Teaching Note:

Information Systems at McDonald's

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TEACHING NOTE

ABSTRACT

This case provides an overview of the various information systems adopted by McDonald’s and how they were aiding the management of McDonald’s in effective decision making at various levels. McDonald’s had installed different kinds of information system like a point of sale system, office information system, transaction processing system, customer relationship management, business intelligence, etc. All these installations were targeted at data capturing, data management, and data utilization so that McDonald’s could efficiently serve its customers by taking decisions which would provide convenience to them besides making them loyal to McDonald’s. McDonald’s was associated with many technology firms in order to implement these information system measures. It had successfully implemented many of them and was looking for more updated systems to be implemented. However, McDonald’s also faced various challenges going forward in relation to its information systems.

TEACHING OBJECTIVES AND TARGET AUDIENCE

This case is designed to enable students to:
1. Study and examine the information systems at McDonald’s.
2. Understand the issues and challenges faced by McDonald’s in maintaining its information systems.
3. Understand the significance and implications of the information systems at McDonald’s.
4. Discuss and debate the importance of information systems for an organization like McDonald’s, the associated challenges, and potential solutions.

This case is meant for MBA students as a part of the Information & Technology Systems/Knowledge, Information and Communications System Management curriculum.

TEACHING APPROACH AND STRATEGY

This case can be used effectively in classroom discussions as well as in distance learning programs. In the classroom mode, the case moderator can initiate the discussion by giving a brief introduction about McDonald’s and its information systems strategy and its implications. The moderator can take the discussion further with the help of the following questions:
1. Analyze the information systems strategy of McDonald’s.
2. What are the issues involved in information systems strategy implemented by McDonald’s and going forward? What kind of strategy do you suggest to McDonald’s for retaining the customers using effective information systems strategies?
ANALYSIS

1. **Analyze the information systems strategy of McDonald’s.**

McDonald’s being the world’s leading fast food restaurant needs a well-defined information system in order to manage the daily sales, customer orders, etc. It is not possible to keep track of a huge amount of transactions manually. McDonald’s has adopted numerous types of information systems to simplify such complex procedures and that has enabled it to become one of the top fast food restaurants globally. McDonald’s is practicing transaction processing which is needed when there is a transaction between the company and the customer. It involves collecting, storing, modifying, and recovering the transactions at McDonald’s. It aids in the day to day routine and in conducting business transactions in human resource applications. The data evolved by transaction processing is stowed safely as in most circumstances it includes the exchange of money which is important to an organization.

The transaction processing system also helps McDonald’s in keeping track of information about its suppliers such as supplier name, address, the quality of the items purchased, and invoice amount. This helps in maintaining timely records of supplier information. The decision support system is used in McDonald’s to design data structure and make a superior decision based on the data. It involves computer applications with a human element. This also helps in making non-routine decisions. McDonald’s employed Wi-Fi in its restaurants to collect information about customer visits, length of stay, and sales information which were studied and analyzed with the help of the decision support system to make strategic decisions to improve the standards of the restaurants. The Management Information System is a system that provides the information needed to manage organizations efficiently and effectively (See TN Exhibit I).

**TN Exhibit I**

![Diagram of Major Components of Information Systems](http://durdgereport492.web.fc2.com/essay/essays-2016122526/)
Apart from this, McDonald’s instituted Management Information Systems which comprised technology, information, and people. The most important resources are customers as they play the primary role in the business. MIS produces periodic reports about the employees and their work schedule and expenses in line with the budget. McDonald’s uses MIS to help the managers and the staff in understanding the business performance and to plan its future direction. The other Information Systems of McDonald’s includes the Hyperactive Bob system, Point of sale system, Touch Interface Ordering system, Made for you system, Customer Relationship Management, Business Intelligence etc. All these systems require a proper security system and extensive training for the staff working with them to enable them to operate the systems efficiently. McDonald’s profits can be improved if the Information Systems can make predictions of sales based on sales data and external signs such as weather. Employing the Information Systems is facilitating the following benefits for McDonald’s.

**Communication** – Information Systems facilitate instant messaging, emails, quicker, cheaper and much more efficient voice and video calls to make the processes easy at McDonald’s.

**Accessibility** – Information systems have made it possible for McDonald’s to conduct its business all over the globe without major hassles. The business expansion was made easy due to the information about different countries and food cultures.

