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Strategizing of Fast Food Industries using A Balanced Scorecard Approach: A Case Study of McDonald's Corporation

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Abstract: McDonald's Corporation is one of the largest fast-food industries in the world. McDonald's has always been successful through its franchising model and continuous innovation in its business strategies. This researched case study paper aims to highlight various strategies used by McDonald's to drive success, including applying Michael Porters Dynamic Theory of Strategy and Five forces model and developing a sustainable, balanced scorecard for McDonald's Corporation. The methodology used is an archival analysis and use of published secondary resources. The findings indicate that if McDonald's wants to continue through the path of success, they need to be changing its core values, strategies to keep up with the pace in changing global demands and complex business environments. The significance of my research is that first, it analyses a case study and grounds it in theory, and contributes to the existing literature in the fast-food industry. From this research, fast food providers can use different strategies to remain competitive in the market.

Keywords: *McDonald's corporation, fast-food, balanced scorecard, strategies, sustainability*

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INTRODUCTION

McDonald's Corporation is a global icon that has maintained its position in the fast-food industry since its inception. McDonald's operations have been aligned with the company's core values. The firm's extended supply chain is independent with the primary and supporting activities to ensure the efficient and effective running of the business. McDonald's Corporation has always faced competitive forces in the fast-food industry, therefore they have created strategies to counter these competitive forces. The business is a world-leading brand and is continuously innovating and formulating strategies in the business model to have an edge in the competitive environment. Also, the balanced scorecard of the firm provides an effective measurement of the management to understand the company's performance. The firm also takes the initiative in practicing sustainability in its business operations. The business takes sustainability issues very seriously and has developed means such as sustainability scorecards to measure its performances against targets.

This case study paper is on McDonald's Corporation and it intends to highlight issues such as the history of the entity, the value chain, strategies used to remain profitable and competitive in the fast-food industry, application of Michael Porters Dynamic Theory of Strategy and Five forces model, preparation of the balanced scorecard and identifying sustainability issues relevant to McDonald's and how it can be put in the balanced scorecard developed by Kaplan and Norton (1996).

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Significance and Contribution of the Study

This case study paper aims to highlight various strategies used by the world's largest fast-food industry giant, McDonald's Corporation and how they have remained successful and top fast food industry providers. Not only this case-based research paper aims to answer the above research question but it applies various theories and provides theoretical backing with those findings. Apart from that, the study also aims to develop a value chain and a balanced scorecard with a sustainability aspect for McDonald's Corporation. This case-based study also aims to contribute to the existing body of knowledge (literature) and address the literature gap in the restaurant sector as highlighted by Sault, Toivanen, and Waterson (2004).

Mujtaba and Patel (2007) did a case study research on McDonald's Corporation and they have found out that "McDonald's Corporation is one of the most successful global restaurant chains around the world. They have used effective management and global expansion strategies to enter new markets and gain a share of the foreign fast food market". The researchers also state that how McDonald's Corporation creates customer and brand loyalty as components to success. Schröder and McEachern (2005) investigated what happens when CSR initiatives are conveyed to consumers on their fast food purchasing. It was found from the research that socially responsible behavior by food companies was high. The young consumers' fast food purchasing was based on brand value, nutritional value, ethical value, and food quality.

Schröder and McEachern (2005) also state that the research of this kind is important because it provides implications for top fast food companies to protect and improve their brand. The fast-food companies also need to respond to society on issues such as healthy food and food ethics including meeting their CSR initiatives (Nuriansyah, Juniar, & Redawati, 2017). Sault et al. (2004) stated that the restaurant sector is not a highly researched industry compared to other industries. This provides a literature gap that very little research has been carried out in the fast-food industry.

Robinson and Dechant (1997) stated that McDonald's is known for its exemplary and innovative strategies across the fast-food industry. The researchers also state that McDonald's Corporation has measurable targets and it checks for its progress, collecting and taking action on corrective feedback leading to improvements in quality (Usher, 1999). Kara, Kaynak, and Kucukemiroglu (1995) also state that there has been very little research done on consumer perception in the fast-food industry. Ehsan (2012) researched factors that are considered before selecting a restaurant. The findings of Ehsan (2012) research shows consumers considered price, meal variety, and timely service before selecting a restaurant. The practical implications of this research are that it enables fast-food providers to focus on strategies to attract customers. Thus, my case study research finds out the strategies used by fast food industry giants such as McDonald's to remain profitable, competitive, and viable. The significance of my research is that first it analyses a case study and grounds it in theory and contributes to the existing literature in the fast-food industry. From this research, fast food providers can use different strategies to remain competitive in the market.

LITERATURE REVIEW

History of Mcdonald's Corporation

The McDonalds Corporation is one of the world's largest fast-food restaurant and is well-renowned for its services towards its customers globally. The franchise restaurant was opened by the Richard and Maurice McDonald brothers in 1948, whereby they introduced the "Speedee Service System" which has now been established as a principle for fast food in a modern restaurant. In 1954, a salesman Mr. Ray Kroc grew interested in the business and offered to initiate a franchise program for the McDonald brothers. The first McDonald franchise was open in 1955 in Des Plaines Illinois and the same year began the McDonalds Corporation. In the later years, Mr. Ray Kroc eventually acquired the fast-food restaurant from the McDonalds brothers in 1961 and continued to lead the restaurant towards its global expansion.

In the years, McDonald's has continued to retain its position in the global market and has opened more than 36,000 locations worldwide. It has continuously shown resilience and success in its innovation and aggressive marketing. McDonald's shows success in business effectiveness through attaining its aim in its mission and vision statement. The core brand values of McDonald's include quality, service, cleanliness and value. The core values are reflected from the McDonald's outlets, the pricing of products and through their employees. The organisation is well known for its high-quality food services and convenience. As such McDonald, frequently focuses on offering high-quality food for better customer experiences rather than just offering cheap fast food which is a strategic effort known as "plan to win". Also, its prices vary depending on the different cultures and environments. The corporation has a business model that is depicted by the "three-legged stool" which is the owners, operators, and employees. This business model is the foundation and balance of interest to ensure that the organization is always performing adequately to achieve continuous growth and profitability. Though the company has aggressively altered its marketing techniques, it has continuously adhered to its core values which are the center of their business model.

