summer.” In 2003 Five Guys began franchising. During this point in time they experienced rapid expansion. The expansion was so fast that they had sold permits to over three hundred franchised locations. At this point Five Guys was gaining national recognition in the restaurant industry. Today, Five Guys has over one thousand locations throughout the United States. In addition there are approximately one thousand five hundred locations under development. Five Guys experienced a 32.8% sales increase between 2010 and 2011, accounting for the fastest growth of any food chain that year.

Much of the Five Guys menu is centered around hamburgers. The customer has the option of American cheese or bacon, as well as kosher style hot dogs. In addition there are grilled cheese and vegetable sandwiches available for those who don't want a hamburger. A common misconception about Five Guys is that hamburgers are the only focus. The idea behind the title Five Guys Burgers and Fries is to emphasize the amount of care put into the fries as well as the burgers. The French fries at Five Guys are made solely with peanut oil. A given restaurant can average going through five hundred pounds of potatoes each day. Below is the universal Five Guys menu across all of the United States and Canada.

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As previously stated, Five Guys was founded in 1986 by Janie and Jerry Murrell. Jerry Murrell and his four sons Jim, Matthew, Benjamin, and Chad are the “Five Guys”. The next year Janie gave birth to their fifth son Tyler. Each one of the brothers in Five Guys holds a specific job within the company. Matthew and Jim have the job of travelling the country visiting stores, Chad is in charge of overseeing various training programs, Tyler is involved with the bakery, and finally Benjamin inspects potential franchisees. The first five Five Guys were created by 2001, all in Virginia. The immediate success of these different locations in West Virginia encouraged Janie and Jerry to franchise this trademark a year later. “The seven Murrells each own equal shares of the company, which add up to 75%. Miller Investments, a boutique Philadelphia firm, owns 20% of the company, and a few of Murrell’s school buddies own the remaining 5%. The company is worth an estimated $500 million, which puts the Murrells’ stake somewhere around $375 million. Not a bad return on an initial investment of less than $70,000.”

Many comparisons have been made between Five Guys and their close competition, In-N-Out Burger. The difference is that Five Guys is noticeably more expensive, though it has played out dividends. Even without drive-throughs and are found in a lot of shopping malls, they still have been much more successful. This strategy of pricing products higher, offering more burger, and a significantly larger dining area has worked because it appeals to people as a middle grounds between dining and a an expensive restaurant or going to a cheap fast food place. That moniker has delivered so much success that they now have over one thousand locations in forty-seven different states, including some locations in Canada. The map below shows the different Five Guys locations around the United States as well as parts of Canada. By looking at the map one can see how much popularity and success Five Guys has garnered on the East Coast.

Most people don't fully comprehend the speed at which Five Guys is expanding at. The company as had so much success that, “Since 2006 the company has grown 792%,” according to Technomic, a Chicago-based food industry research group. Five Guy’s nearest competition in terms of rapid expansion within the same years is Jimmy John’s, which grew 241%. “Five Guys, with a mix

of company-owned (200) and franchised (839) stores, has sold out all of its franchise rights in North America.  

There is definitely a certain type of employee that fits in best in the Five Guys atmosphere. Among the different positions in a given store include the runner or frontline coordinator, the order taker/dining room attendant, grill operator, sandwich maker, and register operator. The duties and responsibilities for Five Guys employees include offering friendly service to all guests, taking customer orders, maintaining fast and accurate service, as well as emphasizing positive guest relations. The employee must ensure that company standards are upheld on the equipment, and that the grounds are maintained. As stated before, there is an emphasis on food quality and customer satisfaction. Five Guys also emphasizes a team mentality, so that each restaurant employee is supported in their duties. For these various tasks it is obvious that Five Guys is looking for a certain type of employee in recruitment. "Treating workers well Murrell admits that they do things a little differently than most companies. For one, no advertising. They'd rather give workers bonuses. All of our employees at our stores, we pay them good money. I think that's important, he says. Hire well-paid people, and they'll stay with you. Though the pay for Five Guys' employees varies by state and whether the store is corporate or a franchise, almost all of the crew-level employees make above minimum wage, says spokeswoman Molly Catalano. Most franchisees and the corporate office offer health insurance, as well. In addition, all employees have access to the company's Secret Shopper Bonus program, in addition to any store-level bonuses, Catalano says. Five Guys uses a company to send secret shoppers to its stores to make sure they are up to the Five Guys' standard of service. There are weekly, monthly and quarterly programs that award crew members based on the shoppers' reports.”

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Five Guys is right in line with industry growth trends. In 2012, sales for the restaurant industry will reach a record high of $632 billion, 3.5% over 2011, says Hudson Riehle, senior vice president of research for the National Restaurant Association. This kind of profit is virtually unparalleled in any other chain that has been expanding during the same amount of time. As stated before, Jimmy John’s is a close competitor, but does not experience the same profit that Five Guys does. The fact that Five Guys has made a niche in their simplistic menu and message has paid off very well. "The fast-casual segment is definitely one of the areas in the restaurant industry which is experiencing an above-average growth rate, says Riehle. It definitely has a bright future." One of the hallmarks of some fast-casual operators is the ability to offer a freshly prepared product in an environment with somewhat upscale décor and slightly elevated price points, says Riehle. But as the industry has expanded, certain operators have set themselves apart from the competition by focusing on a specific menu item and executing it exceptionally well, he says. Also, the fact that Five Guys isn’t trying to do appeal with everything to all people is a huge key of success. So many fast food chains come out with a new item every week, trying to appeal to everyone. Five Guys has found success by appealing to those who want a good burger, and it is easy to tell. Murrell says his innovative approach is simple: Treat your employees and customers right. Jerry Murrell believes he has found the key to success. "Find something you love to do and just do it. Make sure your heart’s in it," he says. "You can’t be everything to everybody. You got to be what you are. That’s all you can do."