**Globalization and filling the cultural gap** – Information systems will remove language, geographical, and cultural boundaries. By sharing the customers’ information and their food habits in different countries, McDonald’s can chart out flexible business strategies which can be adopted according to the culture of a country.

**Creation of new kinds of jobs** – Information Systems have created new jobs at McDonald’s like computer programmers, systems administrators, hardware and software developers, web designers etc.

**Cost effectiveness and efficiency** – Information Systems endorse a more competent operation of the company and also increase the supply of information to decision-makers which gives McDonald’s a competitive advantage. However, lack of training and poor system performance may be obstacles in maintaining Information Systems.

**Maintenance of records** - Every company requires records of its operations for financial and regulatory purposes and for tracing the root of problems and for initiating corrective action. The Information Systems store documents, communication records, and operational data and help to retrieve them whenever needed. McDonald’s uses such information to prepare cost estimates and predictions and to analyze how the key company indicators are affected by the implementation of strategies.

**Increased Productivity** - Information Systems are cutting down on the time taken to process orders and the passage of information between different departments in McDonald’s.

2. **What are the issues involved in the information systems strategy implemented by McDonald’s going forward? What kind of IS strategies do you suggest McDonald’s uses to retain customers?**

McDonald’s has a varied system of operations and management. It has developed computer and information systems to manage its operations which have become a core competence for the company, forcing many of its competitors to play catch up. Information systems can be a competitive advantage against competitors if they are used efficiently and correctly. McDonald’s effectively employed the Information Systems to resolve the business challenges it encountered, thereby improving its operational efficiency (See TN Exhibit II).
TN Exhibit II

Information Systems resolving Business Challenges


Management:
- Identify opportunity to use technology
- Develop design specifications

Organization:
- Redesign navigating processes
- Train navigating team

Technology:
- Deploy sensors
- Deploy data management, analytics, and graphics software

Information systems:
- Refine navigation design
- Provide performance metrics
- Control navigation
- Optimize speed

Business Challenges:
- Highly competitive environment
- Opportunity to use advanced information technology

Business solutions:
- Win competition

McDonald’s could encounter certain challenges in implementing Information Systems like the following.
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Security issues – Hackers might get access to systems and target subtle company data like supplier information, customer information, intellectual property, and personal data of company management. The hackers might dispense the information over the Internet, sell it to competitors, or use it to harm the company’s image. McDonald’s should update its security systems from time to time to avoid this problem.

Lack of job security for employees – Applying Information Systems in an organization can save on the time needed to complete the tasks. Transaction processing would take place immediately, and financial transactions would be mechanically calculated. As technology advances, jobs that were previously accomplished by human employees are carried out by computer systems. For instance, automatic telephone answering systems have replaced receptionists in many organizations. As technology keeps changing with each day, one has to be in a continuous learning mode for job security.

Execution expenditure – Implementation of the Information System is a costly affair involving employment of software, hardware, and people. Employees need to be trained. McDonald’s has to allocate a higher budget to maintain its Information Systems.

McDonald’s has the option to increase its research and development funds to develop business effectiveness and competence. It can apply more computerization to optimize output, based on increasing business automation. Moreover, McDonald’s can develop its mobile services to attract more consumers via its website or mobile app. Competitive advantage is determined by the presence of smart and practical goals. Business organizations need to have strong tactics that leverage their key strengths as a means of achieving economies of scale. The business strategy of the organization should be based upon operational productivities. Organizations need to have the capability to effectively deploy strategies that can benefit from new opportunities. Furthermore, they must be able to react to difficult situations in an efficient manner.

McDonald’s is one of the industry leaders in the fast food industry. Its main competitive advantages include convenience, nutrition, innovation, quality, affordability, hygiene, and value added services. The long-term profitability of McDonald’s will depend upon its capability to embrace change. It needs to improve operational efficiencies to reduce costs by leveraging information systems. It should assimilate technology as a means of confirming that its key standards and goals are attainable.

McDonald’s can adopt certain strategies in future to retain its customers and build the efficiency of its operations. It should update its online ordering system as well as transaction processing system. It should make changes in the display screen showing the availability of items in the kitchen so that the staff can get an idea of which items to order. Customers’ feedback and suggestions should be collected and analyzed and problems, if any, should be fixed. Upgradation of the systems is crucial keeping the customer experience in mind. McDonald’s can issue a card with promotions and discounts to ensure the loyalty of customers. Customer information should be stored securely and promotional offers should be communicated to them through mails, phone calls, etc.
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References:


Suggested Readings: