McAtlas Shrugged

McDonald's CEO Jack Greenberg on why those who hate globalization should learn to love his company.

For hundreds of millions of hungry consumers around the world, McDonald's means burgers, fries, and sundry McSpecialties. For many others, McDonald's symbolizes the worst of today's world: U.S. hegemony, trampled rain forests, genetically modified foods, and cultural homogenization. Yet, besieged by angry activists, mad cows, and copycat competitors, the world's most recognized brand name sometimes looks less like the unstoppable juggernaut of globalization and more like its unexpected victim. Whether McDonald's corporate fortunes rise or fall, its value endures as a barometer of everything from currency fluctuations and commodity prices to labor standards and political conditions. McDonald's Chief Executive Officer (CEO) Jack Greenberg discussed the burdens and blessings of global iconoclasm in a conversation with FP Editor Moisés Naim at McDonald's corporate headquarters in Oak Brook, Illinois, this February.

FOREIGN POLICY: As a global corporation and global symbol, McDonald's has attracted its share of critics. Let me read you a few examples: Commenting on the case of José Bové, the French farmer arrested for leading a group that ransacked a McDonald's under construction in Millau, France, French Prime Minister Lionel Jospin said, "I am personally not very pro-McDonald's." French President Jacques Chirac said, "I am in complete solidarity with France's farm workers, and I detest McDonald's." President Ezer Weizman of Israel wrote in summer 1999, "The Israeli people are infected with Americanization. We must not be concerned for culture only as culture, but understand what Israeli culture is, and Israeli religion. We must be wary of McDonald's." Great Britain's Duke of Edinburgh, Prince Philip, commented, "You people [McDonald's] are destroying the rainforests of the world by grazing your cheap cattle. You are cutting down trees to graze your cheap cattle to sell your hamburgers." How would you respond to these critics?

Jack Greenberg: First, shame on Weizman. Here's a religion and culture that's existed for well over 5,000 years. It's got enough resilience to withstand what people might eat for lunch on a particular day. And as for Prince Philip, well, even a prince can get the facts wrong once in a while. His charge has been disproved 50 times. We've never bought cattle that were even close to a rain forest. We've had that policy for 13 years. José Bové and a handful of terrorists are more interested in using McDonald's as a convenient symbol than in understanding the facts behind our business. I don't think it would be productive to respond directly to the French politicians you mentioned. But I can tell you that the people who voted them into office are eating at McDonald's. Those French farmers they support are selling to McDonald's restaurants. We buy everything from French farmers. Twentieth-century history tells us what big lies can do. Nobody should make business policy or national policy based on facts that don't exist.

FP: What would you describe as the most common misconceptions or outright lies circulated about McDonald's?

JG: First, there's an assumption that we're some big American company that exports things everywhere else to make a lot of money. In fact, we're a network, an amalgamation of local businesses
owned by local entrepreneurs. Sure, we’re everywhere, but so is Nokia. So is NBC, so is CNN. Second, this rain forest thing—the idea that we damage the environment. Not only is the specific rain forest charge not true, but our environmental record is generally very good—we get environmental awards almost every week. Third, this issue of McDonald’s as a cultural threat. We have become the symbol of everything people don’t like or are worried about in terms of their own culture. I think that charge reveals a level of general insecurity about identity rather than anything about McDonald’s, and it doesn’t square with the facts. You know, we’ve been in countries such as Japan, Canada, and Germany for almost 30 years. I don’t see those cultures faltering because of McDonald’s. In fact, I think the opposite is true. Fourth, the idea that there’s a nutritional problem with McDonald’s. The facts are that we’re selling meat and potatoes and bread and milk and Coca-Cola and lettuce and everything else you can buy in a grocery store. What you choose to eat is a personal issue. Every nutritionist I’ve talked to says a balanced diet is the key to health. You can get a balanced diet at McDonald’s. It’s a question of how you use McDonald’s. Nobody’s mad at the grocery store because you can buy potato chips and pastries there. Nobody wants a full diet of that either. So this is a lot of politics as opposed to—
FP: And what about genetically modified organisms (GMOs)?