3 Company international management strategy

It’s essential to have a well-developed international management strategy along with a detailed plan for the implementation of that strategy, when expanding globally. The formulation of this strategy begins with choosing the right approach, in this case the quality imperative. The quality imperative involves strategic formulation and implementation using total quality management (TQM) to meet or exceed the expectations of customers and continuously improve products and services. Five Guys will use a transnational strategy to enter China, despite the fact that it’s the hardest to achieve, because the company wants to respond to local consumer tastes and establish a global presence, simultaneously. Accomplishments in profitability, marketing, operations, finance, and human resources will lead to our desired outcomes; building quality relationships between the Chinese consumers and Five Guys, creating a positive consumer perception of the company, and a high employee retention.

Achieving the goals and objectives of the company begins with formulating an international strategy. There are three steps to developing a strategy: first, environmental scanning (scanning the external environment for opportunities and threats); second, internal resource analysis (conducting an internal resource analysis of company strengths and weaknesses); and third, goal setting for strategy formulation (forming goals based on the external scanning and internal analysis). The fast food industry in China presents many opportunities and threats for Five Guys, but the benefits outweigh the costs. The industry is divided into two categories: 1) western, and 2) Chinese fast food. Western-style fast food is standardized with a small number of major ingredients and adopted minor ingredients, while Chinese-style fast food is much more difficult to standardize as a result of a wide variety of major ingredients and multiple methods of cooking. Chinese fast food restaurants occupy

nearly 70% of the market share for the fast food industry in China, but there are no giants like McDonalds; the companies are large in number, but the individual companies are weak. The fast food industry in China has seen an annual growth rate of ten to twenty percent over the last decade, making it an appetizing country for foreign investment in the fast food market. These opportunities are extremely appealing, but not everything’s gravy, as there are also threats. One major threat is the Chinese government rules and regulations, or lack there of. The Chinese government has favored home-country businesses when dealing with intellectual property rights, although recently the government seems to be heading in the right direction. Another threat is the high level of competition in the fast food industry. The major potential fast food competitors include KFC, McDonalds, Pizza Hut, Kungfu, Yonghe King, and Sun Ya Da Bao. In China, KFC is the largest fast food restaurant chain in China surpassing McDonalds, and Kungfu is the largest Chinese-style fast food restaurant. Another major threat to the company is the social and cultural differences between the U.S. and China. For example, China has a collectivist culture while the United States has an individualistic culture. The concept of face and “saving face” are extremely important to the Chinese, as they will go to great extents to avoid causing anyone to lose face. This is a major threat because Chinese employees may refrain from speaking up and telling management when they’re doing something wrong; without feedback from local employees and customers we will not be able to achieve total quality management; total quality management is the key to meeting or exceeding consumers’ expectations. Environmental scanning of opportunities and threats regards external factors outside the company, but there are also internal factors that need to be taken into account. These external factors, opportunities and threats, realized from environmental scanning are key to the success of Five Guy’s expansion into China, but there are also internal factors.

Before entering a new market or country it’s important to have a true and honest understanding of the company’s current managerial, technical, material, and financial resources and capabilities. Conducting an internal resource analysis of the company will reveal the key success factors, the factors necessary for a firm to compete effectively in a market niche. "The key question for the management of an MNC is, Do we have the people and resources that can help us to develop and sustain the necessary KSFs, or can we acquire them?" According to the IBISWorld, the most important factors for the fast food industry in the U.S. are business expertise of operations, having a clear market position, effective cost controls, ability to franchise operations, product is sold at high profile outlets, market research and understanding, access to multi-skilled and flexible workforce. Some of these factors will be the same in China, but there will be a variety of differences. A major challenge for the management of an MNC is the balance between environmental scanning and internal resource analysis. Managers don’t want to spend too much time on internal resource analysis because they don’t want to miss any changes in the environment, but they also don’t want to spend too much time scanning the environment because they don’t want to take time away from improving internal operations.

Goal setting for strategy formulation usually comes before environmental scanning and internal resource analysis, but more specific goals can be derived from external scanning and internal analysis. The goals for profitability are to break-even on the investment within two years, and to have a yearly profit growth of 5%-10%. We would like to use word of mouth as our main marketing tool, seeing that providing quality products, quality services, and customer satisfaction is our differentiating characteristic. The company operations are effective, efficient, and most importantly, based on quality. A few other goals are to minimize our taxation, have an optimum capital structure, and to recruit, develop managers with a global orientation. Also these managers will receive relatively high compensation and benefits. Strategy formulation is the first half of the
puzzle, and implementation is the other. Successful implementation relies on choosing the appropriate country, combining country and firm-specific factors, and proper execution.

4 Organization Chart

5 Particular International Management Issues for Company

With hopes of expanding internationally into China, we realize that in order to achieve any degree of success, we must be wary of the various issues we face in reaching our goals. China possesses a host of issues that will make our plan a challenging, yet worthwhile endeavor. First, we must contend with the large cultural differences between the United States and China. We must fully understand these differences and implement the appropriate measures to deal with these issues effectively. Culture is the foundation of a country’s values and can be defined from the text as “acquired knowledge that people use to interpret experience and generate social behavior.” A few characteristics of culture include that culture is learned, meaning that culture is not genetic or inherited from parents, and that it is obtained through experience and teaching. Another aspect includes that culture must be shared. Culture is comprised of a group, society, or organization with similar values and morals, which are not limited to a single individual. Also important to our understanding of China is that culture is adaptive. Culture is a dynamic force and can change quite often. It all depends on the fact that human capacity is always adapting and changing, which for us, means we must be versatile and ready for these changes when they inevitably arise. While culture is not limited to these characteristics, they are some of the most important aspects for our team to understanding if we wish to successfully introduce Five Guys Burgers and Fries to China.

Next, it is crucial to address the various cultural differences that will likely arise in our journey to expand into China. According to the text, “Another important dimension of Chinese culture is “Guanxi,” which means “good connections.” A strong and meaningful relationship with a

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Chinese could result in more successful business in the form of lower costs. Yi and Ellis, who both
surveyed Hong Kong and PRC Chinese managers, “found that both groups agreed that guanxi
networking offered a number of potential benefits, including increased business, higher sales
revenue, more sources of information, greater prospecting opportunities, and the facilitation of
future transactions.10” For outsiders, this concept is just as important, if not more important to fully
understand. This will mean spending extra time establishing a strong network of connections.

Another key cultural aspect to understand is that China is a collectivist country. Although
many of us know this, I believe very few people truly understand what this means at the heart of
the matter. The text aptly states, “When dealing with the Chinese, one must realize that they are a
collective society in which people pride themselves as being members of a group. This is in sharp
contrast to the situation in the United States and other Western countries, where individualism is
highly prized.11” Therefore, individual achievement is not the norm in China; instead, working
together for the group’s common goal is highly prized.

Often going hand in hand with collectivism is the concept of high-context cultures. And
China is to no surprise, classified as a high-context culture. In the text, the author states, “In high-
context cultures, most of the meaning exchanged during an encounter is often not communicated
through words. One reason that meanings frequently do not have to be states verbally in high-
context cultures is because there is normally a strong level of similitude among people.12” This
means that it is essential for our Five Guys management team to be able to understand and pick up
on subtle aspects of interactions, such as being keen on body language and situational cues. For
example, when dealing with our Chinese counterparts, we must understand that things such as
personal distance are different in China. In the United States we may be used to being close talkers
and very friendly with people we’ve just met, but in China you must respect someone’s personal
space and keep approximately three feet of distance from one another so as not to infringe on
cultural norms. One must also understand the classic business card-exchange example. When a
Chinese presents their business card to you, you must accept it with both hands, as they have
presented it. After acceptance you must carefully examine the contents of the card before putting it
in your shirt pocket (closer to the heart). Quickly stuffing the card in your back pocket will show that
you are not culturally versed and will certainly not help your chances in successful business. This
social faux pas is known as the concept of ‘face,’ which is an intangible amount of respect for an
individual. Gaining and losing face is another primary concern for our team to understand because
cause a Chinese to lose face through social interaction is not a desirable outcome.

Another important Chinese cultural difference is the attitude towards time. While Chinese
are very punctual to business meetings, it can often take months to agree upon a contract, which
means an American can expect several business trips before any deal is completely fleshed out.
Patience will obviously be a virtue for our international managers. It is also important to understand
that nodding in an interaction does not usually mean agreement when you are speaking with a
Chinese, oftentimes it means understanding towards what you are saying or simple politeness.
According to the text, we can expect that "Business meetings typically start with pleasantries such as
tea and general conversation about the guest’s trip to the country, local accommodations, and family.
In most cases, the host already has been briefed on the background of the visitor.13.” While these
social behaviors are traditional in Chinese cultures, it is also vital to point out that these cultural

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10 Li, Mei Yi, and Ellis, Paul, “Insider- Outsider Perspective of Guanxi,” Business Horizons,
January-February 2000, p.28
11 Luthans, Fred and Doh, Jonathan; International Management: Culture, Strategy, and Behavior
p.154
13 Luthans, Fred and Doh, Jonathan; International Management: Culture, Strategy, and Behavior
p.155
issues will not always be the case. Everyone is an individual and there will of course be exceptions to these traditional norms. Therefore our international management team must also realize that one cannot simply become a pro on Chinese business by simply studying. Experience is the key to becoming an expert in intercultural communication.

A closer look at Geert Hofstede’s cultural dimensions is also imperative to our understanding of this foreign country. The text explains the study by stating, “Dutch researcher Geert Hofstede identified four dimensions, and later a fifth dimension, of culture that help explain how and why people from various cultures behave as they do.14” A comparison of the United States and China will help put things into perspective for our international management team. Again, since culture is constantly changing and adapting, one must not live and die by the Hofstede model, as it was not made to advise business ventures, merely as a cultural research study. The model below illustrates the various cultural differences between the two countries.

As you can see, masculinity and uncertainty avoidance are both quite similar to one another. Both being moderately masculine countries and relatively low in uncertainty avoidance, meaning there is tolerance for ambiguity. However, the two countries have a significant disparity between power distances. The United States is relatively low, meaning there is not a large inequality in terms of power distribution. Low power distance usually also means a large degree of decentralization in the workplace and a more flat organizational structure. As with most high-context cultures like China, there is a high power distance, meaning the workplace is quite centralized and lower-level employees follow strict orders more blindly than in low power-distance cultures. Another large disparity between the two countries includes the individualism/collectivism category. As already discussed, China is a collectivist society, meaning people have a high tendency to form groups and organizations. On the other hand, the U.S. is an extremely individualistic country, which means people tend to watch out mainly for themselves and their immediate family and individual achievement is rewarded and strived towards. Lastly, the two countries also differ greatly in their long-term orientation. The United States is not very long-term oriented, which suggests that Americans are more focused on the present and demand quick results. While China is very long-term oriented, meaning Chinese often save money for the future and are very patient in reaching results.

As you can see, our home country and China vary quite vastly in certain regions. This does not mean that our objectives are unattainable; rather, with proper preparation and cultural understanding, we can successfully communicate and conduct meaningful business with China. Figure 1-2 depicts other relevant cultural factors between the U.S. and China.

Aside from these cultural differences, Five Guys will also face stiff competition in the marketplace. Walking down the bustling city streets of Beijing, Shanghai, or Lanzhou, it would be a challenge to walk 5 minutes in just about any direction without seeing at least one McDonald's, KFC, or Pizza Hut. In China, where KFC first opened in 1987, it is the largest Western restaurant chain, with over 4,000 branches, and China is one of the only countries in the world where McDonald's is not the dominant fast food chain.15 McDonalds on the other hand, China’s chief executive, Kenneth Chan, plans to have over 2,000 restaurants by 2013, recently exclaiming, ”It took us almost 19 years to reach 1,000 restaurants. We will get our next 1,000 restaurants within three years.”16 As you can see, these chains are doing an excellent job of mastering Chinese business operations. They have made certain mistakes, most notably, McDonald’s blunder in India when beef extract was found in the frying oil in India, causing a public uproar from the many Indians who abhor the idea of eating beef, but McDonald’s handled the situation as best they could and have since moved on from the incident and seemingly learned from their mistakes. These competitors also do an exemplar job in tailoring product offerings to fit local needs. A good example of this localizing includes KFC’s decision to offer rice as a side in combo meals. This choice was made due to the KFC international management teams understanding that a global-standardized method would not do the trick in an environment such as China where people demand a degree of product tailoring. McDonald’s also

