Ethics & McDonald's



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Phase I:

Introduction of the Business Organization

The Ethical History of McDonald's

1940

The McDonalds Brothers founded the first ever McDonald's

1961

Ray Kroc strong arms the brothers into a buyout

1962

Ray Kroc hires a team of lawyers to justify his refusal to pay the McDonald's brothers

Today

The McDonald family has still never seen a penny

Phase II:

Review Business Organization, Ethics Programs, and Brand

Standards of Business Conduct

The Promise of the Golden Arches



"The basis for our entire business is that we are ethical, truthful and dependable."

Phase 2 - Ethics Programs: Practices and Policies

- Hundreds of policies, but most are legal protection, and for the bottom of the leadership hierarchy.
- Policy is to follow the law, with some relevant additions.
- Standout Policies:
  - Product Safety
  - Whistleblower Protection
  - Employment Practices
  - Acting in Best Interests
  - Conflicts of Interest
  - Corporate and Social Responsibility
  - Fair Competition and Antitrust

Phase 2 - Ethics Programs: The Training Regime

- **Aimed at producing effective leaders from top-down within the organization's structure.**
  - **Typically start with regional personnel not senior leadership.**
- **Training courses for prospective branch managers offered abundantly.**
- **Training the managers**
  - Points of emphasis:
    - Effective Task Delegation
    - Maintaining Effective Hierarchical Communication
    - Establish Protections for Confidential Information
    - Data Privacy (External to Organization) for Employees & Trade Secrets

Phase 2 - Ethics Programs: The Rules and Regulations

- Rules and regulations aimed to sponsor moral operation of employees:
  - Uphold the principles of the Mcdonald's Corporation.
  - Maintain high standards for work and business conduct.
  - Know/utilize the Business Integrity phone line.
  - Fulfill the rigorous expectations for safety and quality.
  - Fulfill the protection of trade secrets.
  - Know reporting retaliation protections.
  - Comprehend human right provisions.

Phase 2 - Ethics Programs: Stakeholder Matrix

Key Stakeholder	Role	Influence	Importance	Needs, Interests, Desires	Ways to Manage Expectations
Board of Directors	Ownership	Significant	High	Want to increase profits and build infrastructure for long term growth.	Regular meetings with performance updates and forecasts for the company.
Management	Franchisee	Some	Low	Want to front fewer costs.	General transparency.
Investors	Ownership	Significant	High	Want return on investment.	Similar to Board of Directors: Regular releases and meetings Branding updates.
Employees	Benefactor	Little	Low	Want stability in payment and workload.	Consistent onboarding and HR services.

Phase 2 - Ethics Programs: Stakeholder Matrix

Key Stakeholder	Role	Influence	Importance	Needs, Interests, Desires	Ways to Manage Expectations
Customers/Consumers	Benefactor	None	High	Want access to cheap fast-food which aligns with current societal values.	Advertising and Branding campaigns. Sponsored social and charity events can also help to manage expectations.
Suppliers	Benefactor	Significant	Medium	Want stability and flexibility in contracts with McDonald's.	Well negotiated contracts and representatives.
Governing Bodies	Oversight	Significant	Medium	Want to protect the wellbeing of the communities where McDonald's is present, and ensure lawful behavior.	Press Releases and Lobbyists.

Phase 2 - Ethics Programs: Successes and Failures

- Successes:
  - Consistency
  - Brand Saturation and Penetration
  - Automation of Process/Technologies
  - Approach of Modernizing Tradition: Breakfast Menu

- Challenges/Failures:
  - Wasteful Practices
  - Environmental Considerations
  - General Consideration of Health Impact

Phase III:

Analysis, Substantive Conclusions, and Recommendations

What About Today?



An interview with Chris Kempczinksi, the current CEO of McDonald's

Ethical Issue #1 - Corporate Bullying

- The McDonald's Corporation Franchises it's restaurants
- Franchisees must follow a strict contract
- That contract requires them to use outdated machinery
- Franchisees are still responsible for maintenance costs!
- McDonalds pays less for new restaurants
- Franchisees are cheated out of potential profits



"It's a huge money maker to have a customer that's unable to make fundamental changes to their own equipment."

