

McDonald's



The System...

Since the company's foundation, when founder Ray Kroc set an example of trust and commitment with its business partners, McDonald's has had a deep-seated culture of partnerships with suppliers that are mutually beneficial over the long term. The "System" concept of Kroc is sometimes compared to a three-legged stool. Employees of McDonald's make up one leg, restaurant owners and operators make up another, and McDonald's supply partners make up the third leg.

Only the stool's three legs can support its weight. This indicates that McDonald's is equally supported by its suppliers, franchisees, and employees. According to Kroc, success would come to him if the suppliers and owners of the restaurants were successful. In other words, McDonald's, its owner/operators, and its suppliers all have a stake in one another's success. Simply said, each must succeed for the benefit of the whole.

In order to control their supply chain, founder Ray Kroc established five basic guidelines, all of which are still in use today:

- Focus on results rather than transactions: Rather than focusing on RFPs and looking for lower pricing, McDonald's focuses on creating long-term business partnerships that will advance the company's objectives.
- Focus on the what, not the how. This basic guideline simply means to have faith in the suppliers to uphold the QSC&V (Quality, Service, Cleanliness & Value) standards that McDonald's has established. To put it another way, if you provide suppliers the ability to satisfy your requests, they will. McDonald's does not closely supervise its suppliers.
- Set realistic, clearly specified objectives; everyone must agree on them. Setting ambiguous rules and expecting the desired results are incompatible.
- One of the most important aspects of the McDonald's business is that everyone must be profitable regardless of pricing or incentives for cost or service trade-offs. One of the major principles of this effective supply chain is pricing so that every supplier can earn a profit and benefit from working with McDonald's.
- Establish peer-to-peer partnerships that are meant to offer insight and not micromanage. Govern for insight, not an oversight.



Why is McDonald's SCM Successful?

- McDonald's is one of the most impressive supply chain success stories!
- When you ask McDonald's employees about the company's system, they will give you vague answers like "creating a supply chain where everyone wins" but not many specific instructions like "do this then do that."
- The chief supply officer for McDonald's recently responded to a question about the success of their supply chain, saying, "Our innovative supply chain model is based on an amazing set of established principles that create endless wealth and competitive advantage for everyone involved by minimizing costs, preventing safety concerns, and producing quality and innovative products that satisfy customers in a way that is uniquely McDonald's."
- Increased consumer value, improved brand health, and improved company success are the final outcomes of their SCM process.

A System Built For Success

Suppliers believe that faith in McDonald's win-win System wins suppliers' hearts and minds as well as their wallets since they commit their time and money to expand the System. Suppliers describe the degree of cooperation, transparency, and trust as "incredible" – not just between them and McDonald's, but also between suppliers.

Because they have come to understand that what is beneficial to the System is beneficial to the supplier, suppliers readily exchange innovative products and manufacturing techniques. As an instance, two suppliers collaborated to perfect the Chicken McNuggets. Additionally, one supplier developed a patent that increased the output of beef patties by double and shared it with competitors for the benefit of the whole McDonald's System.





Conclusion

McDonald's has built a supply chain that is successful, efficient, and the foundation of their business. It is built more on the people's smarts and basic values that depend on providing equal opportunities than it is on commercial ability. It is a model that deserves careful analysis.

For More Info.

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