In 1939 the brothers Maurice and Richard McDonald, who’d suffered a string of failed retail ventures up to that point, noticed that the only businesses that were consistently profitable during the US depression were hot dog stands. In the light of this discovery, they set up a roadside store selling fast food. It made a profit of $40,000 in its first year of operation.

The brothers conducted a detailed study of the enterprise to determine why it was doing so well and what could be done to reinforce that success. They decided to reorganise their store along the following lines:

- Waiter service was ended and diners had to come to the counter to order food (“putting the customer to work”).
- The menu was cut down from 25 items to nine.
- Plates were replaced with cardboard containers, removing the need for a dish washer and aiding takeaway sales.

One of the brothers’ suppliers was so impressed by the store that he offered to take over the franchise of its operation (see Jobs & careers, page 57). This individual, one Ray Kroc, defined the business model and went on to drive its expansion from seven outlets in 1955 to more than 30,000 in 119 countries today.

The main thrust behind the McDonald’s business model is the delivery of homogeneous products to market in large volumes. This has a number of dimensions, which may be grouped under the following headings:

- Efficiency. Such products are usually cheap to produce, quick to deliver and efficient in their consumption of resources.
- Calculability. The operation places a lot of emphasis on quantitative considerations such as weight, size, waiting time and price. These are easy to manage and franchise.
- Predictability. Buyers can confidently purchase a product anywhere without having to give too much thought to the matter. You can buy a Big Mac in Manchester or Beijing without any fear of disappointment, since you know exactly what you’ll be getting.
- Control. The delivery of such products involves the use of a known set of materials and a simple, predetermined sequence of tasks. It is therefore easy and meaningful to evaluate performance through the comparison of actual inputs with standard inputs.

Of course, what this represents is traditional scientific management of the kind developed by Frederick Taylor and Henry Ford. McDonaldization represents the continuation of old ideas that have become outdated in some sectors.

Much of the discussion about management accounting today revolves around the way in which shorter product life cycles, increased product customisation and a bigger service
element marginalise the whole concept of the standard cost. Furthermore, it has been claimed that the traditional “static optimisation” approach to performance evaluation through the comparison of actual and standard costs tends to avoid the whole thrust of modern thinking in areas such as total quality management, value engineering and continuous improvement. The McDonald’s business model flies in the face of this theory.

In 1993 a US sociologist, George Ritzer, published a seminal book called The McDonaldization of Society. This introduced McDonaldization as a disparaging term, identifying the following negative aspects:

**The DRG approach of standard treatment may be the medical equivalent of a Big Mac. This method could result in the distortion of clinical practice**

- The fast food promised by McDonald’s is rarely fast. Customers often have to stand in long queues to obtain their meal and then have to find somewhere where they can sit and eat it. Quantity and quality may be predictable, but the latter is never more than moderate. The use of disposable packaging externalises costs by requiring the community to pay for the collection and disposal of dumped packaging.

- Customers have to serve themselves and are often prevailed upon to clear their own tables. They may also be required to dispose of food and packaging leftovers, which represents another externalisation of costs.

- The standardisation and division of tasks gives workers little by way of challenge and responsibility. Interacting with unskilled and low-paid employees does not improve the customer experience.

Aspects of McDonaldization have penetrated many areas of the economy. For example, internet banking requires customers to do much of the work themselves. You access and operate your online account using your computer and obtain cash using an ATM. That may be satisfactory until you have a problem or special requirement – at which point you telephone the bank only to be left on hold, listening to a repeating loop of music and a computerised voice periodically assuring you that “your call is valuable to us”.

Another sector that is claimed to have experienced McDonaldization is healthcare. The introduction of markets in the provision of health services means that funding bodies – eg, public health authorities or insurance companies – have to find some systematic way of remunerating hospitals. One approach is to use diagnostic reference groups (DRGs). The medical conditions of patients can be classified into these groups. Patients within a given DRG all suffer from broadly the same illness and will receive broadly the same treatment. Most practical applications of this approach use between 600 and 800 DRGs. The hospital will be paid at a fixed daily rate for each DRG, based on standard resource usage and standard purchase costs for those resources.

The DRG approach is not without its critics. The treatments available for any illness are varied. In the case of, say, heart disease they range from a transplant at one extreme to advice on diet and lifestyle at the other. Each patient is different with regard to the detailed nature of their condition, its degree of progression and their own age, strength and state of general health. The doctor should evaluate each patient individually and decide on an appropriate course of surgery, drugs and counselling. But, if a hospital is paid a fixed rate for treating a patient in a given DRG, the doctor will be reluctant to provide anything but the standard treatment package for that group. If treatment is provided above standard, the hospital will not receive any extra money. Substandard treatment could result in accusations of malpractice by both the patient and the funding provider.

The DRG approach of standard treatment may be the medical equivalent of a Big Mac. Unless sensitivity is exercised in its application, this method could result in the distortion of clinical practice by what is in essence a financial control system.

Many service providers have adopted business models incorporating elements of the McDonald’s approach in their bid to drive down costs. The problem is that driving down costs is often associated with reduced quality, the externalisation of costs and a lack of attention to the individual needs of customers. All these factors seem to contradict modern thinking about the direction in which business practice is moving in many areas of the economy.

As a business strategy McDonaldization may be satisfactory in some industries. But there is evidence that the insensitive introduction of associated management ideas into other sectors may be inappropriate.