JG: Well, we have no policy on that because the scientific community guides us. We’re very sensitive to the debate. In markets where our customers really feel strongly about this and want to avoid GMOs, we don’t use them. In the United States, we do use some because they’re in one third of the corn product and, I don’t know, in half or a third of U.S. soybean crops, which obviously serve as some base for our food supply. So it would be impossible today to not use GMOs. But we’re being guided by the scientific community and the government.

FP: And the use of hormones in your beef?

JG: We buy U.S. beef in the United States, we buy English beef in England, and we buy German beef in Germany. So that’s a function of national rule. There are some markets where we import beef. For example, we use Australian beef in a lot of our countries in Asia because Australia is the region’s biggest beef producer. They don’t have any cows in Hong Kong.

FP: What about mad cow disease—bovine spongiform encephalopathy (BSE)?

JG: This is an industry-wide issue that goes way beyond McDonald’s, although obviously we are quite concerned about it and work on it all the time. Our standards and our practices—the kind of beef that we use and our ability to trace it, for example—make McDonald’s the safest place in the world to eat. In fact, even taking into account the BSE crisis, our food network today is safer worldwide than it has ever been. Fundamentally, BSE is much more a regulation problem than it is a science problem. Do I allow my granddaughters to eat beef every day at McDonald’s if they want? Of course I do, because I know it’s safe.

FP: What about the frequent accusation that McDonald’s is strongly anti-union? How do you explain that one of the largest private-sector employers on the planet has no unions?

JG: Well, in fact, we do have unions in some countries because they’re required.

FP: Yes. By law. But wherever the law does not force you to have unions, there are no unions in McDonald’s. How do you explain that?

JG: How is that anti-union?

FP: But your company has been widely accused of using aggressive tactics to prevent the emergence of unions.

JG: Our employees are treated well. There’s a lot of temporary and seasonal employment. People like to work at McDonald’s. Otherwise, we wouldn’t be able to staff these restaurants, notwithstanding some of these image issues in the United States. And the fact is there’s nothing anti-union about that, it’s just a question of need. I grew up in a family that understands the importance of the union movement in the United States in the early 20th century. You can ask the same question of the technology industry; they probably employ as many people as we do. But it’s very hard to find a union in technology companies. Obviously, the employees’ need for a union in order to be treated fairly does not exist. I would make the same argument for McDonald’s. That is not anti-union, it’s just there’s no need for them. People can interpret it any way they want. We just don’t see the need.

FP: And what about child labor? Some of the plastic toys for some of McDonald’s children’s meals were reportedly produced by factories that violated labor standards.

JG: In the case you cite, we were actually praised in an editorial in the South China Morning Post for moving quickly to address the issue after it was reported. We have independent firms that actually audit these plants. These are...
very serious issues in some Third World countries where labor is inexpensive and these toys get produced. We want to act appropriately. For example, we will not tolerate child labor. We have strict policies that require people who work in our factories to be 15 years of age or older, according to local laws and regulations. We only stop buying from an external supplier as a last resort, because it presents a dilemma. You don’t want to take advantage of people generally, or kids in particular, but if you stop buying from these plants then their employees are out of work. So the question is, how do you behave responsibly? Do you just do the public relations thing and stop buying from that supplier? Every time you find a wage and hour violation you cut ties with the plant? You don’t want us to do that. Your readers don’t want us to do that. On the other hand, if we can’t trust the people we’re dealing with, if they’re lying to us, if they’re not cooperating, then I think it’s right for us to terminate the relationship. But first we make an effort to induce them to change their ways and comply with the right rules and appropriate standards.

