

# Managing Sustainability and Operational Excellence: Case Study of McDonald's

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**Abstract:** From an economic perspective operational excellence in any company whether small or large corporations, is measured based on the overall efficiency in operations costs and operational models such as six-sigma, lean manufacturing, among others. Pollution reduction, efficiency in processing, reduced pollution rate, increased environmental sustainability, and engagement in social sustainability increases opportunities and enhances overall safety in and outside work.

**Keywords:** McDonald; Managing sustainability

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## Introduction

Operation excellence is defined as the process of executing a business strategy consistently and more reliably than competitors resulting in increased revenue, lower operational costs and lower operational risks. It is widely accepted that the concept of operation excellence and efficiency revolves around three key areas: economic, social, and environmental aspects. From an economic perspective operational excellence in any company whether small or large corporations, is measured based on the overall efficiency in operations costs and operational models such as six-sigma, lean manufacturing, among others. Pollution reduction, efficiency in processing, reduced pollution rate, increased environmental sustainability, and engagement in social sustainability increases opportunities and enhances overall safety in and outside work. Operational excellence sets out three types of sustainability namely: (1) social sustainability; (2) economic sustainability; and (3) environmental sustainability (Henríquez-Machado, et al., 2021). Understanding McDonalds degree of implementation of operational excellence and sustainability is a critical goal in this case study.

## 1. McDonald Overview and its Business Model

McDonald is a US-based multinational fast food corporation founded in 1955 in San Bernardino California, U.S.A. As at January 2022, McDonald ranked as the third leading food service organization globally after Starbucks and compass group at second and first respectively. McDonald which generates over \$4 billion sales annually operates over 40,031 restaurants in more than 100 countries and serves over 69 million people on a daily basis (Statistica.com. 2022). With a recognized brand, the company employs over 200,000 employees globally and already has an unparalleled infrastructure and competence in retailing, restaurant operation, real estate, marketing and franchising. McDonald attributes its global reach and competitiveness to good customer service and extensive community outreach (Ganti, 2022). The companies realizes that consumers will always chose value and have gone an extra mile to integrate value-centered system where employees are trained to be courteous and helpful to customers. Its mission statement and motto are, "Quality, Service, Cleanliness, and Value" (Elisha, 2019). Guided by the mission statement, the company has centered on good customer service and as a result attained operational excellence in many areas (Carvalho, et al., 2019). McDonald is so not only focused on food safety but also committing to environmental protection in all aspects.

## 2. McDonald Operational Tools and Excellence

According to Henríquez-Machado, et al., (2021) operational excellence refers to the overall assembly and distribution of product to achieve a specific task. Excellence on the other hand refers to a goal that must be maintained and sustained to maintain competitive advantage. As such, operation excellence directly refers to the improvement of performance and increased efficiency

in all dimensions of a business (Venugopal and Saleeshya, 2019). Operating performances looks at areas such as quality, expense, and resilience, whereas sustainable performance looks at areas such as managing individuals and resources in an efficient manner to support business expansion and continuity. In order to increase customer value, McDonald has integrated operational excellence into its company operations. Its global strategy to maintain operational excellence is well structured and maintained (Aguilera and Ruiz, 2019). The company's operational management strictly supports key areas perceived to major determinants of its success and sustainability.

## **2.1 Design of Goods and Services to suit customer tastes and preferences**

McDonald's key goal in its strategic operation is to offer affordable and customer preferred products. Operational excellence is attained majorly through customer satisfaction. McDonald has always designed its products based on the most popular consumer expectations making it easier for them to maintain higher consumer preference rating yearly. In 2017, the company rolled out a model dubbed the Velocity Growth Plan, as the company's ideal customer-centric strategy aimed at identifying and enhances its key drivers of business namely food, value, and customer experience. In the model, the company highlighted three key areas of maintaining its consumer preference rating and included retaining existing customers, regaining new customers, and converting casuals to regular and committed customers. Over the years, it increased number of restaurants offering deliver services and currently the service is available in over three-third of its global system. The company seeks to maintain its operational excellence and sustainability by keeping up fully with emerging trends.

## **2.2 Supply chain and Inventory management**

Operational efficiency is highly attributed to the overall success of the supply chain and inventory management. McDonald as a key player in the fast-food market understands that operational excellence and economic sustainability are determined by how well a supply chain and inventory system is operated. McDonald follows the mini-lean manufacturing process where the sole goal is to minimize waste, eliminate overproduction, reduce waiting time, process waste, manage inventory, and reduce defects (Deshmukh, et al., 2022). The lean philosophy is to allow the company meet its demands while at the same time ensuring total adherence to quality and minimal waste. McDonald now has systems that allow the restaurants keep finished products in standby so as to enable a quick response whenever demand arises. This has eliminated risk of overproduction.