The Extended Value Chain

It is the linked set of a firm's or many firms' activities that are necessary to create goods and services for a customer or a group of customers. In a single firm, the value chain drives the operational activities that can either directly provide a contribution in the production of goods and services (primary activities) or show indirect influence to the firm (support activities). The McDonald Corporation recognizes that the firm's extensive value chain is crucial in assisting the management in developing and enhancing the product's value in terms of product consistency, value for money, and speed of operations.

McDonald's value chain process is firstly traced back to the inbound logistics whereby the firm imports raw materials to be used in the production of the products, for example, McDonald's imports beef from New Zealand due to its high demand in the US. Furthermore, the company also owns its farm in which they produce their raw materials for production such as cabbage, milk, eggs, potatoes, and so forth. The corporation also has an agreement with other suppliers as well for other materials such as packages, transportations, toys, and others. As such by having these fix assurances from suppliers McDonald's can reduce cost and have quality products.

These raw materials are then taken for manufacturing for mass distribution to each restaurant in the country. From manufacturing, it is outbound logistics in which the firm ensures quality control, storage, freight distribution and may use the Just in Time Method (JIT) to ensure the freshness of the product when on delivery. Also, to remain a competitive edge the global franchise uses extensive marketing methods to promote their products in terms of advertising on television, radio, newspapers, and magazine to increase sales. Also, the final service delivery is towards its customers in which their order they products from the fast-food restaurant. Thus, these primary activities are to ensure the effective running of the firms' operations.

Moreover, the support activities in the value chain help to ensure that such operations are undertaken efficiently and effectively. The human resource of the firm is the workers who undertake these operations. The workers are the ones to ensure that all delivery of goods and services are undertaken such as supplying of materials, transport of products, packaging, and meeting the customer demands. Research and development are continuously executed to meet customers' demands and provide more innovative ideas to the market. The firm has a defined finance system that looks into the dollars of the business which provided an analysis of the profit and growth of the firm, the sales, and what other projects that the company can undertake in the future. Also, the information system of the organization can help provide what position McDonald has in the market in terms of customer complaints, market area research, and best products for its customer, employee information, and so forth. The firm has state-of-the-art technology to ensure efficient production, self-service system, and providing Wi-Fi for its customer.

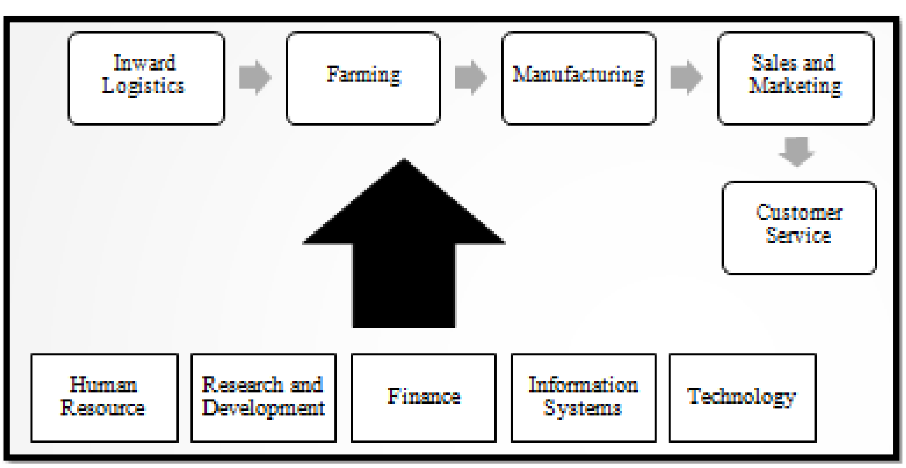

Figure 1 *Extended Value Chain of McDonald's Corporation*

THEORETICAL FRAMEWORK

The following theories were applied to the case study in this research paper.

Dynamic Theory of Strategy

"Porter suggests that a firm can gain a sustainable competitive advantage through adopting a business strategy of cost leadership or product differentiation" (Smith, Hilton, & Thorne, 2015). Porter (1991) developed a dynamic theory of strategy highlighting that having a competitive advantage leads to higher and long term financial performance. McDonald's is one of the world's leading brands and is constantly adapting to consumers' preferences and accordingly providing an innovative customer experience in their business model. The Porters Five Forces Model undertakes analysis on the competitiveness of McDonald's and the forces in every market that impacts the competition and attractiveness in the industry.

Kaplan and Norton's Balanced Scorecard Framework

Kaplan and Norton (1996) stated that effective measurement is an important part of the management process. The balanced scorecard was first introduced by Kaplan and Norton (1996) and was published by Harvard Business Review which measures drive performance. The balanced scorecard provides a detailed framework that formulates business strategies into measurable outcomes. A balanced scorecard is a guide that cannot be used in general for any business as specific businesses have their balanced scorecards (Kaplan & Norton, 1996). Since the balanced scorecard approach has been institutionalized in many businesses, Kaplan and Norton (1996) have stated that many businesses are thriving as it is the centerpiece of their management systems and processes. Kaplan and Norton (1996) have stated that the balanced scorecard approach was developed to provide a solution to the performance measurement problem as value-creating activities were not captured in the financial measurements. The value-creating activities were intangible assets of an organization that was highly critical to business success such as skills, abilities, employee competencies, motivation, customer satisfaction, employee happiness, information technologies, improved processes, product and service innovations, and reputation (Kaplan & Norton, 1996).

Furthermore, "The objectives and measures of the scorecard are derived from an organization's vision and strategy" (Kaplan & Norton, 1996). Kaplan and Norton (1996) said that the objectives and measures measure organizational performance from four perspectives, financial, customer, internal business processes, and learning and growth. The four perspectives mentioned above provide the framework for the Balanced Scorecard. The balanced scorecard expands beyond just measuring financial measures but incorporates all the critical non-financial factors which drive businesses to success which were not captured in the financial measures as part of measuring business performance.