FP: When you’re singled out for problems with labor conditions, you say that it’s not McDonald’s, it’s an industry-wide problem. And when you are criticized as a negative force of globalization, you say it’s not McDonald’s. We’re no worse than Nokia, Nike, or any other global firm, you say, but we get singled out and it’s our stores that get trashed because we are very visible. And then you argue that people who complain about your cultural impact are insecure about their own cultures. You have a long list of explanations that are external to McDonald’s. How can all these criticisms have so little to do with how McDonald’s actually behaves as a corporation?

JG: Let me take the pieces of it. First of all, I never said we’re similar to Nokia and Nike because I do think we’re fundamentally different. We’re a global brand, and we run our business in a fundamentally different way that ought to appeal to some critics of globalization.

FP: In what sense?

JG: Because we are a decentralized entrepreneurial network of locally owned stores that is very flexible and adapts very well to local conditions. We offer an opportunity to entrepreneurs to run a local business with local people supplied by a local infrastructure. Each creates a lot of small businesses around them.

FP: So, why are your stores trashed whenever there is a protest?

"José Bové and a handful of terrorists are more interested in using McDonald’s as a convenient symbol than in understanding the facts behind our business."

JG: This kind of criticism is the price of our unique success. There is no other retailer, there is no other service business that touches so many people every day in such a personal way. We’re serving 45 million people a day. At 28,000 restaurants in 120 countries. If you’re going to have that kind of presence, you’re going to have that kind of attention. And we’re in a world today where people focus a lot of pent-up frustration about a lot of issues on a sin-
gle concept called globalization—a concept that is much more complicated than some of the people who write and talk about it want to admit. In fact, globalization has become a shorthand way of describing frustration with a lot of circumstances that may have nothing to do with globalization. So McDonald's is a convenient target. Would I rather be the target or would I rather be number two and not be the target? My answer is, I’d rather be number one. If people thought that gym shoes were some kind of challenge to their local culture or health or national identity, then I suppose we’d be talking about whether gym shoes are safe. Because of our leadership position and our size, we are a very natural, highly visible point of discussion for good and bad. What you haven’t mentioned to me today is the huge record of social responsibility and leadership that McDonald’s has demonstrated. You haven’t said that Fortune magazine named McDonald’s number one in social responsibility in their survey last year, or talked about the Ronald McDonald House charities, the nearly $300 million we’ve given to families and children in need since 1984.

FP: What stands in the way of that reality and global perception?

JG: I don’t believe that you’re right to characterize this negativity as a global perception. Again, I think you have a small number of people who are very articulate and have access to the media. But the average customer doesn’t agree with them or they wouldn’t be visiting our shops. Look, during the four days of protests in Seattle against the World Trade Organization, there were anywhere from 100 to 2,000 people who trashed our stores and those of other companies. But during that time, 175 million people around the world visited McDonald’s. So which figure is more representative?

FP: But surely you agree that to many people putting “Mc” before a word evokes something that is American cultural hegemony. “Mc” cheapens ideas, it reduces them—McJobs, McNews, etc.

JG: You’re right of course. Some people use it as a derogatory attribution. But others use it because of what it stands for. We’ve had many instances where we’ve had to protect our trademarks. Somebody wants to start a hotel and call it McHotel, or somebody starts a restaurant and wants to call it McSomething else because they want the attributes of quality, cleanliness, and service. They want the idea of a value. They want consistency, and so they use the “Mc” prefix as a way to try to trade on our equity. We do have a very powerful brand name.

AND THE BRAND PLAYED ON

FP: What is the value of your global brand name? Is it in your balance sheet?

JG: It’s not in our balance sheet. A McDonald’s board member who worked at Coca-Cola™ once talked to us about the value of our brand. He said if every asset we own, every building, and every piece of equipment were destroyed in a terrible natural disaster,
we would be able to borrow all the money to replace it very quickly because of the value of our brand. And he’s right. The brand is more valuable than the totality of all these assets.

FP: What do you do as a corporation to protect your brand?