## **3. Sustainability Excellence**

McDonald has integrated operational excellence in its day-to-day operations. The company's mission statement mandates the organization to have a positive impact in communities while driving towards growth and success. Working with total adherence to the United Nations (UN) Sustainable Development Goals (SDGs) the company has for the past few decades emphasized on creating an ambitious roadmap for businesses, state, and society to work as a team. UNs SDGs are important for McDonald stakeholders including farmers, suppliers, communities, partners, and advisers. Macdonald has mapped its initiatives to SDGs in order to drive actions that are meaningful and beneficial to the wider society. McDonald has initiatives in place which address all SDGs and some of the key areas impacting change include:

### **3.1 Zero Hunger, Decent work and economic growth**

The universal agreement is that people should have access to nutritious and sufficient food all year round. McDonald is committed to offering safe, nutritious, and sufficient food sourced through channels and people who respect the planet and communities around them. McDonald has role of ensuring that it creates a future if quality, secure and sustainable food because where food comes from is a significant matter to the consumers, communities, and the environment. Ingredients are a significant aspect of McDonalds raw materials, and therefore must be sourced responsibly and in ways that support farmers. With reference to nutrition, the company has a responsibility to offer foods that impact children and adults in the healthiest way possible (Chakraborty, Sharma, and Vaidya, 2020). With reference to decent work and economic growth, the company has a responsibility to reduce unemployment and impart people with useful skills, especially the young people. McDonald franchises employ over one million people worldwide thus offering meaningful employment, opportunities, and are the number one promoter of inclusion and diversity in and outside their premises. McDonald has created an environment of inclusiveness which has empowered all its stakeholders to strive towards full potential and have clear understanding of equity, inclusion, diversity, climate change, and all other forms of partnership strategic to organizational success.

### **3.2 Climate actions and Responsible Production and Consumption**

Climate change remains one of the most dreadful environmental issues facing us today. Climate change affects everyone including

customers, supply chain, employees, and the wider community. McDonald has taken the ideal role of mobilizing its value chain to act and find ways to reduce impacts of climate change. McDonald with collaborations with franchises, farmers, suppliers, and employees have collectively worked towards a reduced emission rate and enhanced climate resiliency. Since 2015, the company together with its stakeholders have managed to achieve an 8.5% reduction in absolute emission in restaurants and offices (Kozakowska and Täljedal, 2020). It also attained a 5.9 decrease in its supply chain emissions since 2015. While finding ways to reduce climate change impacts to manageable levels, McDonald is committed to managing its operational costs in its energy supply as well as reducing its exposure to increasing environmental risks.

#### **4. Discussing MacDonaldis Context of Operational excellence and Sustainability**

As argued, Operational excellence is an organization simply refers to how operations side of the business support the strategic goals of the business. Organizations that seek to maintain a competitive edge uses stakeholders needs as key inputs for the development of strategic goals and guidelines. Organizations that continuously strive to fulfil stakeholders' expectations easily attain business success and creates room for continuous improvement of processes (Deluge C. Exzellenz, 2012). As seen with, McDonald, the ideal ways to gain operational excellence is to find ways to reduce waste both in the value chain processes and activities as well as within all existing linkages (Venugopal and Saleeshya, 2019). Time wastage comprise about 40% of a company's operational time in business and finding ways to minimize time waste is the first step towards operational excellence. Operational efficient and sustainability opens room for system-wide improvements starting from the economic, to environmental and to social aspects. Attaining sustainability in all these key areas of the business sets room for operational excellence (Carvalho, et al., 2019). Economic improvements ensures that the company minimizes wastes, reduce operation expenses, and increase its profit growth. McDonald operational excellence and sustainability excellence is based solely in its overall ability to strike a balance in all areas of operation.

#### **Conclusion**

In conclusion, operational excellence and sustainability offer solutions to the improvement of a company's economic, social, and environmental performance. With reference to McDonald, it is evident that operational excellence and sustainability is not just a theoretical concept but a philosophical concept that drives better performance for attainment of the company's strategic goals. Repeated cycles of innovations, failures, and improvements creates a new culture of wanting to consistently refine processes and people. McDonald company understands that operational efficiency comes mainly by creating value to its customer. Failure to deliver value creates room for failures and eventual closure. As such, operational excellence has proved to be a tool necessary for building a competitive edge. Its major benefit to McDonald and other businesses is its ability to enhance teamwork and drive for innovation. Operational excellence technically demands efficient processes and an ever-ending customer satisfaction.

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