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## IRAC 2

### **ISSUE**

Surprisingly, the world's largest foodservice retailer, McDonald's, owns just seven percent of its restaurants. Approximately ninety-three percent of McDonald's restaurants worldwide are owned and operated by independent local business owners. McDonald's franchise-oriented structure made the company a household name in the foodservice industry. Due to its appearance in almost every part of the world, local demand for McDonald's products and services has increased greatly as well.

### **RULE**

According to 'Franchising: The How-To Book', Lloyd Tarbutton suggests the first business format franchise was created in China over 2,200 years ago. Furthermore, as seen in Robert Daft's, *Management*, in chapter six on "Buying a Franchise" it describes franchising as a "business arrangement where a firm (franchisor) collects upfront and ongoing fees in exchange for individuals or other firms (franchisees) to offer products and services under its brand name and using its processes" (Daft 6-6b). The franchisees often startup the business with their personal fund, but operate under the rules/cultures which were established by the franchisor--in this case--McDonald's.

## **ANALYSIS**

McDonald's boasts about its presence in over 38,000 locations in more than one hundred countries, which is only possible due to their clear partnership rules as highlighted in their annual report. McDonald's clear partnership rules are defined as, "franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating, and décor of their restaurant business, and by reinvesting in the business over time. The Company generally owns the land and building or secures long-term leases for both Company-operated and conventional franchised restaurant sites. This maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees enabling restaurant performance levels that are among the highest in the industry."

One huge advantage of McDonald's franchise-oriented structure is its vast availability and quick service, consumers are more likely to make a quick stop whenever they are hungry and in a rush.

A disadvantage of McDonald's franchise-oriented structure is the possibility of a contract breach between McDonald's and its franchisors due to the conventional franchise agreement set by the company. Nevertheless, the advantages outweigh the disadvantages due to the increasing sources of the company.

## **CONCLUSION**

Since Dick and Mac McDonald moved to California to seek opportunities they felt unavailable in New England, they have successfully operated several restaurant chains using the franchise management model. Their decision of operating using this model was obviously a wise one because since introducing McDonalds, the company has recorded several successes and

experienced continuous growth. According to McDonald's website, the company's future goal is to see its franchise model increase from 93% to 95%.

### **Biblical/Spiritual Reference**

“Be fruitful and multiply and fill the earth and subdue it and have dominion over the fish of the sea and over the birds of the heavens and over every living thing that moves on the earth.”-

Genesis 1:28.

This bible verse stood out to me because it illustrates that it was ordained by God that we humans do all we can to be fruitful and multiply. It also gives us the permission to claim territories here on earth in order to establish our dominance over other living things, and allow for the flourishing of our society.

### **References**

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