

STARTED AS CREW (A): JAN FIELDS AND MCDONALD'S

When Jan Fields stopped by for a soft drink at a McDonald's restaurant in 1977, she was on her way to a job interview elsewhere. She had never considered becoming a part of the company's crew. A wife and mother, Fields was reentering the work force after several years at home as her child's primary caretaker. While she sat in the restaurant killing time before her interview, she noticed a sign on the milkshake machine. "Now hiring, flexible hours," it promised, compelling her to ask for an application. She began work there the next day.

Fields was not an immediate fit with the McDonald's environment. Her first day as a "crewmember" left her doubting her potential at McDonald's. "I literally cried when I got home," she said.¹ Afraid she would be unable to keep up with the rigorous pace of the shift and the strict rules governing the preparation of the company's famous french fries, she told her husband she would not make it at McDonald's. She arrived the following evening and began learning to operate the cash register. After a successful shift, the manager on duty asked if she would help them close. "I didn't know what that meant," she said, "and they said, 'do dishes.' I'm a clean freak, even to this day, so I thought, 'yeah, okay' ... that sealed the deal that night."

Although Fields supported her family on a meager budget, she did not consider herself to be poor. "You don't know that you are ... you just live on what you have," she said. Her husband, then an enlisted airman in the U.S. Air Force, made an annual salary of \$5,600. As the primary shopper, Fields fed her young family on a \$50 monthly grocery budget. She wanted to add to their household income. But could she do this job? And what was her future at McDonald's as a good dishwasher?

¹ The source of this and all subsequent Janice L. Fields quotations is an author interview with Janice L. Fields, executive vice president and chief operations officer, McDonald's USA, Oak Brook, Illinois, 17 January 2007.

This case was prepared by DePaul University Professor of Business Ethics Laura P. Hartman; DePaul University's Institute for Business and Professional Ethics Project Developer Justin Sheehan, and the Darden School's Olsson Center Senior Ethics Research Associate Jenny Mead under the supervision of Patricia H. Werhane, Ruffin Professor of Business Ethics. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 2008 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. *To order copies, send an e-mail to sales@ardenbusinesspublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation.*

The Origin of McCulture

When Ray Kroc, then 52, approached brothers Dick and Maurice (Mac) McDonald about the success of their unusual fast food concept in 1954, he had no idea what kind of journey he had begun. This Multimixer milkshake machine salesman and lifetime entrepreneur would flirt briefly with the edge of ruin and then, over a short period of time, reach the heights of achievement that epitomized the classic American rags-to-riches success story. The image of a fastidiously groomed Kroc, sleeves rolled up, cleaning the parking lot of his first Des Plaines, Illinois, location was an icon for the enculturated employees of the McDonald's Corporation, who looked to Kroc as the first and foremost example of the dedication, discipline, and initiative that had become hallmarks of the McDonald's training program.

Kroc met with the San Bernardino, California-based McDonald brothers over lunch to discuss the potential of their restaurants and his plan to put his Multimixer machines in each new location. To his surprise, the brothers were uninterested in expansion, preferring to live simply off their single location and current limited franchising arrangements. Kroc pressed them, suggesting they find someone to manage their franchises rather than let the enormous potential of the restaurants go to waste. Still unconvinced, Dick asked who the brothers could find to open the franchises. Kroc recalled his response in his account of the rise of the chain, *Grinding it Out: The Making of McDonald's*: "I sat there feeling a sense of certitude began to envelop me. Then I leaned forward and said, 'Well, what about me?'"²

Seven years and more than 238 stores later, Kroc bought the rights to the McDonald's name from the brothers and accelerated the expansion of the booming chain. In the same year, Kroc and Fred Turner, a former grill man who had risen through the ranks to become the vice president of operations, began sending store manager candidates to training courses in the basement of an Elk Grove Village, Illinois, restaurant. The training center, named Hamburger University, was one of the nation's first "corporate universities." By 2006, McDonald's corporate-owned and franchised locations had expanded to more than 31,000 restaurants in 119 countries and catered to more than 54 million customers each day.