JG: We try first to live up to customer expectations. When you enter the restaurant, you enter the brand. And so the challenge for all of our local franchisees and local management around the world is to ensure a minimum level of consistency. The second thing we try to do is to make sure that people think of McDonald’s when they’re hungry. In many new countries, McDonald’s is a destination. But in the United States and other mature markets, our business is impulse driven. That’s why convenience in terms of location is so important. So we have an obligation to the brand and to the business—to all the people who are living off of this business—to make sure that the brand stays on top because again, the brand drives a good deal of the business.

FP: But surely advertising is also a very important way of strengthening your brand. How much do you spend a year on advertising, globally?

JG: I don’t think we have an exact number, but I’ll bet it’s about $2 billion. And that includes all the promotional activities, things like giving kids balloons.

FP: One could argue that offering clean toilets and an air-conditioned eating experience is as important as the quality of the food.

JG: It’s as important as the food. It still is. It’s important in the United States. People care very much about that.

FP: Would you say that selling the global dissemination of American hygienic habits is a unifying trait that the world all over has adopted?

JG: I think it’s arrogant to say it’s an American trait. I think the hygiene in many countries I’ve visited is every bit as good or better than in the United States. Go to Japan, go to Switzerland, go to other parts of Europe. But yes, entering the restaurant isn’t just about the food. It’s about the cleanliness, it’s about the safety of the food. It’s about the food taste and the quality, of course, and whether I like the food. It’s also about how it’s delivered and whether the experience is hassle free.

FP: And how do you feel about the Economist Index that uses the price of a McDonald’s hamburger in different countries to assess distortions in the exchange rate of currencies?

JG: The Big Mac Index? We love it. The Economist magazine has gotten such fabulous press out of it, but it’s probably helped us, too. It says something about the strength of the brand that you can do something like that and have credibility.

FP: What do you make of the McDonald’s theory of conflict prevention that New York Times journalist Tom Friedman has raised—the idea that two countries with McDonald’s do not go to war with each other? How do you feel about that?

JG: I hope and believe it’s right. Because what he’s really saying is that countries reach a certain level of maturity before they’re prepared for things like McDonald’s, and that ought to make war very difficult. That’s how I understand the essence of the argument. And I think he’s right. But how do we know? We hope he’s never disproved. That’s a prayer.

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“In Japan, the average Japanese child thinks McDonald’s was invented in Japan and exported to the United States.”

Small fries: A Chinese child in Beijing greets “Uncle McDonald” (left), described by Beijing schoolchildren in a survey as “funny, gentle, kind and (understanding) children’s hearts.” In Istanbul, a child sports some of the tens of millions of dollars worth of McDonald’s promotional paraphernalia produced each year (above).
FP: You talk a lot about how local McDonald's is. What places or regions are more concerned with their local cultures and traditions than others? What are the limits of localism that no franchisee can cross? In other words, how much flexibility does a local franchise owner have?

JG: They can't change what we call the QSC standards—the quality, service, and cleanliness standards. Second, there are certain core elements of the brand that we've all agreed must have integrity. Nobody can change the recipe of the Big Mac and call something else a Big Mac. In India, no beef, so we don't sell a Big Mac. We have a substitute called the Maharaja Mac, which is made out of lamb, but we don't call it a Big Mac because it's not a Big Mac. So there are certain core products we guard religiously. However, there's an enormous amount of local freedom to add additional menu items. So you will find as you travel around the world certain foods that either reflect local tastes or are local decisions to add menu variety either permanently or temporarily. We give restaurants enormous flexibility to do that as long as they meet our QSC standards. Corn soup in Japan would be an example.

FP: But you would resist the notion that McDonald's is homogenizing global eating habits?