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<td>English</td>
<td>Mandarin, Cantonese,</td>
</tr>
<tr>
<td><strong>History</strong></td>
<td>Approximately 200 Years Old</td>
<td>Thousands of Years Old</td>
</tr>
<tr>
<td><strong>Natural Resources/Geography</strong></td>
<td>Diverse Natural Resources</td>
<td>Dwindling Natural Resources</td>
</tr>
</tbody>
</table>

employs a similar strategy in other ways than the menu. For example, McDonald’s offers 24-hour delivery service at many store locations, specifically those in cities, near college campuses. Many of these implementations were met with a high degree of success which means our Five Guys international management team should take note of these accomplished fast food chains and look for unique areas and creative ideas that have not yet been discovered thus far.

With our plan to venture into China, we are aware of the public concerns on human labor and animal rights. Five Guys has always been a socially responsible corporate citizen, providing the highest quality meat and employing the necessary regulations to keep products safe. However, as relatively small fast food chain, we would not have the ability to import beef and potatoes from states the typical supplier-states such as Idaho, Montana, and Wyoming. Instead, we would work closely with Chinese farmers to ensure they have the proper resources and equipment to deliver the quality food products we require. This would also cut down on transportation costs and keep the food fresher. Freshness is a prime concern for Chinese people, as they typically prefer fish to be living minutes before being consumed. In regards to labor practices, China does not have all the laws and regulations in place to protect employees such as OSHA, Civil Rights Act, FLSA, etc., which means we must not succumb to the temptations of cost-saving at the expense of our employees. Over the last decade, the news has constantly been flooded with horrifying stories of Western company’s sweatshops in countries like China, employing children to work long hours in terrible working conditions, exploiting China’s lax labor laws. Our Five Guys restaurants will be held to the utmost standard, just as they are in the United States.

Important economic considerations include the fact that China is a rapidly growing economy with over 1.3 billion people. Many economists believe that in a mere few decades China will surpass the United States as the world’s largest economy. This means that the average Chinese consumer will have more and more disposable, or discretionary income over the coming years. When consumers have more disposable income, they will spend a portion of it on commodity goods, such as fast food since saving up for necessity goods is not as big of an issue as it is in a less economically developed country.

6 The company international management policies and processes for the overall company

As with any other process, the decision making process is equally as important to Five Guys and our international management strategy. Decision-making can be simply defined as “the process of choosing a course of action among alternatives.” Given the hierarchical culture of contemporary China, we feel that such processes would be best served as centralized, meaning that management decisions are made from the top down as opposed to a decentralized system in which decisions are delegated to operating personnel. In tandem with the ideology of hierarchy, we feel that a centralized decision making system is also the best course of action in that many day to day decisions can involve political, financial, and cultural issues which we feel are best decided upon by upper management.

However, in order to operate more efficiently in a nation like the People’s Republic of China, we also feel that we will need to take some of the aspects of a decentralized decision making system and implement them into a hybrid style. As displayed by table 11-1 from Luthans, it is plain to see that the first half of the Centralized column directly describe the Five Guys model, whereas the second half of the Decentralized column is closer to the truth when contrasted to the Centralized.

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17 Luthans, 363
18 Luthans, 363
such, it is our contention that combining both of these models can do nothing but good for our company which we will now explain further using the table as a reference point. 19

Table 11-1
Factors That Influence Centralization or Decentralization of Decision Making in Subsidiary Operations

<table>
<thead>
<tr>
<th>Encourage Centralization</th>
<th>Encourage Decentralization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Size</td>
<td>Small Size</td>
</tr>
<tr>
<td>Large Capital Investment</td>
<td>Small Capital Investment</td>
</tr>
<tr>
<td>Relatively High Importance to MNC</td>
<td>Relatively Low Importance to MNC</td>
</tr>
<tr>
<td>Highly Competitive Environment</td>
<td>Stable Environment</td>
</tr>
<tr>
<td>Strong Volume-To-Unit-Cost Relationship</td>
<td>Weak Volume-To-Unit-Cost Relationship</td>
</tr>
<tr>
<td>High Degree of Technology</td>
<td>Moderate to Low Degree of Technology</td>
</tr>
<tr>
<td>Strong Importance Attached to Brand</td>
<td>Little Importance Attached to Brand</td>
</tr>
<tr>
<td>Name, Patent Rights, Etc</td>
<td>Name, Patent Rights, Etc</td>
</tr>
<tr>
<td>Low Level of Product Diversification</td>
<td>High Level of Product Diversification</td>
</tr>
<tr>
<td>Homogenous Product Lines</td>
<td>Heterogeneous Product Line</td>
</tr>
<tr>
<td>Small Geographic Distance Between</td>
<td>Large Geographic Distance Between</td>
</tr>
<tr>
<td>Home Office and Subsidiary</td>
<td>Home Office and Subsidiary</td>
</tr>
<tr>
<td>High Interdependence Between the Units</td>
<td>Low Interdependence Between the Units</td>
</tr>
<tr>
<td>Fewer Highly Competent Managers in Host Country</td>
<td>More Highly Competent Managers in Host Country</td>
</tr>
<tr>
<td>Much Experience in International Business</td>
<td>Little Experience in International Business</td>
</tr>
</tbody>
</table>

19 Luthans, 364
With over 1,000 locations in 47 states and 6 Canadian provinces, Five Guys is no spring chicken in terms of growth. With such a large size, it’s only logical to implement a centralized decision making process. If we were to decentralize, it would cause too many conflicts; 1,000 locations each making their own operating decisions leaves a lot of room for error.

Related to size of the MNC is the size of the capital investment. With so much money already invested into the different branches of operation, launching an all-new international campaign into uncharted territory for our company will take even more financial backing, which, in turn, directly affects corporation as a whole. Both of these factors bode well for a centralized system.

