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McDonald's (A): Environmental Strategy

Rooted in Ray Kroc's founding principles of Quality, Service, Cleanliness & Value (Q.S.C. & V.), McDonald's management has always believed in being a leader in issues that affect their customers. This philosophy is evident in McDonald's involvement in various community projects regarding education, health care, medical research, and rehabilitation facilities. These activities help the corporation to extend their image beyond fun and entertainment into social responsibility.

However, in the late 1980s, McDonald's began to face criticism for its environmental policies, especially those concerning polystyrene clamshell containers. In 1987, McDonald's replaced CFCs, the blowing agent used in clamshell production, with weaker HCFC-22's after facing public criticism that CFC usage was contributing to ozone depletion. But this change was not enough for many grass-roots environmental groups that, led by the Citizens Clearinghouse for Hazardous Waste (CCHW), united in establishing a "Ronald McToxic Campaign" consisting of restaurant picketers and an organized effort to mail clamshells back to Oak Brook headquarters. When McDonald's later tested trash-to-energy on-site incinerators, CCHW quickly named the project "McPuff." By 1989, school children, the backbone of McDonald's customer base, founded a group called "Kids Against Polystyrene." Although they were not the only fast-food restaurant facing criticism for disposable packaging, McDonald's could not afford to let this situation escalate. One of their primary competitors, Burger King, was winning praise for its paperboard containers, which were claimed by some to be biodegradable.

Company Background

McDonald's Corporation grew from a single drive-in restaurant in San Bernardino, California, in 1948, to the largest food-service organization in the world. In 1991, McDonald's owned \$13 billion of the \$93 billion fast-food industry, operating 12,400 restaurants in 59 countries including company-owned restaurants, franchises, and joint ventures. In the U.S. alone, more than 18 million people visit a McDonald's daily.¹ **Exhibits 1-3** contain McDonald's 1991 income statement and balance sheet as well as an 11-year financial summary for the company. McDonald's management intends to continue growing by: 1) maximizing sales and profits in existing restaurants, 2) adding new restaurants, and 3) improving international profitability.



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