JG: I think McDonald's provides a consistent experience wherever you are in the world, but to call us a homogenizing force gives us much too much credit. It's not relevant and it's not true. There are 20,000 Chinese restaurants in Italy. While they're not all under one brand, there are 20,000 Chinese restaur-
FP: But see, you tell the world that McDonald's is a global corporation that this year sold $40 billion systemwide, 20 percent of which came from overseas operations—

A Recipe for Riches

In 2000, revenues for the McDonald's Corporation amounted to $14.2 billion. But while burgers, fries, Cokes, and other foodstuffs accounted for much of these revenues, a complex mix of franchise fees, rents, and other transactions also contributed to the final tally:

Product Sales: Sales of hamburgers, fries, soft drinks, and other menu items by company-operated restaurants made up 73 percent, or $10.5 billion, of total revenues for 2000. Although fast-food companies do not disclose product profit margins, industry analysts note that fries and soft drinks generally have a much higher profit margin than do hamburgers or other entrees. In Fast Food Nation: The Dark Side of the All-American Meal, Eric Schlosser reports that fast-food chains can purchase Coca-Cola™ syrup for about $4.25 a gallon. A medium Coke that sells for $1.29 contains about 9 cents of syrup; a large Coke that costs $1.49 contains only 3 cents more of syrup. So when customers buy a large Coke instead of a medium, McDonald's makes 17 cents of pure profit.

Franchising: In the mid-1950s, franchising consisted mainly of assigning large, exclusive territories to franchisees for fees, which could amount to $50,000 or more—a profitable practice for franchisers since it enabled them to make quick money without much effort. However, McDonald's Corporation founder Ray Kroc believed that selling territorial rights undermined franchisers' control. He decided to assign only one franchise at a time in order to limit how many stores a licensee could operate and to create consistency in the McDonald's brand. As part of the franchise agreement, McDonald's requires that franchisees use McDonald's recipes, trademarks, methods of accounting and marketing, and concepts for restaurant design. Kroc also believed that McDonald's would not profit unless its franchisees did; he therefore tied McDonald's profits to franchisee's profits by taking a percentage of their storewide sales.

Currently, franchisees own and operate 80 percent of all McDonald's restaurants. McDonald's original initial franchising fee totaled $950. The corporation also collected a service fee, amounting to 1.9 percent of stores' sales. Today, the initial franchising fee in the United States is $45,000 and the service fee varies depending on the franchise agreement. In 2000, McDonald's collected $63.7 million in revenues from initial franchising fees.

Real Estate: In 1956, Ray Kroc hired Harry Sonneborn, the mastermind behind the real estate investment strategy that made McDonald's rich. Prior to Sonneborn's hire, service fees paid by franchisees constituted McDonald's main source of income. Sonneborn proposed that McDonald's create a separate real estate company, Franchise Realty Corporation, that would locate and lease restaurant sites from landowners. McDonald's subleased the land and restaurants to franchisees, originally charging a 20-percent markup for real estate services. Sonneborn also created a provision stipulating that operators had to pay either the fixed base rent or a fixed percentage of sales, whichever was higher. In addition, franchisees had to pay a security deposit of $7,500. With this positive cash flow, McDonald's was able to purchase land, only increasing their wealth and control over their franchisees.

At the end of 2000, McDonald's Corporation owned the property at 40 percent of all McDonald's restaurants worldwide; it leases the remaining land. By the end of 1999, net property and equipment represented 78 percent of McDonald's total assets. In 2000, McDonald's collected $3.7 billion in rents, security deposits, and service fees from its franchisees.

JG: No no no no, more. More than half came from overseas.

FP: More than half, almost 60 percent of your total revenues came from overseas operations. But
you don’t have a significant representation of foreigners on your board because of logistic reasons, because of how hard it is for these people to come to board meetings—

JG: First of all, you’re assuming I’ve given up. That’s not accurate. I do want more foreigners on our board. Second, there’s a distinction between board members and those who actually run the business. The board worries about its fiduciary responsibilities, making sure the shareholders are protected, that we’re doing the auditing right, that we’ve got some kind of strategic plan for growth, that the CEO is behaving himself, and all those things. In terms of how the business is run—what makes the difference to our customers and to how we conduct ourselves in these markets—this is all done by local nationals. There are hardly any expatriates in 120 countries. The guy running McDonald’s in France is a Frenchman. The guy running McDonald’s in Germany is a German.