In addition, the first perspective is the financial perspective. The financial perspective represents the view of the main stakeholders that is the shareholders of the organization. The performance measures give the financial outcome of the organisation and may include cost and profit measures, return on investment, cash flow and shareholder value measures. Kaplan and Norton (1996) stated that the balanced scorecard retains the financial perspective summarising the economic consequences of decisions taken leading to bottom-line improvement. The second perspective is the customer perspective. Kaplan and Norton (1996) stated that from a customer perspective, "managers identify the customer and market segments in which the business unit will compete and the measures of the business unit's performance in these targeted segments". Some of the customer objective measures may include customer satisfaction, customer profitability, market share, number of new customers, and customer retention. The third perspective is the internal business processes. In internal business processes, objectives are developed for certain processes leading to customer and financial perspectives. Kaplan and Norton (1996) stated that top-level management identifies critical internal processes that monitor and enhance customer and financial objectives. Some of the performance measures may include measures of cost, quality of products, product development and innovations, improvement of existing processes, and time-based approaches. The fourth and last perspective is learning and growth. Kaplan and Norton (1996) stated that the customer and internal business processes perspectives identify the factors which are vital for the present and future success of the business. Smith et al. (2015) explain the learning and growth perspective as capabilities of the organizations to attain enhanced internal business processes to achieve customer and shareholder value and concentrating on infrastructure leading to long term growth and improvements such as employee capabilities like employee satisfaction, training, skills, information, and technical capabilities.

Moreover, there are casual linkages between the four perspectives. Kaplan and Norton (1996) stated that strategy maps act as a visual representation that explains the cause-effect relationships that link the objectives of the perspectives of the balanced scorecard and the organization's objectives. Smith et al. (2015), stated that Kaplan and Norton introduced strategy maps as part of the process of formulating a balanced scorecard. The performance measures cascade or flows down through different business levels to discuss important aspects of the business that are vital at each business level. Smith et al. (2015) stated that to improve financial performance, the balanced scorecard depends on the cause-effect relationship between measures in different perspectives. The cause-effect relationship starts with the 'Learning and Growth' perspective and then it cascades up to internal business processes, from there to the customer and finally to the financial perspective. Without achieving learning and growth objective, there is no financial perspective as one perspective's outcome is linked to another.

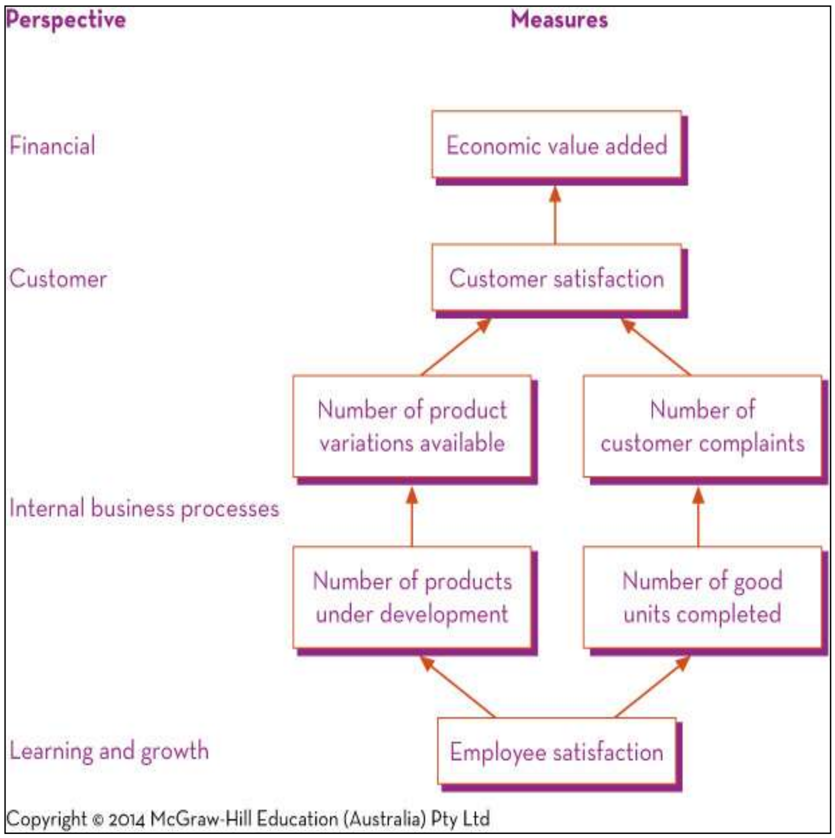

Figure 2 *Causal Relationship between Measures in a Balanced Scorecard. (Source: Smith et al. (2015) Adapted from Kaplan and Norton (1996))*

Figure 2 outlines the strategy map that shows how the four perspectives are linked in terms of their cause-effect relationship starting from learning and growth, leading to internal business processes, customer perspective, and finally financial perspective. If employees are happy, it leads to learning and growth, which then leads to improved productivity and business processes leading to quality products enhancing customer satisfaction, thus, improving customer perspective and finally leading to improved profitability, thus achieving the aim of financial perspective. The strategy map highlights how the four perspectives lead to achieving the organization's objectives (Smith et al., 2015).

RESEARCH METHODOLOGY

The methodology used for this research is qualitative subjectivist and interpretive. The key research questions were answered using the records review or the archival analysis. Data were mostly collected from the website of the case study and published secondary resources. There were no ethical violations as materials borrowed have been highly acknowledged and materials and information used about the case study were publicly available.