Public Criticism of McDonald's

Officially coined by Douglas Copland in his 1991 bestseller *Generation X: Tales for an Accelerated Culture*, the term McJob would come to represent one of the most saturated criticisms of the McDonald's empire. The image of the company suffered as the public began to perceive its jobs as dead-end, unskilled, and unstimulating. Riding the greater wave of anti-fast-food sentiment and the upward-sloping trend of obesity in the United States and across Western

² Ray A. Kroc with Robert Anderson, *Grinding it Out: The Making of McDonald's* (Chicago, IL: H. Regnerey, 1977), 12.

Europe, the public contempt for a crew position at McDonald's reached a critical mass in the late 1990s, with annual turnover for crew positions exceeding 400% in some locations.

When Merriam-Webster published a new version of its collegiate dictionary in 2003, "McJob" was included in a list of thousands of new terms and was defined as slang for "a low-paying job that requires little skill and provides little opportunity for advancement." Jim Cantalupo, then CEO of McDonald's International, quickly responded, condemning the publisher for defining the position in a negative light. In a letter to Merriam-Webster, Cantalupo decried the depiction of the crew-level position as unskilled and unrewarding, citing the entry as a "slap in the face to the 12 million men and women of the American food service industry."³

The image of the often maligned "McJob," the entry-level customer service position at one of the food service giant's corporate- or franchise-owned restaurants, had been the subject of billions of dollars of internal and external marketing by McDonald's for decades. The company's image as a provider of unskilled, dead-end jobs was a difficult one to erase, even as McDonald's internal marketing continuously promoted the better-than-industry benefits and career potential available to its employees.

The campaign to revitalize the public perspective on the McJob was particularly difficult in the United Kingdom, where it struggled for decades. In a mid-2000s reality television show similar to the U.S. hit talent search *American Idol*, a judge scorned an untalented performer by quipping, "you're worth nothing more than a job in McDonald's."⁴ The comment drew hundreds of responses from McDonald's employees, who felt slighted. David Fairhurst, vice president of People for McDonald's UK, responded by promoting morale-boosting programs in Britain, including a series of "my first job" commercials featuring famous McDonald's veterans such as singer Macy Gray and gold medalist Carl Lewis.

In the "quick service" food industry, infamous for high turnover and poor training, McDonald's Corporation defied norms. The international fast food giant used a combination of promotion-from-within strategy and benchmark employee training programs to develop an abundant pool of human capital. Beyond internal marketing, however, McDonald's also found the answer to the development and retention problem in the legacy of founders such as entrepreneur Ray Kroc and Hamburger University founder Fred Turner, and the unusual corporate culture they created.

³ Jim Cantalupo, "Supersize Insult to Industry Workers," *Nation's Restaurant News* 37, no. 44, (3 November 2003): 18.

⁴ Daniel Thomas, "HR challenges ... I'm lovin' it," *Personnel Today* (6 September 2005): 11.

The Benefits of Being “Crew”

In addition to wages that were often better than average in a given region, McDonald's corporate-owned restaurants, and many franchised locations, could take advantage of a large package of employee benefits aimed at training and retaining valuable employees. Many of these programs started regionally and, after some testing within the company, spread throughout the 119 countries in which McDonald's operated.