– JEREMY O'SULLIVAN

Stakeholders & Consequences

Stakeholder	Consequences
Franchisees	Higher Maintenance Costs, Damaged Reputation
Employees	Increased stress, Lack of Safety
Consumers	Lack of Variety, Lack of Reliability

01. Utility

Does it optimize the satisfaction of all constituents?

- This practice does *not* optimize satisfaction.

02. Rights

Does it respect the rights and duties of the individuals involved?

- This practice does *not* respect the franchisers right to repair, and denies employees a right to workplace safety

03. Justice

Is it consistent with the canons of justice?

- This practice is *not* consistent with the canons of Fair Compensation and Fair Blame

04. Caring

Is it consistent with my responsibility to care?

- This practice is *not* consistent with McDonald's right to care about their franchisees



Recommendation

Open supplier contracts for bid! The resulting competition could return even more than the money saved on the outdated machinery.

Ethical Issue #2 - Unethical Working Conditions

- History of discrimination, sexual harassment, sexual misconduct, and low wages.
- Managers abuse of power
- Known for ignoring sexual assault allegations, therefore increasing the potential victim count.
- 2019- Anonymous hotline ⟶ ineffective.
  - Reprimanded for “disturbing the workplace”

Company: The McDonald's Corporation and Rice Enterprises

Ethical Issue: Unethical Working Conditions

Stakeholders Impacted: Board of Directors, investors, management, governing bodies, and employees

Societal Consequence: Negatively influences other organizations to tolerating unethical behavior and creates an unsafe work environment as the norm.

Recommendations: Background checks, zero-tolerance policy, increase security cameras, and increase pay

01. Utility

Does it optimize the satisfaction of all constituents?

- No, the McDonald's Corporation does not optimize the satisfaction of all constituents.

02. Rights

Does it respect the rights and duties of the individuals involved?

- No, the McDonald's Corporation does not respect the rights and duties of the individuals involved.

03. Justice

Is it consistent with the canons of justice?

- No, McDonald's Corporation is not consistent with the canons of justice.

04. Caring

Is it consistent with my responsibility to care?

- The McDonald's Corporation is not consistent with their responsibility to care.

Ethical Issue #3 - Data and Technology Practices

- Deceptive data collection strategies and policies.
  - Buying habits and identifying information.
  - Geolocation data.
- Use of targeted advertising and AI to market to consumer populations.
  - While not the implementer, use of services is still questionable.
- Overall questionable processes regarding customer wellbeing.
  - Putting bottom line profit over consumer stakeholders.

Company: The McDonald's Corporation and Rice Enterprises

Ethical Issue: Data and Technology Practices

Stakeholders Impacted: Board of Directors, investors, management, employees, and customer populations.

Societal Consequence: Advertising: Primarily long-term in scope and is most dangerous to influential population groups such as children or teenagers.

Recommendations: Establish more appropriate policies regarding data transparency to customers. Lead by example and allow granular data control. Possible rewards systems for forthcoming data access.

01. Utility

Does it optimize the satisfaction of all constituents?

- No, the McDonald's Corporation only optimize the satisfaction of beneficiaries to increased profit.

02. Rights

Does it respect the rights and duties of the individuals involved?

- No, the McDonald's Corporation is impacting the implied rights of data privacy .

03. Justice

Is it consistent with the canons of justice?

- No, McDonald's Corporation is not consistent with the canons of justice with respect to the fair administration of rules.

04. Caring

Is it consistent with my responsibility to care?

- The McDonald's Corporation's targeted advertising and data collection is dismissive of the notion of caring about the consumers.

Substantive Conclusions: Part 1

What portions of their ethical behaviors, standards, policies and practices do you support?

- Innovation
  - Ordering kiosks, order ahead
- Automation
- Efficiency
- General standards/policies are as expected but need to be more strict

Substantive Conclusions: Part 2

Is this a company you would like to work for and be affiliated?

- We do not support an organization that does not ensure a safe work environment with the absence of discrimination, sexual harassment, and low wages.
  - No, we would not like to work for or be affiliated with the McDonald's Corporation.

Substantive Conclusions: Part 3

What are your overall recommendations?

- Prioritize the well-being of their employees as critical stakeholders.
- Establish a zero-tolerance policy.
- Decrease room for ambiguity in the code of conduct.

Thank you

Any Questions?