McDonald’s, Burger King, and KFC are just a few of the names of dominating fast food brands already in The Middle Kingdom. Most all of these MNC’s exhibit a centralized decision making process and it would only make sense for Five Guys to follow suit. While it might seem logical to use a decentralized system in order to get a leg up on the competition, we feel that it’s safer to centralize given the success of our competitors.

When customers enter a Five Guys location, they’ll notice very little in the way of décor. We do this purposely in order to show the paying the public that all the money that would normally go into decorating one of our many locations, we put back into the company in order to make higher quality food at competitive prices. When entering China, we hope to slightly change this. When you can get a burger almost anywhere, it comes down to atmosphere. At Five Guys, we’re selling a brand, not a product. As such, we hope to implement an upscale atmosphere where customers can enjoy high quality, local products as opposed to our competitors who focus mainly on a low cost system. In order for this to work, a centralized decision making system needs to be put into place.

Related to this is the Five Guys menu. It’s surprising to some that there are over 250,000 ways to order a Five Guys burger given that there are, on the whole, only 4 distinct menu items: burgers, hot dogs, sandwiches, and fries. With such limited options, we view our product line as fairly homogeneous and as such feel that a centralized system would work best, however, this is also where we feel that aspect of a decentralized system could work harmoniously. China, geographically, is a large country. Accordingly, different provinces will have different tastes. We find that if we were to decentralize and localize on certain menu items given the geographic location of any one of our Chinese branches, it would make Five Guys more accessible to the Chinese public.

Another aspect that Five Guys thinks should be decentralized is the massive geographic distance between the US and The People’s Republic of China. With an entire ocean between the two, it makes meeting with local branch and operating managers very difficult. We feel that if we were to decentralize so far as to let at least branch managers make some larger decisions, it would allow management Stateside to efficiently manage without having to be in constant contact with the Chinese subsidiaries.

Two more processes we find would be best served as decentralized are very closely related: competent managers and experience abroad. First, as mentioned before, the Chinese have an extensive set of cultural values that are only magnified when applied to business. Consequently, we think that decentralizing to the point that local managers are running the subsidiaries could only do well in the future. We fear that planting Western managers into the Eastern market without proper sensitivity training could hurt us immensely. This also has to do with the second point. Five Guys has very little international experience. With only our branches in Canada, we’re rather unversed in the business traditions of the Orient. Simply, it would only make sense to use managers who have been competing in the Eastern markets for their business lives.

In summation, in terms of international management policies and processes, we would like to implement a hybrid of Centralized and Decentralized systems. This would allow managers in the home country to dictate larger (political, economic, etc) decisions to the Chinese branches, while still

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20 Fiveguys.com
giving the subsidiaries the breathing room they need to account for smaller, day to day decisions that have to do with local tastes. In this vein, we hope it will give us the leg up we need on the numerous competitors in the Eastern market.

7 How the policies and practices impact on the International Management activities and practices in our plan

Five Guys believes that our management style can only positively impact our practices and activities abroad. Our overall plan, as mentioned above, is to have a hybrid of centralized and decentralized aspects to our decision-making system. However, going deeper, we'll explain just what type of decisions this system will revolve around, namely, Total Quality Management and dealing with our competition.

Total Quality Management can be defined as “an organizational strategy and the accompanying techniques that result in the delivery of high quality products or services to customers.” Quality, when entering the Chinese market, is among the items of highest importance to us. We take great pride in the fact that our locations have no freezers; only coolers. We only use the freshest ground beef for our burgers, and likewise only the highest quality potatoes for our pure-peanut-oil cooked French fries. We fully intend to take this attention to detail, coupled with the power of local food distributors and suppliers to our subsidiaries in China.

As just mentioned, we would like to form amiable relations with local food markets in order to procure the freshest ingredients possible. The Chinese, as a whole, appreciate fresh ingredients when cooking, e.g. most fish dishes in China are made with fish that have been caught and prepped mere hours before the order is placed. We would like to take this passion for freshness and implement it into our system. This will not only satiate the Chinese need for healthy, right-off-the-farm ingredients, but also help to stimulate the local economy. Of course, this will entail large capital investment on our part but we feel that this is a necessary step in making a successful dive into the Chinese market.

As also mentioned before, we like to make it clear that our product is not the only thing we take pride in. The Five Guys brand is just as important to us. So our Total Quality Management extends not to just the ingredients in our food, but also the experience of going to a Five Guys location. In the US and Canada, we highlight the fact that there is no décor. However, when we launch in China, we hope to not radically change, rather, shift to a more upscale feel.

Like any other culture, the Chinese view wealth and status as a goal in life. We feel that the locations in which one often dines in should reflect this status. As such, we hope to bring an upscale feel to our Five Guys location in China. It’s no secret that there is a growing middle class in The People’s Republic of China. As national wealth grows, so too does the expendable income of these middle class households. When customers enter a Five Guys burgers and fries, we would like to bring the experience of dining in a modern, high-end restaurant while at a fraction of the cost. It is through this that we hope to achieve market dominance over the fast food chains already installed in the Eastern market. Many of our competitors focus only on price and speed. This is conveyed through the rampant spread of drive-thru’s and sidewalk stalls on almost every street of metropolitan China. We hope to break this mold by introducing a fast food experience in a restaurant environment. Everything from the lighting to the color of the paint should reflect that most coveted by China’s emerging middle class: social status. While remaining simplistic, we hope to achieve this goal. Related to this, as well as the style of management we plan to implement, is a crucial aspect of successful business in China: the localization of our menu items.

21 Luthans, 368
22 Fiveguys.com
The Chinese, as a culture, have very specialized tastes when it comes to food. We intend to meet this demand head-on. While in America and Canada, it has been our award-winning, fresh ground beef burgers and pure peanut oil cooked French fries that have gained us acclaim, these things are less important to the Chinese. More importantly, ground beef burgers and French fries aren’t of the natural Chinese pallet and need to be somewhat altered. We’re not saying by any stretch of the imagination that we will cease to sell burgers and fries in The People’s Republic of China. Merely that, in order to survive the constant onslaught of competition there, we must create more accessible items for the Chinese market. This stems from a very important issue to us: to not only globalize, but localize.