FP: Here’s another paradox: a corporation with global reach that influences eating habits for good or for bad everywhere is based in the Midwest and run by a Midwesterner who has never lived outside this country.

JG: That’s correct.

FP: You are a tax accountant.

JG: I was. Until 1981.

FP: And you joined McDonald’s in 1982. So here we have a former tax accountant, a Midwesterner who has never lived outside the United States, running an international company that affects millions, if not billions, of lives around the world. Does that make sense to you?

JG: People start out in life selling shoes, and for the rest of their life, they’re shoe salesmen. I’m no longer a tax accountant. I loved doing it, and I thought I was good at it, but the truth is I haven’t been a tax accountant for a long time. I’ve grown up in McDonald’s the last 20 years. I’ve traveled extensively. I don’t run this business all by myself. No single human being could. Sure, I’m the CEO of the company, so the ultimate responsibility rests with me. But I’m not running Europe. If you’re running a retail business, how would you run it from Oak Brook, Illinois? How would you run it from Chicago? You have 28,000 retail outlets. You have to be decentralized and autonomous. The art is to employ people who share your values. I’m talking about honesty and integrity and protecting your customers and maintaining your standards; people who share your values and know your local markets and are willing to share best practices, take good ideas from others, and run and grow their businesses.

MAKING A GOOD GLOBAL BURGHER

FP: McDonald’s is a global actor. What do you see as the requirements for being a responsible global corporate citizen? How do you help to build a world that is conducive to the betterment of humankind and the expansion of your business?

JG: For starters, you should behave according to the rules of the country that you’re in. I also think you’ve got to be respectful of the cultures you’re in. And then I think you have to worry about social issues because they affect all of us. There are limits to what businesses can do about a lot of social problems. The environment is one area where we can do something. We’ve received a lot of awards in the United States, but what we’re doing in Germany and Switzerland and some of these other markets is extraordinary. There’s no other company in those countries—a retail business like ours—that does things like have McDonald’s trucks pick up cartons and plastics and deliver them to recycling companies. You have to be willing to exercise leadership where you can in ways that deal
with issues you care about. We've done that with animal welfare, believe it or not. It's not just altruism. On the environment, for example, some of our initiatives have saved us money. And in general, behaving appropriately and exercising leadership when you can is good for the brand.

FP: One of the trends associated with globalization is the emergence of nongovernmental organizations, or NGOs. How do you deal with the newly acquired power of well-organized groups that influence, even disrupt, your plans and shape the business and political environment in which you work? Didn't you yourself say in a shareholder meeting last year that organizations such as the People for the Ethical Treatment of Animals would only be happy if McDonald's sold only rice and beans? What's your strategy for dealing with such groups?

JG: That's a quote that I'm going to live with forever. Our philosophy is that we don't know everything. We want to act responsibly and we can learn things from others. Of course, there are all kinds of people and all kinds of organizations. Some want to be involved in constructive change, others just want to raise money, and still others just want to be against something. We seek out those who have some interest in a constructive dialogue that can help us. Because we had serious environmental issues and we weren't experts, for example, we joined in a partnership 10 years ago with Environmental Defense. And we were worried about it. But our record—the environmental awards I referred to earlier—are in large part a result of that partnership. It has made a difference. If you talk to Environmental Defense, they will tell you that our leadership in this area has made an enormous difference over the last 10 years in terms of how American business behaves.

FP: How did you relate, for example, with the Christian Industrial Committee, a labor union in Hong Kong that called your attention to labor standards violations by some of your contractors? The child labor issue that we talked about earlier.