RESULT AND DISCUSSION

Strategies Used by Mcdonald's Corporation

In creating shareholder value, Smith et al. (2015) stated that entities must create and manage their competitive advantage to remain in business for the longer-term. "A well-known model for thinking about competitive advantage was developed by Michael Porter of Harvard University" (Smith et al., 2015). Porter (1991) developed a dynamic theory of strategy highlighting that having a competitive advantage leads to higher and long term financial performance. Smith et al. (2015) stated that "competitive advantage refers to advantages that a business may have on another" that cannot be copied. "Porter suggests that a firm can gain a sustainable competitive advantage through adopting a business strategy of cost leadership or product differentiation" (Smith et al., 2015; Setiawan, 2019). Cost leadership means that a business can produce goods and services at a very low cost than other competitors, hence prices are lower. Examples of cost leadership are "economies of scale in production, superior process technology, tight control cost, and cost minimization" (Smith et al., 2015). Product differentiation means that the goods and services have different characteristics such as packaging, customer service, delivery, innovation, and quality or taste than those offered by the competitors. Smith et al. (2015) stated that there might be some firms who are cost leaders or product differentiators. Firms may choose either type of competitive strategy or both. Examples of Product Differentiation for McDonald's, are more food varieties such as chips, drinks, desserts, burger varieties, kids choice happy meals with toys, and breakfast menus (egg muffin, chicken muffin, and coffee to name a few). Quality ingredients used including more healthy choices such as vegetable burgers and salads. Use of brown paper bags for packaging, environmentally friendly, fast service (meals served within a few minutes of ordering) and finally practicing of cleanliness and hygiene (washroom, cooking area, and dining area).

Moreover, in the Contingency Theory, one of the contingent variables has been identified as a strategy. Management accounting control systems are influenced by contingent variables such as strategy and thus business performance. Competitive strategies such as cost leadership, firms can use activity-based management and activity-based costing to achieve better cost information and manage cost drivers to become a leader in cost (minimize product cost) and using cost management techniques and to better their supplier relationships. Product differentiation can be achieved through a better understanding of customer needs, tastes, preferences, and product innovations. Once strategies are made, managers must share the responsibility of implementing them and performance should be assessed on achieving these targets.

In addition, Han (2008) stated that McDonald's was one of the most successful fast-food restaurants globally because of its successful business strategy implementations. Han (2008) said that "there are many formulating strategies" in achieving business success such as "Porter's competitive strategies model which includes differentiation and low-cost leadership". McDonald's Corporation chooses the right strategies to be successful. Han (2008) stated that McDonald's business structure is based on geographical location however their main products are similar in many nations and as different nations have different food requirements, McDonald's, launch new products suited to local customers. For example, McDonald's Corporation does not have a variety of beef burgers for a country like India, where most people do not consume beef. It is unwise for McDonald's to offers more beef varieties as it will result in fewer sales. Han (2008) has stated that due to economic development, peoples living standards have increased with people more concerned about their health. To counter this, McDonald's has introduced healthier choices including salads and vegetable burgers. McDonald's also pays a lot of attention to children and has introduced happy meals with toys to attract sales from children. Han (2008) stated that if companies do not consider other competitors, consumer interests, and innovative ideas, firms will forgo their market share.

The strategies of McDonald's are highly correlated with its values. Horngren and Datar (2010) stated that McDonald's' vision is supported by five global strategies. McDonald's' strategies were placed on food quality, reasonable prices, and fast service and in a clean environment and a convenient location. "McDonald's generic strategy defines the firm's overall business approach for competitiveness. The intensive strategies determine McDonald's approach to growing its business in the global fast-food restaurant industry" (Gregory, 2008).

McDonald's primary strategy is cost leadership which is achieved through economies of scale, leading to lower cost and lower prices making McDonald's very competitive while sustaining market leadership. Cost Leadership is attained through the successful franchising business model. McDonald's business model in terms of its growth strategies is based on franchises (successful franchising model) to reach out to more people. The successful implementation of the franchise model as one of the financial strategies helps McDonald's to have a strong cash flow position as they receive franchise fees based on a percentage of sales (Andino, 2015). Thus, McDonald's Corporation does not have that much operating cost as they have more than 90% of franchises over the world, thus cost leadership is achieved.

In addition to the primary strategy, product, and service differentiation through innovative ideas such as more varieties of food, recycled paper packaging, taste, clean environment contribute to the long term success of the company. McDonald's continues to change its strategies in line with the changing business environment. McDonald's can penetrate the market through franchises and because of lower costs and prices, it makes it even more competitive to enter markets to tap market share. In terms of market development, McDonald's has restaurants in most part of the world giving intense competition to other similar restaurants, however, in terms of product development, McDonald's, continue to make changes to existing products and developing new products as per customer demand. Product differentiation plays a pivotal role in attracting new customers. McDonald's continues to open in many places where the company had no or less market presence (Gregory, 2008).

Some of the corporate strategies involved are expansion, franchising and adaptation strategies. The expansion involves tapping into new markets through franchising. McDonald's has more than 90% of the company operated through franchises (McDonald's Corporation, 2018b). In terms of adaptation strategy, McDonald's has offered quality food suited to a particular location or nation and the business has blended in very well into the locations. Business Strategies involve customers getting value for their money. Customers are satisfied with the product quality, price, and service given by McDonald's.

McDonald's strategies such as generic and intensive growth strategies continue to change due to market conditions to sustain long-term viability of the business. Furthermore, in 2017, McDonald's Corporation (2018a) stated that they have introduced their "Velocity Growth Plan", meaning "named as such because we are moving fast and in a clearly defined direction", to grow business and create value for our shareholders. The company needs to serve more and more customers focusing on their demand and creating value for their money. Some of the key strategies in the "Velocity Growth Plan" are customer retention, regaining lost customers through improving the taste, quality, convenience, and value for money, conversion of casual customers to a more loyal and committed customer. McDonald's has also identified three accelerators to boost growth such as digital (more time with customers), delivery (bringing McDonald's to more places), and experience of the future (upgrading customer experience in restaurants through technology and workers being able to create a lively environment).

To sum up, McDonald's key success lies with customer satisfaction through fast service, quality food, a clean environment, and affordable prices together with a good supplier relationship. Sustaining competitive advantage through providing more value to the customer, innovation, optimal business operations (extensive utilization of economies of scale to become cost leader), expansion and brand, and changing with market demand.

However, McDonald's, need to continue changing its values and strategies to remain competitive and leader in the market. McDonald's needs to continue its product innovations, variations offering a more environmentally friendly and healthy choice to remain consumers ' the most preferred choice of fast food. As consumers are being more health-conscious of the food they eat and the environment they live in, McDonald's needs to create a more healthy, sustainable, and environmentally friendly product to increase their market share and increase customer satisfaction. One strategy that McDonald's can use is aligning its products with customer demand to remain sustainable. Investing in sustainable farming (vegetables and meat - beef, chicken, and fish) and spending money on corporate social responsibility can boost reputation (corporate image) ensuring long-term profitability for the business. McDonald's should relook at its service differentiation to become the best service provider restaurant, employee differentiation to have high quality trained staff, and digital marketing and apart from the drive-thru, having home delivery services can boost further revenue to the company.

Application of Michael Porter's Five Forces Model

One of the forces includes new entrants in which the company can be affected by new business in the market. The threat of initial entry of businesses starting a fast-food chain restaurant and gaining an advantage over McDonald's is comparatively low. New fast-food restaurants may not be capital intensive compared to a global company such as McDonald's. Though new entrants have an opportunity in gaining an advantage and offering differentiated products and pricing, McDonald's has a high level of capital, suppliers, and extensive pricing of differentiated products. As such, McDonald's has an extensive plan and global outreach to achieve economies of scale and dominate the global market.

The bargaining power of buyers is how a customer can switch from one supplier to another depending on their different product range prices and preference. The power of buyers over McDonald's is comparatively high. A customer has many choices from different fast-food restaurants depending on their preference. Due to customers' change in preferences, McDonald's competes in terms of offering quality menu and price. As such, McDonald's should ensure in maintaining loyal customer by having proper marketing expenditures and considerations in the pricing strategies to be competitive.

The force of substitute products over the fast food industry is high. There are various substitute products for the customers to select from, such as frozen food, home-cooked meal, nutritious food, and so forth. The main attractiveness of fast food is its convenience, availability, and value. As such, McDonald's adapts to these trending challenges and reimages its product range to suit the needs of its customers.

There are various restaurant fast food outlets in the market which causes difficulties for McDonald's to retain its position in the market. The force of intense rivalry among competitors is high. In this industry, pricing and offering value are intense, for example, McDonald's and Burger King. Rivalry among competitors is high; as such McDonald's must have strong marketing initiatives and price competition to stay competitive.

Application of Balanced Scorecard for Mcdonald's Corporation

The balanced scorecard developed by Kaplan and Norton (1996) has gained worldwide recognition and has been institutionalized in many businesses as a well-known approach for managing and measuring performance (Isomorphism-good practices tend to be copied). Likewise for businesses to be successful in managing performance, McDonald's Corporation also uses a balanced scorecard approach to measure performance. The four perspectives in the balanced scorecard are aligned with McDonald Corporations Vision, Mission, and strategies. The strategies are transformed into action through the four perspectives of Kaplan and Norton's Balanced Scorecard. McDonald's performance measures are linked with its overall vision.

As the business environment continues to change, the balanced scorecards also must change. Since McDonald's vision and strategies are updated, the balanced scorecard measures must also change. The current balanced scorecard of McDonald's Corporation is also based on the four perspectives. In terms of the financial perspective, McDonald's main stream of revenue comes from a corporate-owned restaurant in locations, franchise royalties or fees, and rent. With the worldwide sales from both corporate-owned and franchisees, McDonald's Corporation can minimize business risk within the various markets and can cope up with increased competition from Wendy's, KFC, and Burger King. McDonald's revenue fluctuates with global economic conditions (McDonald Corporation, 2017). Some of the ratios may include profit margin, revenue growth, debt to assets ratio, return on assets, interest coverage, and revenue per employee, and profit per employee. These ratios are compared against the industry benchmarks.

Furthermore, in terms of customer perspective, McDonald's customers are looking for quick service with more emphasis on quality, freshness, healthy, and sustainable food offerings. Apart from attracting new customers, McDonald's is also working hard to retain customers in such a competitive business environment. Market share and low customer complaints are one of the highest priorities. Customers are more focused on food quality, hygiene, healthy and are more aware of sustainability issues such as beef sustainable production, environmental damage, and McDonald's giving back to the community in terms of corporate social responsibilities.

From the internal business processes perspective, McDonald's continues to focus on quality improvements, improved business processes, product consistencies, and innovations, product developments, raw materials or inputs used from sustainable sources, technological innovations used such as self-service, free Wi-Fi (internet hotspots) and reimaging and re-branding. These strategies from internal business processes are linked to achieving the customer perspective and finally the financial perspective.

In addition to the above perspectives, learning and growth play an important role in achieving all the other perspectives. McDonald's Corporation focuses on the needs of its employees as top priorities because, without the employees, McDonald's will not be able to achieve its objectives. If employees are happy, this will lead to improved processes and products in terms of quality and service enhancing customer satisfaction leading to more sales and thus achieving the financial KPIs leading to achieving the overall objectives of the business. Some of the scorecard measures include employee satisfaction, training, knowledge and skills, employee turnover (low is good less training cost involved), and employee development and compensation/employee rewards. "McDonald's has an actual Hamburger University where it trains restaurant managers on all necessary aspects needed to run an efficient restaurant operation.

McDonald's shows that it is committed to training its managers to follow its recipe for success in offering Quality, Service, Cleanliness, and Value" (Andino, 2015).

However, with the current business environment, strategies need to be reformulated for businesses to remain competitive in the complex business environment. Likewise, balanced scorecard measures need to change. The current balanced scorecard of McDonald's may not be applicable in the future since the strategies have to be changed so do the measures. The measures of performance have to change with new strategies implemented by McDonald's. Another aspect of the Balanced Scorecard for McDonald's is that it cannot be applied in general. The scorecards need to be suited to individual businesses for effective measurement of business performance. Finally, the four perspectives developed by Kaplan and Norton cannot be seen as a means to an end (consistent with the Functionalist perspective). Other perspectives can be developed and added to the balanced scorecard which is not captured in the McDonald's balanced scorecard. There might be some other non-financial aspects that may have been missed out which is critical to the success of the business. Aspects such as adding the sustainability perspective to McDonald's balanced scorecard or corporate social responsibility or social obligation (Community) perspectives or wider stakeholder's perspective may be equally important apart from maximizing financial or shareholders wealth.

Current Balanced Scorecard of Mcdonald's Corporation

Table 1 *Financial Perspective*

Objectives	Performance Measures	
	Lag Indicators	Lead Indicators
Financial Perspectives		
Improve Returns to Shareholders	Return on Owners Equity	Cost per Product
Improve Profitability	Product Profitability	Profit per Product
Increase in Sales	Return on Investment	Cost of Inputs
Reduce Costs	Economic Value Added	Amount of Sales Made
Expand Business Over the World	Residual Income	Average Price per Product (Food)
(Franchising Business Model)	Product Cost	Amount of Profit Made
	Return on Franchise	Number of New Franchises
	Return on Corporate Restaurants	Amount of Revenue from Franchises
	Return on Assets	Amount of Investments Made
	Franchise Management	Sales Mix
	Interest Coverage	% of Franchise Royalties/Fees
	Debt Ratio	Rent as a % of Sales
	Sales Growth	Marketing Mix
		Number of Drive-Thru Shops
		Profit Margin
		% of Revenue Growth
		Revenue/Profit per Employee
		Sales Growth in %
		% of Debt

Table 2 *Customer's Perspective*

Objectives	Performance Measures	
	Lag Indicators	Lead Indicators
Customer Perspectives		
Increase Customer Satisfaction	Customer Satisfaction Measure	Number of Customer Complaints
Expand the Customer Base	Customers	Number of New Customers
Customer Demand	Market Share	% of Customers Retained
Distribution Channel	Offer Innovative Food Varieties	Number of McDonald Branches
Customer Perception	Customer Focus Areas	Avg. Time to serve customer/Order
Customer Loyalty and Attitude	Sales Revenue	Customer Ratings (1 to 5 Stars)
Customer Affordability	Customer Retention	Number of Food Varieties
	Product Prices	% of Customer known nutrition Information
		Number of Healthy Choice meals
		Avg. Time taken to make Order/Product
		Number of Foods deemed affordable
		Number of New Products Introduced
		Average price per meal
		% of Market Share Attained
		Customers Participating in Promos
		% of meals in demand
		% of Sales from Meals in Demand
		Average Advertisement expenditure

Table 3 *Internal Business Processes*

Objectives	Lag Indicators	Lead Indicators
Internal Business Processes		
Improve Reliability of Services	Product Development	Time taken to develop new products
Improve Productivity	Meal price	Material Wastage
Maintain/Improve Quality of Food/Products	Time Taken for Food Completion	Electricity Cost per Product
Improve Quality of Facilities	Labour productivity	Number of Orders Completed
Create New Innovative Products	Supplier Selection	Number of Contracts with reliable suppliers
Improve the Efficiency of Production Processes	Store Cleanliness/Hygiene	% of Fresh and Sustainable Inputs
Improve Environmental Performance		Number of environmental-related projects
Lower Food Prices		Number of Service/Food/Facilities Complaints
Franchise Management		Number of Franchises Managed
Technological Innovations/Advancement		Number of Hotspots/free Wi-Fi

Table 4 *Learning and Growth*

Objectives	Performance Measures	
	Lag Indicators	Lead Indicators
Learning and Growth		
Improve Employee Satisfaction	Employee Satisfaction Survey	Number of Improvements made to Employee facilities
Improve Employees Knowledge and Skills	Training Programmes	% of Employees completing training programmes
Organizational Learning	Employee Qualification/ Experience	Participative Budgeting
Training and Development	Innovative Food Concepts under	Improvements in Working Conditions
Develop Innovative Food Ideas	Development	Number of employee suggestions taken into consideration.
	Employee Compensation	Number of qualified and experienced Staff
		Number of Trained Employees
		Staff retention ratio/Employee Turnover %
		Number (%) of Store managers certified by Hamburger University
		Number of hours of staff development/training
		Number of New Innovative Food Ideas under Development
		% of Pay Increase/Appraisal
		% of employees satisfied with the training given

This Current Balanced Scorecard of McDonald's Corporation was prepared using the following resource materials:

- 2017 Annual Report of McDonald's Corporation
- 2011 Sustainability Score Card for McDonald's Corporation
- McDonald's Corporation Strategic Analysis by Andino (2015)
- Management Accounting by Smith et al. (2015)

Sustainability Issues Relevant to Mcdonald's Corporation's Operations

"Sustainability requires organizations to consider the interrelated impacts of their activities on the economy, the environment and society. Sustainability is based on the concept of sustainable development, which meets the needs of the present without compromising the ability of future generations to meet their own needs" (Smith et al., 2015). The concept of sustainability is vital and critical for businesses to consider the impact of their activities on the environment, economy, and society. This involves generating revenue in ways that cause minimal damage to the economy, environment, and community in which we live, work, and operate.

Furthermore, this has led businesses to adopt sustainable reporting practices which lead them to practice and prepare "reports that measure and communicate the economic, environmental and social impacts of organizations activities" (Smith et al., 2015). Sustainability reports are also known as triple bottom line reports, corporate social responsibility reports, and social or environmental reports. Most businesses use sustainability frameworks such as Global Reporting Initiating Frameworks (GRI), The International Integrated Frameworks to monitor and report sustainability (Smith et al., 2015). There are many benefits of sustainable performance reporting such as improved reputations, more sales, reduce risks, innovative products, and greater market share. However, KPMG International, 2013 cited in Smith et al. (2015) stated that sustainable reports are highly criticized due to firms' painting a rosy picture by providing favorable sustainable reports without actual sustainable practice for the betterment. Thus, does not contribute to sustainable performance unless and until firms are following it and contributing to a sustainable environment, economy, and community. However, with strict GRI guidelines, firms are not able to easily deceive the stakeholders.

McDonald's Corporation sees environmental and societal issues as serious concerns and the company is very keen and active to promote sustainable development through their various programs and initiatives undertaken at regional and global levels. The 2017 Annual Report of McDonald's Corporation stated that "the company continuously endeavors to improve its social responsibilities and environmental practices to achieve long term sustainability, which benefits McDonald's and the communities it serves" (McDonald Corporation, 2017).

