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CONTROL

CASE: MCDONALD'S

In May 2015, the CEO of the American fast-food restaurant chain McDonald's publicly acknowledged that the company was in trouble! The drop in revenues and income over the past few years reflected very serious problems that needed to be resolved: unhealthy food, excessive time to serve customers, growing distancing from new generations, strikes by employees, conflicts with franchised restaurant owners and even low differentiation from competition were jeopardizing the company's future.

And although the signs had been evident for some time, it was management control that triggered a more in-depth analysis of McDonald's weaknesses. Only then was it possible to define new strategic priorities and prepare for restructuring...¹

First, the menu has been revised to eliminate several less appealing items and to launch some healthier options, such as salads and vegetarian hamburgers. The offer also started including better quality hamburgers at premium prices and the economical breakfast menu became available throughout the day. In addition, the use of various artificial ingredients and meat with antibiotics has been drastically reduced.

In parallel, McDonald's transformed its store concept by introducing digital order kiosks and a mobile application to reduce waiting times and streamline customer payments. And in partnership with the American firm Uber Eats, McDonald's created a delivery service from its restaurants. In this way, customers now have more options to choose what to eat, how to order, how to pay and where to eat.²

On the other hand, the relationship with employees has been revitalized by salary improvements in several countries, training of team leaders and the expansion of the scholarship program. About 4,000 restaurants were also switched to franchising, increasing the weight of the franchised chain from 81% to 90%, to increase local autonomy and cut costs. And to reinforce market proximity, the divisional structure has also been simplified, eliminating some hierarchical levels between headquarters and countries.³

Control of several indicators confirmed that the restructuring was successful: although sales remained stable in the following years, customer satisfaction level improved by 6%, net income increased by 33% and the stock price increased by 75%.⁴ McDonald's was in good shape again!



RECOMMENDATION

Complement reading the case with online research on McDonald's.

QUESTIONS

Corporate Governance

1. Describe and evaluate McDonald's governance system. (Reference: pages 392-3)
2. Comment on the more and less positive aspects of the McDonald's governance system. (Reference: pages 393-4)

Management Control

3. Build an illustrative strategy map for McDonald's. (Reference: Figure 7.4 on page 397)
4. Structure an illustrative dashboard for McDonald's strategic management control. (Reference: Table 7.3 on page 398)

Groupal and Individual Control

5. Identify and analyze the balance between group and individual accountability at McDonald's. (Reference: Table 7.5 on page 399)
6. Comment on McDonald's reward system. (Reference: Table 7.8 on page 401)

Organizational Learning

7. Identify and analyze the balance between circumstantial and structural learning at McDonald's. (Reference: pages 403-4)
8. How does McDonald's foster organizational learning throughout the strategic cycle? (Reference: page 405)

Control Leadership

9. Analyze the relationship between leadership and control at McDonald's. (Reference: Table A7.1 on page 409)
10. Comment on the level of integration between the formal and informal dimension in McDonald's organizational iceberg. (Reference: Figure A7.1 on page 415)

¹ Peterson, Hayley (2015). "McDonald's CEO reveals his massive plan to save the business", *Business Insider* (<https://www.businessinsider.com/mcdonalds-ceo-reveals-turnaround-plan-2015-5>).

² Oches, Sam (2018). "Inside the Plan to Fix McDonald's", *QSR* (<https://www.qsrmagazine.com/reports/inside-plan-fix-mcdonalds>) and Trefis (2016). "How McDonald's Is Effectively Executing Its Turnaround Strategy?", *Forbes* (<https://www.forbes.com/sites/greatspeculations/2016/05/03/how-mcdonalds-is-effectively-executing-its-turnaround-strategy/#4dfb77164c69>).

³ Oches, Sam (2018). "Inside the Plan to Fix McDonald's", *QSR* (<https://www.qsrmagazine.com/reports/inside-plan-fix-mcdonalds>).

⁴ Trefis (2016). "How McDonald's Is Effectively Executing Its Turnaround Strategy?", *Forbes* (<https://www.forbes.com/sites/greatspeculations/2016/05/03/how-mcdonalds-is-effectively-executing-its-turnaround-strategy/#4dfb77164c69>) and Macrotrends (<https://www.macrotrends.net/stocks/charts/MCD/mcdonalds/revenue>, <https://www.macrotrends.net/stocks/charts/MCD/mcdonalds/net-income> and <https://www.macrotrends.net/stocks/charts/MCD/mcdonalds/market-cap>).