JG: It's a constructive dialogue. They're not the enemy. That doesn't mean we'll always agree. That doesn't mean we'll always do what will make that organization happy. There are limitations to what we can do about a lot of issues.

FP: Another characterization of globalization is the emergence of a large number of problems that no country and no business can tackle alone. The more the world integrates, the more there is a need to create concerted, effective international action. To what extent is McDonald's trying to facilitate the development of more effective "global governance," for lack of a better phrase?

JG: We aren't exercising a leadership role here. You can argue that we should. Our activity in terms of government is very local. The exception tends to be the European Union, where we have a staff of one in Brussels because obviously you've got regulation issues and you've got to know what's going on. But one could argue that companies like ours should exercise more leadership in this area. We are not doing that. I'd have to think through whether we should or shouldn't. Given our discussions about the extent to which McDonald's is a target, I don't know whether our leadership would be helpful. I don't think we have the expertise.

FP: Is there any global emerging rule that is being adopted by more than one country that you feel needs harmonization, that creates problems because each country is doing its own way and therefore hurting your business?

JG: I don't see anything that's particularly hurting our business, but I think there are certain food safety issues that ought to be harmonized. Governments need to get more and more sophisticated and stronger on food safety rules. Western Europe has moved aggressively to change how they regulate food safety. So has the United States. But I think that in general this is one area that could use some more attention.

FROM MCNUGGETS™ TO CAPPUCINO

FP: Several recent articles have said that McDonald's corporate fortunes are declining. For example, one author wrote, "Already in the U.S., competition is eroding its dominance, its great days are probably over. It must now manage a decline which will be bumpy, even violent." How do you respond?

JG: All the evidence contradicts what he's saying about McDonald's in decline. Over the last three years, our U.S. business has increased its net income by 9 or 10 percent each year on a base
that's huge—in 2000, we had nearly $20 billion in sales in the United States. We opened several hundred restaurants around the world.

FP: What about the pace of innovation at McDonald's? Several commentators have accused McDonald's of lagging behind its competitors in terms of introducing products. You yourself once noted that it took you seven years or so to get the McNuggets introduced. What are you doing to accelerate the rate of innovation?

JG: The innovation cycle is a complicated problem, because there's only so much these kids who work for us can do in the restaurant. And the more complicated you make it for them, the tougher service is going to be and the slower it's going to be. Our new operating system in the United States really allows them to have more menu variety without slowing down service. But it's taking our employees a while to get used to it. It's completely different. There are still limits to how much food innovation you can have. But in fact I'm quite proud of what we've done. We've got a whole line of breakfast products that we didn't have before. There is this grilled chicken sandwich. We've got these shaker salads. We've got a new taste menu that we just introduced in the United States. I think there's an enormous amount of stuff going on, but we have to be careful about it. So, this is still about quick service and getting in and out hassle free.

FP: With the size and diversity of your workforce, you're at the receiving end of a lot of trends that have to do with education in this country. What have you learned about the changing social texture of the United States?

JG: My instincts are that we're facing an educational crisis in the United States. There are too many kids coming out of schools who don't have what were considered basic skills 20 years ago. I think in the United States you're getting a bigger and bigger split between the well-educated and the not. It worries me greatly. In terms of charitable giving, we're spending a lot of our energy on that subject.

FP: Some people say that having a minimum wage shrinks the number of available jobs. Others argue the opposite. Where do you stand on the issue of the minimum wage?

JG: In the United States, the average hourly rate we pay our crew people is substantially above the minimum wage. There may be some franchisee who may be able to recruit workers for the minimum wage, but I doubt it. There were times in the minimum wage debate when our franchisees cared deeply about this subject, but as a company, we've never had a policy on it. And given what our franchisees already pay, I don't think that some of the proposed increases in the federal minimum wage are likely to have an effect on us.

FP: What do you think will be the most distinguishing characteristic of your tenure as CEO of McDonald's?