We feel that offering menu items that are popular in the West is a good plan in terms of encouraging the Chinese to try new and somewhat exotic foods, however, we feel that only offering Western foods is a poor decision and frankly, a little culturally insensitive. That is why we plan to unveil several Chinese inspired dishes that we hope will inspire an amiable relationship between our corporation and the paying Chinese public. We plan to implement these general changes across all our Chinese branches. For example: offering a side of soup, noodles, or rice instead of French fries, making specialty burgers with duck or pork in lieu of beef, as well as a myriad of Chinese vegetables to top their burgers with. These decisions are, of course, centralized. However, in terms of the detailed changes, we hope to decentralize and defer to the expertise of local managers.

As mentioned before and dictated by common sense, China is a massive country. Unsurprisingly, each province of China will have different tastes; the food enjoyed in Beijing will not be the same food enjoyed in Shanghai. We recognize this problem when trying to centralize decisions made around menu items, which is why we purposely left the changes general and somewhat ambiguous. We plan to decentralize detailed menu changes to the expertise of local managers. Being an ocean away, it is difficult for us to tell the people of Shanghai what vegetables are available to put on their burgers. As such, we plan to let local branch managers decide on items like which vegetables are in season. Also, with side dishes and burgers we plan to let branch managers dictate which variety they believe would do best in their designated area of business. For example: Southern China is known for it’s spicy food whereas Northern China is known for their sweet foods. We would let the Southern managers dictate whether they would put a spicy soup on the menu or a spicy pork burger and conversely sweet menu items in the North. We think this is the most efficient management style as well as the most culturally sensitive.

All of these lead to one, simple question: which management style do we wish to implement when entering China? While the question is simple, the answer is not so. In basic terms, we plan to implement two different styles over the long term. We’ll begin with a wholly owned subsidiary then as time progresses shift to a franchise.

A wholly owned subsidiary can be defined as “an overseas operation that is totally owned and controlled by an MNC.” We recognize the difficulty in doing business in China without an outside partner helping to cut through the political red tape of operating there, however, we also recognize that our competitors have had great success without partnering up with Chinese companies. Admittedly, these companies are much larger than ours but we believe with the example they have set, we should have no problem breaking ground there.

Aside from wishing to remain independent from a Chinese partnership, we believe that a wholly owned chain of subsidiaries can lower costs in that cost of communication/negotiations as well as the cost of information to such a far continent is immense. Further, we believe a wholly owned subsidiary will generate a larger profit stream as well as help to keep the different branches focused on the same goal we had when we opened in 1981: the best tasting fast food around.

23 Luthans, 305
As time and growth progress, however, we do not wish to hold multiple subsidiaries. Rather, we plan to shift our business and management model to something closer to a franchise.

A franchise can be defined as “a business arrangement under which one party (the franchisor) allows another (the franchisee) to operate using its trademark, logo, product line, and methods of operation in return for a fee.”\textsuperscript{24} It seems to us that if we were to grow at projected rates, it would be rather costly to own so many separate subsidiaries across The Middle Kingdom. Subsequently, we wish to shift our existing subsidiaries to franchises and offer franchises to those wishing to purchase a franchise. On top of this, given the burgeoning middle class, it only makes sense to begin franchising, as there will be a market of anxious buyers. This will allow us to remain competitive abroad while focusing time and resources on entering other countries.

Franchising, however, is in the future; wholly owned subsidiaries are the present. Below is a flow chart depicting the management style we plan to implement when entering China. It’s a basic, centralized system at the top but as it nears the bottom it becomes increasingly decentralized.

\textsuperscript{24} Luthans, 313
International Management Activity Metrics

Successful implementation of the international business plan must be measured through analytical research and metrics. By using statistics to analyze data, a company is more likely to succeed in future strategies and ultimately increase profits. Numerous measures can be used to gauge this success within a variety of areas. This evaluation allows a company to compute the degree of their success, while analyzing the areas of weakness to be improved upon. Expanding business relations in other cultures requires performance criteria to be measured regularly due to the vastly differing cultural interactions and changes. In efforts to expand to Beijing, Five Guys must measure and analyze the business results, costs, management retention, and employee capacity metrics in order to improve and further succeed in their international relations.

In order to effectively evaluate a firm’s performance the accurate measures and variables must be used. These variables allow a company to utilize research in the most efficient and effective way for further success within the company. This performance evaluation is used as a means of control within the scope of the business. There are numerous performance measures used for control objectives. The three most common performance measures include financial, personnel, and quality performance.

In order to maintain an effective control over a company while managing internationally, financial performance must be analyzed to accurately articulate the success of a business. The financial performance within an international company is generally based on profit, loss, and return on investment. To measure return on investment a company must divide its profits by its assets. The most significant measure of this calculation relates to the company’s overall profits. Profits have the capability of being influenced through management policies and practices. This denotes that a company’s profit directly relates to how successful or unsuccessful a company is associated to its performance.

In potentially manipulating financial performance, a company doing business internationally has a variety of options. A difference in tax rates among countries for example, has the possibility to be used in transferring money from one country to another. Transfer prices have the opportunity to be influenced upward or downward depending on the parent company’s ability to insert or remove cash into or out of a subsidiary company. Multinational companies have the tendency to move excess cash from subsidiaries located in weak currency countries to countries with stronger currencies. This protects the value of the current assets within the company.

Another form of manipulating financial performance through management technique involves devaluing or revaluing local currency. This bottom-line performance is affected through revaluing currency causing export sales to decline and price of goods for foreign buyers to rise. Devaluation of the currency increases the cost of imported materials and supplies for the subsidiary company. Bottom-line performance can sometimes be manipulated through external conditions or other forces. Thus, solely relying on financial results to evaluate performance can sometimes result in misleading conclusions. In expanding Five Guys Burgers to Beijing, our team hopes to analyze our costs, evaluate its return on investment, and analyze the overall profits of doing business in China. Through measuring the total costs of doing business and analyzing our most profitable products, the company will be able to effectively manage or make changes in menu options and supplies in hopes of achieving a lower cost with high profits. This will ensure future profits within the company and result in greater customer satisfaction as well. Five Guys Burger Company must also analyze quality and personnel performance to further measure their overall success abroad.

Quality performance metrics are a crucial element of decision making within a company and for determining how successful the company has been internationally. Quality control represents a critical function of operations management and production. Through evaluating the total quality management of employee empowerment, training, engineering, and reward recognition systems a
company is able to measure their success and improve future decisions in the scope of the business. Another useful tool in measuring this success relates to quality control circles. Quality control circles involve gathering a group of workers who meet on a regular basis. This group evaluates and discusses ways of improving the quality of work within the business environment. Through utilizing this method the quality of goods and services has the potential to be improved significantly. This assures future success for the company as a whole and creates higher quality for employees as well as customers. Effective use of quality control circles can come with major benefits. After evaluating and finding weak quality aspects, a company is capable of setting quality targets while ensuring their responsible attainment. The use of quality control circles would be of great assistance for expanding Five Guys Burgers to China. This would allow the restaurant to ensure their products and services are maintained using the highest of quality, while aiming to seek improvements on low quality items.

Some aspects of quality control within the scope of doing business abroad involve keeping the workplace clean, ensuring properly maintained machinery and equipment, and assigning new employees to existing work teams. By routinely collecting thorough quality data an analysis of quality trends can be utilized to detect a true sense of the success of overall quality in the company. The measuring and evaluation of quality metrics must be completed in the most effective way to understand and make improvements. Once the metrics have been analyzed, a focus on operating employees in quality circles should be taken into consideration. This offers a more advantageous edge than focusing solely on middle and upper management as it ensures that new employees are skillfully trained and satisfied. Five Guys would greatly benefit if quality were kept in control, as it would increase consumer loyalty to their restaurant, while keeping employees satisfied.

When analyzing quality data it is also extremely beneficial to build an early warning system to detect early when something is amiss. Through reviewing incoming field data right away by the quality department, the company is able to detect if something is going wrong and sort problems into routine or emergency categories. A stronger emphasis can then be made to resolve emergency issues as soon as possible. By sorting these metrics into a high importance category, success is more apt to appear within the company. This allows a company to ensure that they tackle their problems early for their future success. This sorting of problems also allows the company to effectively measure and analyze their overall success through quality metrics.

The chart exhibited below illustrates a current measure of quality within Five Guys restaurants. The measures focus on food quality, taste, cleanliness, service, atmosphere, and overall value. Five Guys surpasses every other burger oriented fast food restaurant in every area besides overall value. This is based on the trend that Five Guys emphasizes the quality of their food despite their higher costs. By offering higher priced menu options with greater quality, we hope to succeed in China. Greater overall quality of food options will allow Five Guys to generate profits from customers seeking a more upscale burger. As far as atmosphere, cleanliness, service, and food quality Five Guys has earned tremendous success compared to other chains in the United States. This success is likely to continue in Beijing with their lack of burger oriented food competitors and emphasis on quality. Our new menu options will also likely succeed amongst Chinese consumers.

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A common Japanese philosophy of doing business is explained as “Anything worth doing in the area of quality is worth overdoing.” This international mindset has provided great success with Japanese businesses abroad. Some of the steps taken by Japanese manufacturers to ensure this success involve encouraging suppliers to ship only what is needed, leveling production schedules to avoid spies in demand, and creating a measuring system of delivery time windows where all parts have to be received at the delivery plant. Through these steps in measure and improvement, businesses are capable of achieving and maintaining overall success. Through efforts in expanding to China, Five Guys Burgers will ensure their success by routinely collecting data on the quality trends of their menu items and services. These metrics will allow the company to continuously make improvements for their future success.

Another key area of measurement crucial to successful international business relations involves personnel performance evaluation. There are a variety of ways in which to measure personnel performance to effectively evaluate a firm’s success. The reputation pulse measure allows a wide range of criteria concerning admiration, trust, and esteem that stakeholders have for a company to be analyzed with metrics. The best global firms were analyzed in a study to interpret some general success guidelines to follow and attempt to achieve. These guidelines concluded that top managers take their mission statements seriously and the top companies know exactly what they are looking for. The study also found that success attracts the best people and the best people sustain this success. This factor makes it critical to evaluate and measure success in order to attract an abundance of influential individuals to the company’s workforce. The success of the firms was also contributed to their vision in career development as an investment, not a chore. The companies promoted from within and rewarded performance whenever possible. Through measuring work satisfaction often and thoroughly these firms establish and maintain success to become the most reputable companies. This emphasis of genuine interest of employees and satisfaction while utilizing efficient management policies is something every firm should strive for. By measuring work satisfaction on a regular basis while paying attention to detail is extremely important in measuring the success of a firm to see what improvements should be made. This is done through analyzing the overall international management activity metrics within the company as a whole.

A different evaluation tool for evaluating employees involves creating assessment centers. Through evaluating employees using assessment centers, individuals can be identified with their potential to be promoted to higher-level positions. These centers are employed around the world and involve specific simulation exercises to gather informative metrics involving employee relations. In-basket exercises requiring managerial attention is conducted through this evaluation, along with business decision exercises where participants compete in the same market. The candidates must also prepare a business plan, take part in a letter-writing exercise, and take part in a committee exercise where they must work as a team in making proper decisions. These evaluation techniques are more comprehensive than checklists, interviews, or tests. They make up the most effective form of evaluation within personnel performance. The assessment allows a company to identify managers

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26 Luther and Doh, p. 380.
who are most likely to succeed when hired or promoted, allowing for ensured success within the company. These centers would enable Five Guys to ensure employee satisfaction and increase the efficiency of workers.27

In efforts to expand internationally to Beijing, Five Guy’s Burgers must develop a metrics report to analyze the key measures of success and conclude how each activity will be measured. Metrics are a form of measurement that allows a company to identify the pieces of business performance that are improving, and which ones need work. The development and collection of metrics within a business is a process that requires unison to capture, monitor, and evaluate results to communicate within the business environment.

There are numerous critical business metrics that allow a company to measure their performance including customer, balanced scorecard, activity, process, vendor, dashboard, organizational, and responsibility metrics. After these crucial metrics are reported, they must be analyzed and documented to ensure future success. Customer metrics measure what products are important to the customer. Our unique menu items will be measured through this metric to understand customer preferences and loyalty to certain products. Through balanced scorecard metrics, our company can analyze a comprehensive view of our company’s performance focusing on financial results and human issues that drive performance. Process metrics measure process performance to identify successful and problematic outcomes. Vendor metrics measure the supplier quality and service performance, while activity and responsibility metrics measure the activity and individual performance measures of employees. After carefully analyzing each metric, our business will analyze each measure individually to document all measurement activities.28 The chart below evaluates the metrics concerning customer delight and satisfaction to fulfill the metric concerning the overall quality of products and services offered at Five Guys.

The chart analyzes 3,300 consumers through a survey asking to rate their last experience eating at the suggested fast food chain. The data reveals a consumer delight index providing an intersection between the likelihood of recommending the restaurant to friends or family and the overall satisfaction. Five Guys emerges in first place within this metric with 4.68%. Within the survey, respondents ranged from age eighteen to over seventy with a variety of income levels. Sixty-two percent reported incomes of over $50,000 a year and seventy six percent were women with half having children at home. All these variables must be noted within the company’s research to

27 Luther and Doh, p.377-384.
determine the best possible future improvements and possible changes within the company management plan. 29 Five Guys uses information from third-party mystery shoppers to create weekly, monthly, and quarterly rewards programs for hourly level staff members to reward the top 200 restaurants in the system for that week. These incentive programs within the restaurant chain allow further motivation for employees to relate to the overall success of the company. The Five Guys team has generated positive outcomes from this approach, relating their success to the overall satisfaction of employees and general growth of the company. 30

In efforts to expand to Beijing, Five Guys must measure and analyze the business results, costs, management retention, and employee capacity metrics in order to improve and further succeed in their international relations. Through setting target goals for Five Guys, the restaurant will be able to effectively measure its performance in these key areas to aid in their overall success. By setting these goals, the restaurant will be able to calculate their success or failure in specific areas of doing business to seek improvements with future endeavors in Beijing. Analyzing this data and measuring performance in the key areas of the international business scope will ensure a successful transition of Five Guys in Beijing.

Executive Summary

In efforts to expand Five Guys within the Chinese market, numerous factors and international management strategies must be effectively utilized. In creating an international management plan for Five Guys abroad, each aspect of international management is essential to the overall success of expanding internationally.

Five Guys Five Guys Burgers and Fries is a fast casual restaurant chain that emphasizes hamburgers, hot dogs, and French fries. The location of Five Guys headquarters is in Fairfax County, Virginia. Jerry Murrell first founded the company “the idea for a higher-quality burger restaurant back in 1986, as a way to keep his family nearby and, perhaps, make a little money on the side. He has succeeded grandly on both counts. He, his wife and all five of his sons (the "five guys") work for the company, live within 20 minutes of one another and vacation together every summer.” 31 In 2003 Five Guys began franchising. During this point in time they experienced rapid expansion. The expansion was so fast that they had sold permits to over three hundred franchised locations. At this point Five Guys was gaining national recognition in the restaurant industry. Today, Five Guys has over one thousand locations throughout the United States. In addition there are approximately one thousand five hundred locations under development. Five Guys experienced a 32.8% sales increase between 2010 and 2011, accounting for the fastest growth of any food chain that year.

We will use a transnational strategy to enter China, along with total quality management. Through total quality management the company can exceed consumer expectations while

continuously improving our products and services. A transnational strategy will allow Five Guys to respond to local consumer tastes and establish a global presence at the same time. There are many opportunities, threats, strengths, and weaknesses, but overall the threats can be managed and adaptations made to improve weaknesses.

The most prominent issue our managers will face in China is that of cultural differences. International managers must be aware of China’s propensity towards first building strong, meaningful relationships before conducting business. China is also a high-context culture, meaning many things are left unsaid, letting the culture speak for itself, which is quite contrary to the assertive and forward nature that Americans are use to. Hofstede’s cultural dimensions provide managers with a solid framework from which to understand cultural differences, most notable the disparities between collectivism/individualism, short/long-term orientation, as well as a larger power distance between Chinese managers and employees. Aside from the various cultural barriers that China will face, competition also serves as a potential threat to successful business. KFC and McDonald’s have enjoyed long-term market share and will likely provide ample competition for Five Guys. The risk of violating labor or human rights is another potential issue that our managers must face, as the Chinese government does not have strict rules and regulations in place to protect workers, animals, and workplaces. As for economic considerations, the outlook is quite optimistic. China’s massive population is still on the rise, which presents massive market potential, and due to the growing economy the typical Chinese consumer’s disposable income is increasing. Lastly, China has many major cities that provide future opportunity and would likely be receptive to a Five Guys Burgers and Fries restaurant.

Our company will aim in implementing a hybrid decision-making system of both centralized and decentralized decision making. All major decisions will be centralized through adding new menu items and price changes. Detail decisions will be decentralized and at the discretion of the local managers. Through mainly focusing on Total Quality Management, our company will be able to offer high quality ingredients, an upscale atmosphere, and localized menu. At first, Five Guys will enter the Chinese market with a chain of Wholly Owned Subsidiaries to then shift to franchises as growth and progress ensue.

Through our metrics report, our company will be able to effectively collect and analyze a broad range of data to make needed improvements. Financial, quality, and personnel metrics will be the main areas of focus to evaluate the success of the company’s expansion. Costs, management retention, employee capacity, and business results will also be analyzed to further expand and grow the company in the Chinese environment. This will allow Five Guys to succeed in future endeavors and continuously increase profits.

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