In the United States, McDonald's had bolstered the incentive to participate in traditional employee programs such as health insurance and 401(k) programs by appealing to employees with direct benefits. Top officers in the company accepted greater increases in insurance premiums at the end of the 1990s and first years of the 21st century to ensure a slower increase for in-store employees. The resulting 25% to 30% increase in premiums for officers allowed for an increase of 1% to 5% for store managers.⁵

After a study revealed a surprisingly low employee enrollment in 401(k) plans, the company began offering better incentives to assistant and store managers, most of whom were eligible for the program. Fearing that the 1% salary commitment was keeping many employees from enrolling, McDonald's gave all eligible employees a onetime raise of 1% of salary, then offered to match that contribution with 3%. Employees could commit as much as 4% of their salaries to the investment program, which was met by McDonald's at 7%, an unheard of contribution in the food service industry. As employees became eligible, they were automatically enrolled in the program, though they were free to opt out. As a result of the changes, enrollment in the program nationwide increased from 41% of store managers to 93%.

Beyond traditional employee incentive programs, McDonald's instituted several options for employees working with difficult schedules, specifically employees enrolled in school and taking care of young children. The restaurant advertised “McFlexibility,” offering adaptable schedules to employees who were unable to work a traditional full-time week. Adding to that flexibility, some stores began to offer additional benefits to families and student employees. In the United Kingdom, McDonald's restaurants began offering the “family contract” program in select regions. Under the program, family members who worked at the same location could switch shifts without prior notice. The program led to less absenteeism and stress for employees, who appreciated the greater ability to juggle work and other commitments. In select franchise locations within the United States, employees who were also students were given the chance to take an extra hour to study, complete homework, or meet with a study group while on the clock.⁶

⁵ The source of this and all subsequent Richard Floersch quotations is an author interview with Richard Floersch, executive vice president and chief human resources officer, McDonald's USA, Oak Brook, Illinois, 17 January 2007.

⁶ JoAnne Viviano, “Fast-food Franchisers Show Doing Homework Does Pay,” *Boston Globe*, 7 August 2005.

Employee Education—Hamburger University

Peter Breckenridge of Nunawading, Australia, began working at McDonald's when he was 16. He needed the job to fund his college tuition, and took advantage of the flexibility of a position at McDonald's to keep pace with his studies. He used his college breaks to attend the regional branch of McDonald's corporate training center, Hamburger University. By the time he finished his traditional degree in electrical engineering, he also held a diploma in management from Hamburger U, and was able to use both disciplines as a McDonald's employee on a site-development and -construction team. Promoted to development director of Southern Australia at the age of 27, Breckenridge hoped one day to become a key leader in McDonald's Australian operations. He attributed his success at McDonald's to the training he received at Hamburger U, which translated into college credit at thousands of universities worldwide.⁷

McDonald's centralized training program, an anomaly when it was founded in 1961, grew to become one of the most globally recognized corporate training programs. Founded by McDonald's icon Fred Turner in the basement of an Elk Grove Village, Illinois, restaurant, the program offered multiple training paths to employees seeking promotion to store management positions as well as to new franchisees and others entering one of the diverse career tracks within the corporation. Many employees who received training through Hamburger U finished the program and continued with further coursework at higher learning institutions to complete two- or four- year degree programs. The benefit of McDonald's training included employability industrywide, because other major food service corporations sought individuals with the Hamburger U skill set.

The program grew considerably in its first five decades. Class sizes of 10 to 12 in the 1960s boomed to 200 or more in 2007 as the value of the corporate training made it a sought-after program for ambitious personnel in the company. The program graduated more than 80,000 McDonald's employees by 2007, and increased from 14 students in 1961 to an annual matriculation of 5,000. Hamburger U operated campuses across the world, including in Sydney, Munich, London, Hong Kong, Tokyo, and Brazil.