The sustainability issues relevant to McDonald's Corporation are the Environment, Society and Economy. These are the three key pillars of sustainability. Firstly, in terms of the environment, "the company monitors developments related to environmental matters the company has already begun to undertake its initiatives relating to the preservation of the environment, including the implementation of more energy-efficient equipment and management of energy use and more sustainable sources practices in many of its markets" (McDonald Corporation, 2017). McDonald's Corporation is concerned with protecting the environment in terms of air, water, and land pollution as such introduced the use of recycled papers for food packaging rather than plastic and waste and energy reduction programs. The paper bags are more user and environment-friendly. In terms of sustainable reporting, McDonald Corporation has developed corporate social responsibility reports using scorecards and using the Global Initiative Reporting Framework for its reporting. McDonald's strives to be an environmentally responsible and community reputable business. In 2011, McDonald Corporation developed the Global Sustainability Scorecard measuring the progress and achievements in sustainability. Apart from the environment, McDonald's has been promoting nutrition and wellbeing by introducing healthy and quality meals from sustainable inputs. McDonald's has very strict requirements for quality food and safety standards. Andino (2015) stated that McDonald's appreciates the sustainable business model focussing on energy conservation and waste reduction. McDonald's continuously reviews its supply chain practices with more organic and sustainable sources of food (Andino, 2015).

Moreover, when it comes to food sources, McDonald's ensures that food inputs are from sustainable sources of supply. McDonald's has an Animal Welfare program that looks into sustainable beef production, restriction in the use of antibiotics on animals for meat purposes, proper treatment of animals, and management and care. Other environmental initiatives undertaken by McDonald's involve collaborating to protect rainforests; minimizing environmental impacts of food through environmental scorecards such as sustainable fisheries program, reducing and managing solid waste through reduce, reuse and recycle, conserving natural resources, encouraging environmental values and practices, environmental accountability, environmental education programs, awareness through picture advertisement on the paper package on endangered animals, practising energy efficiency through green building, energy management and energy-efficient sources and finally sustainable packaging and waste management (McDonald Corporation, 2006).

The next sustainability issue is the economy. McDonald's Corporation contributes to the economy of many nations' in terms of gross domestic product, economic growth, employment, human and physical capital, economic development, productivity, and technology keeping in mind future generations and making the world a better place to live in than to worsen it. In terms of social or community, McDonald's ensures that its operations have maximum benefits to the society such as offering quality and healthy food as people are more aware of their health and environment. Minimizing negative externalities imposed on the society as a result of McDonald's operations such as health cost due to their food being unhealthy (mostly fried foods with high sodium or salt content) and environmental damage through the land, water, and air pollution. However, McDonald's Corporation continues to give back to society and its stakeholders in terms of its corporate social responsibility, community sponsorship, corporate social reporting, employee involvement corporate volunteer programs, and creation of Ronald McDonald charities in cash or in-kind and. The charity aims to support children in terms of their health and wellbeing. Such programs lead to an optimistic change in society. Society also looks forward to corporate to give back as a social obligation. This boosts corporate image, reputation in society boosting profits for the company in the long run. This is consistent with the Social Contract Theory and Legitimacy Theory in terms of meeting society's expectations.

Thus, sustainability issues are very much relevant to McDonald's Corporation's operations because huge profits are generated from the sources where sustainable issues are very much common. Since McDonald's derives huge financial benefits, they need to conserve the environment for future generations. The sources of revenue are derived from the environment and community. McDonald's Corporation needs to ensure that they do not exploit the environment and people to generate surplus value or have a negative effect on society. An idea developed from Marxism - Capitalism and the labor process. Exploiting and squeezing out the surplus value from labor. Therefore, McDonald's engages in sustainable practices such as conserving the environment and energy and corporate social responsibility by giving back to its people so that they continue to be profitable, dominant, and sustainable in the long run. Otherwise, there would be serious implications for not engaging in sustainable practices such as loss of sales, profitability, market share, reputation and the future of McDonald's could be at stake. Thus, McDonald's Corporation takes sustainability issues as a serious business to ensure their long term survival in the global fast-food industry as number one.

Alternative Ways Sustainability Issues Can Be Reflected on Mcdonald's Corporation Current Balanced Scorecard

Furthermore, one way in which sustainability issues could be reflected in McDonald's Corporation's BSC is through building sustainability measures into the current BSC. McDonald's can "integrate relevant lag and lead economic, environmental, and social measures within existing BSC perspectives, by working from sustainability strategies and objectives through the normal BSC cause and effect process. Given the wider range of stakeholders that influence and are influenced by the sustainability approach", customers may be redefined as a stakeholder or social perspectives (Smith et al., 2015). Fig. 3, gives an example of how McDonald's can blend in with the sustainability issues relevant discussed above within the four perspectives.

Financial perspective	**Stakeholder perspective**
▪ % sales revenues from green products	▪ Sustainability awards
▪ Recycling revenues	▪ Funds donated for community support
▪ Energy costs	▪ Number of community complaints
▪ Fines and penalties	▪ Employee satisfaction
Internal business process	**Learning and growth**
▪ % of suppliers certified	▪ Diversity of workforce and management
▪ Volume of hazardous waste	▪ Cost of employee benefits
▪ Packaging volume	▪ % of employees trained in sustainability
▪ Number of product recalls	

Source: Adapted from Epstein (2008, p. 138)

Figure 3 *Sustainability Issues Infused Within Four Perspectives. (Source: Smith et al. (2015) Adapted from Epstein)*

Moreover, the second way in which sustainability issues could be reflected in McDonald's Corporation's BSC is through adding environmental or social perspective to the BSC. Smith et al. (2015) stated that apart from infusing sustainability issues into the four perspectives, some businesses may add as an additional or fifth perspective. A fifth perspective should only be added if sustainability issues such as environmental and social impacts do not fit within the other four perspectives. Epstein cited in Smith et al. (2015) stated that adding another perspective may be possible where:

- Sustainability is considered a part of the business' core strategy and important to creating competitive advantage.
- This additional perspective is needed to focus managers' attention on sustainability as a core corporate value.
- A business has important sustainability issues, for reputation or impact.
- Resources allocated to sustainability are large (as this perspective will emphasize the link between the use of these resources and strategy)",

It is important that when an additional sustainability perspective is added to the existing four, it links up with the other perspectives and shows the cause and effect through a strategy map. The economy, environment, and social impacts are linked to relevant measures in each of the original perspectives (Smith et al., 2015).