JG: Well, I hope that not only I, but those that are leading this effort with me, will leave a legacy of some transformation from a traditional single line of business focused on the one brand in a very narrow way to a business that transforms itself so that the brand stands for a lot more things.

FP: For example?

JG: Take the largest-selling clothing line for children in the United States. It happens to be called McKids™. It happens to be licensed to Wal-Mart, but it's our brand and we get a royalty for it. I think the brand can stand for more things and we can sell more things under the brand if we work at it and we create broader customer expectations. Second, that we go from a single line of business to multiple lines of businesses. We're good at a lot of things. Whether we will be selling hamburgers and chicken under the McDonald's brand, pizza under the Donatos™ brand, and beautiful, fabulous, you-gotta-try-'em burritos under the Chipotle Mexican Grill™ brand—you gotta go to Chipotle.

FP: You own that?

JG: Yeah, don't tell anybody. It's very different for us. And we just bought a piece of Pret A Manger™ in London—a chain of more than 100 sandwich shops that feature fresh, high-quality sandwiches that we expect can be taken globally because it's a fabulous concept. We've also invested in Aroma Cafe™, a small coffee chain of about 30 stores in London that also sells some food. We're feeling our way through this, but I think we want to transform from a narrow traditional view of a single-line brand to a broader view of the
brand and a multiline, multiconcept—

FP: So McDonald's in the Greenberg era will be remembered for having used the same knowledge and distribution channels to extend the brand into related areas. But this period will also be remembered as the era in which global criticisms of McDonald's exploded, right?

JG: Well, I think that's the last piece of the legacy I wish we would have. I'd like us to be absolutely in the top tier in social responsibility for that 10-year period. We're going to transform this company, keeping what's terrific about it, which is this great brand and business we've been talking about, but also develop this idea of social leadership, which is important to who we are.

FP: So, if you could use your last words to deliver a message to critics like José Bové, what would it be?

JG: Recognize the essential local character of McDonald's and find a more appropriate target for whatever it is that you're angry about. **FP**

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**Want to Know More?**


Several books and articles have explored the cultural impact of McDonald's expansion around the globe, including *To Russia with Fries* (Toronto: M & S, 1997) by George Cohon with David Macfarlane, which tells the story of how McDonald's opened its first restaurant in Russia; *Golden Arches East: McDonald's in East Asia* (Stanford: Stanford University Press, 1997) edited by James L. Watson, which looks in particular at China; and Maoz Azaryahu's "McIsrael? On the 'Americanization of Israel"* (Israel Studies, March 31, 2000). Thomas L. Friedman offers his "Golden Arches Theory of Conflict Prevention" in *The Lexus and the Olive Tree: Understanding Globalization* (New York: Farrar, Straus & Giroux, 1999). Theodore C. Bestor provides an example of how the spread of other cuisines has affected local tastes and cultures in "How Sushi Went Global" (FOREIGN POLICY, November/December 2000).


McInformation Network, an independent group of McDonald's critics, has created its own Web site where readers can learn about protests against McDonald's worldwide, including the much publicized McLibel Trial in Britain. For more information about that trial, also see John Vidal's "McLibel: Burger Culture on Trial" (New York: New Press, 1998). For a survey of European reaction to McDonald's, see Carla Power's "McParadox" (Newsweek, July 10, 2000).

John Stopford's "Think Again: Multinational Corporations" (FOREIGN POLICY, Winter 1998-99) gives a good overview of how today's multinational companies operate. For outlooks on McDonald's future, read Ken Kurson's "Supersize Dread: McDonald's Future Is Smelling Worse Than Its Restaurants" (Esquire, April 2001); and financial press releases on McDonald's Web site. See how mad cow disease is affecting McDonald's in Andrew Edgecliffe-Johnson's "Beef Concerns Hit McDonald's" (Financial Times, March 15, 2001).

For links to relevant Web sites, as well as a comprehensive index of related FOREIGN POLICY articles, access [www.foreignpolicy.com](http://www.foreignpolicy.com).