Beyond Crew

As Jan Fields continued to train at McDonald's she eventually mastered each crew position, including the french fry station. During her training, senior managers noticed her dedication and willingness to become a part of the team atmosphere. To finish shifts quickly, she would assist managers in closing operations and, within months of being hired, regularly assisted in managerial duties. Eventually, she was offered a management position at the store. Over the next decade, she finished college and was promoted several times. "And then it got to a point," she recalled, "after almost 10 years, where I finally ended up saying, 'I guess I'm making a

⁷ Reta Smart, "Where McDonald's Got Their Man," *The Age* (Melbourne) (18 February 2006): 4.

career out of this. I'm here." In 1988, she received the prestigious McDonald's President's Award, the highest award McDonald's bestows on employees, which recognizes the top 1% of "employees who achieve considerable results in strategic initiatives."⁸

Promotion from Within

McDonald's created an environment in which a humble beginning was viewed as a badge of honor, a "work-hard" ethic was part of the corporate culture, and enculturation was key to a successful career. At executive meetings, the 40% of executive officers who began as crewmembers regularly invoked images of Ray Kroc, Charlie Bell, Fred Turner, and in later years, Jan Fields and other former crewmembers. They point to the stories of hundreds of owner-operators who began working at McDonald's and became business owners themselves after learning the discipline and dedication required to run a restaurant through their careers at McDonald's.

At the core of the corporate value system was a reserved humility that many executives strived to cultivate. Richard Floersch, executive vice president and chief human resources officer, explained that, despite regular interaction on a professional level, most of the top executives had never discussed their educations. "Nobody ever talks about where they went to school," he said, "even here in corporate. It's not even talked about. It just isn't part of our culture."

Bob Langert, vice president of corporate social responsibility, agreed. "That's our culture." After one of his promotions within the company, he suggested mentioning his MBA from the prestigious Kellogg School of Management in the company newsletter. The general counsel, responsible for his report, suggested that he not include it. To most McDonald's employees, his degree was a very small part of his value as a coworker.

Steve Russell, senior vice president for human resources and "Chief People Officer," McDonald's USA, recalled that there were times when incoming employees could be slow to enculturate, and the atmosphere of unity in the company would begin to disappear. The cultural distance between new hires and "started-as-crew" personnel became a focal point for hiring managers. "If you don't hire the right person ... it can upset an organization pretty quickly ... We had a pretty significant crash rate at one point"⁹

⁸ "Janice L. Fields, Executive Vice President and Chief Operations Officer – McDonald's USA." McDonald's Corporation Executive Biographies. http://www.mcdonalds.com/corp/about/bios/janice_1__fields.html (accessed 25 September 2007).

⁹ The source of this and all subsequent Steve Russell quotations is an author interview with Steve Russell, senior vice president for human resources and chief people officer, McDonald's USA, Oak Brook, Illinois, 17 January 2007.

To combat this perception, special care was given to the enculturation of new employees who had come directly into the corporate offices. As part of the training process, all new hires were placed in local restaurants immediately. They spent 30 to 90 days as crewmembers, learning each of the restaurant's stations and developing a respect for the difficulty of each position. Many executives revisited restaurants in which they trained, and some even took periodic breaks to work in the store again. The process of placing new members of the McDonald's team in stores ensured a dramatic enculturation that left little room for misunderstanding. An employee who could not fit into the McDonald's culture was very likely to crash.

"She Started as Crew"

In 2006, after 28 years of service with McDonald's, Jan Fields was named executive vice president and chief operating officer of McDonald's USA, overseeing nearly 14,000 McDonald's locations. "I don't think there's a class that I can go through to get an MBA, which I don't have, to learn how to treat people and how to motivate a team in the kind of environment that we work in." She considered development to be an important part of McDonald's success, however, and participated in internal development programs such as the Career Development program and the McDonald's Diversity Network.

Fields continued to receive awards, including those recognizing her active role in women's leadership and, in 2001, the McDonald's Women Operators Network Recognition Award. She served on the boards of nonprofit organizations such as the Chicago Urban League and United Cerebral Palsy, and chaired the advisory board of the women's organization Catalyst. In 2007, she was named to *Fortune's* 50 Most Powerful Women in Business list.¹⁰ A testament to her success, her "Started as Crew!" pin was displayed prominently on the desk of her Oakbrook, Illinois, office. "It really is a badge of honor," she said, "it really is."

¹⁰ Janice L. Fields biography.