Table 5 *Sustainability Perspective*

Objectives	Performance Measures	
	Lag Indicators	Lead Indicators
Sustainability Perspective		
Economy	Recycled Papers	% of Bio Fuel/diesel
Environment	Energy Management	% of recycled package
Society/Corporate Social Responsibility	Pollution	% of supplier package
Sustainable Reporting	Animal Welfare	Amount of energy cost
	Rainforest/Mineral	Energy usage per transaction
	Energy Efficiency	% trained in sustainability
	Training	Amount of Donations
	Offering Menu Choice	% of Animals treated with care
	Suppliers	Conservation - number of the cleanup campaign
	Community	Amount donated
	Choices	Number of frameworks used
	Restricting antibiotics	Number of animals got antibiotics
	Consumer/Employee Awareness	% of Beef/chicken/fish sustainability
	Sustainable Reporting Frameworks	% of sustainable and healthy food
		% of consumers/employees aware of sustainability
		Number of Sustainability frameworks used in reporting
		Community Fun Race - Promoting Healthy Living
		% resource consumption/conservation of environment

This sustainability addition to the current BSC of McDonald's Corporation was prepared using the following resource materials:

- 2017 Annual Report of McDonald Corporation
- 2011 Sustainability Score Card for McDonald's
- McDonald Corporation Strategic Analysis by (Andino, 2015)
- Management Accounting by (Smith et al., 2015)

Finally, the third way in which sustainability issues could be reflected in McDonald's Corporation's BSC is through developing a separate sustainability scorecard. McDonald's Corporation has already prepared a separate sustainability scorecard that shows their progress and achievements in meeting the targeted sustainable goals. The reference point is the 2011 Global Sustainability Scorecard for McDonald's. The 2011 sustainability scorecard was prepared using major headings such as nutrition and well-being, sustainable supply chain, environmental responsibility, employee experience, and community. The common performance indicators addressed three major sustainability issues namely economic, environmental, and societal goals in a separate sustainability scorecard of McDonald's.

IMPLICATIONS OF CURRENT FINDINGS

In this research study, it was found that for a business to remain competitive and dominant especially in the fast-food industry, an entity needs to continuously change its strategies and values and keep up with consumer demand. This was evident in McDonald's Corporation. Some of the strategies used by McDonald's Corporation are cost leadership and product differentiation and franchising. Michael Porters Theory of Dynamic Strategy was applied to this corporation and it was found that the strategies used by McDonald's Corporation were backed by this theory. Franchising as a business model was used by McDonald's Corporation to reach out to the rest of the world which became very successful in achieving cost leadership.

Furthermore, product differentiation and tapping into the niche market were some of the other strategies used. This study has shown that for a business to be successful, especially in the fast-food industry, then innovation and strategic change is vital. Research and Development also plays a key role in identifying markets for your products and the types of products suited for that market. Without knowing what your customers want can be a risky business. I believe McDonald's Corporation has effectively captured the market with its innovative marketing and research.

McDonald's Corporations not only penetrates markets through franchising but offers value for money including products suited for that market such as a salad burger for attracting health-conscious customers. Food and service quality also played an important aspect in retaining market share as customers want a clean and hygienic environment which this corporation has delivered. McDonald's Corporation also takes sustainability issues very seriously. They have developed a Global Sustainability Scorecard showing their achievements and targets towards tackling sustainability issues. A balanced scorecard was developed for McDonald's corporation with the sustainability component incorporated to show that these might be the things that this enormous entity is focussing on or strategizing on.

To sum up, McDonald's key success lies with keeping the customers happy through fast service, quality of food, cleanliness, price, and value for money. However, if McDonald's want to remain the top fast food provider in the world food industry then continuous strategy change remain competitive, product innovations and variations, health-conscious, sustainable practice, corporate social responsibility reputation, relook service and employee differentiation and home delivery to boost further sales need to be continuously looked at.

CONCLUSION

McDonald's Corporation has been in the fast-food industry for a long time. McDonald's was and can dominate and sustain in the industry due to their continuous change in business strategies with the changing business environment. The company's history has dated back to 1948 in which it was opened by the McDonald brothers that had revolutionized the fast food industry and were later brought by Mr. Ray Kroc who made it into a global franchise firm. The business has continuously followed its vision and goals that are aligned with its core values which have slightly changed over the years this can be in terms of service quality, cleanliness, and values. In addition, McDonald's has an extensive supply chain that helps ensure the running of the operation and all delivery of goods and services are met. The primary and support activities are co-related in whereby various methods, techniques, policies, procedures, and communication are emplaced in each stage of activities to ensure that operations are undertaken. The strategies were highly correlated with their mission, vision, and core values. Strategies such as cost leadership, product differentiation, and franchising all over the world have made McDonald's very successful and very competitive.

The firm has developed a Porter's five forces model to create strategies and having a competitive advantage which can lead to higher financial performance and continue to maintain their position in the market. The balanced scorecard helped McDonald's to measure its performances against the targets set with an overall perspective of achieving the long term goals of the business. McDonald's Corporation is also very much concerned with the sustainability issues and has partnered with various stakeholders to work towards achieving the sustainability goals and have incorporated sustainability issues as part of their performance measurement. If McDonald's wants to continue through the path of success, they need to be changing their core values, strategies to keep up with the pace in changing global demands, and complex business environments.

LIMITATIONS AND SCOPE

This research paper was based on one of the largest fast-food industries in the world. There are many other fast-food industries that were not taken into account. This research is a case-based analysis that is grounded in theory. The purpose of the paper is to prove the theory using a case-based approach.

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