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Organizational resilience: A look at McDonald's in the fast food industry

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CHANGE THROUGH ORGANIZATIONAL RESILIENCE

Companies must be constantly aware of not only their internal environment, but also their external environment. Changes in the external environment can be either a threat or opportunity for the company. Included in the external environment are factors that impact companies uniquely, such as unanticipated crises and those events that impact the industry that the firm operates in, such as changes in legislation. Companies that perform well are adept at recognizing the need for change and update their strategies to address adverse events in order to minimize the impact to the firm.

Most of the literature discusses adverse events such as risks or crises, which are events that are a threat to goals with reduced ability to control the environment along with a perceived time pressure or a negative atypical shock. These adverse events may compromise the health and safety of employees, customers, or the community, or threaten to destroy public trust in the organization. Additionally, these events are unique, significant, and noteworthy situation(s) that create highly adverse results for the firm and its stakeholders.

While there is a vast knowledge of how firms can recover and become resilient in the face of an adverse event with a definable start and end time, little is known about what happens when a company encounters an adverse event that seems to be never-ending and threatens the viability of the firm. We focus in particular on the adverse event, or adverse impact of continual negative consumer response due to the industry of the firm. For example, the sugar industry constantly deals with changing legislation, numerous studies targeting their consumers about the health risks, the media's negative portrayal and adverse stigma associated with the consumption. Yet, in spite of this adverse climate, this industry has learned how to survive and thrive in such hostile environments. Why is that?

To answer the research question of how can firms survive and thrive in hostile, controversial industries, we examine the fast food industry as an exemplar for a hostile environment. Firms within the fast food industry enjoyed growth as they offered their consumers a quick, easy, and often-times, cheap meal. In the United States, revenue from fast food was \$200 billion in 2015 — an extreme amount of growth since 1970 when fast food revenue was \$6 billion. In recent years, consumer tastes have changed to become more health conscious. On the other hand, the fast food industry has a reputation for providing unhealthy food, while consumer tastes in the United States continue to shift toward healthier options.

Consumers desire companies to be more transparent about what ingredients they use and consumers are pickier and exercise more discretion about what they consume. This change in consumers' trends and tastes has threatened the viability of fast-food service firms and the way they do business. For instance, in 2002, McDonald's was sued by two teenagers who claimed they became obese from eating daily meals from McDonald's. The teenagers claimed that McDonald's was responsible for their obesity because the necessary information about health risks associated with meals was not provided. While the case was dismissed, it caught the attention of fast food companies as a growing concern that health problems such as obesity and diabetes may stem from the consumption of products.

Firms in the fast food industry also are dealing with poor employee relations and consumers' perceptions surrounding those relations. Fast food restaurants generally pay low wages, where often full time workers cannot make a living wage, and may typically depend on public assistance and taxpayers to close the gap. The low wages allow fast food restaurants to keep costs low and thus offer lower priced

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food to consumers. However, employees and protestors have started to demand increased wages, which causes tension for fast food firms that have such high employee costs. These high costs adversely impact the bottom line, with the inability to pass many of these costs to the consumer.

The fast food industry is losing customers to the fast, casual segment of the restaurant industry where consumers can find fast food, though not as fast; that is affordable, but not quite as lower priced, and of higher food quality. We propose that in the face of continually hostile environments and controversial industries, firms can achieve organizational resilience by refocusing their attention from attempting to recover or bounce back by fighting fire after fire and instead focus their attention on transforming their firms through organizational change. To illustrate this, we use McDonald's as a mini-case to examine the choices the firm makes to improve its organizational resilience.

ORGANIZATIONAL RESILIENCE LITERATURE REVIEW

Scholars have traced the roots of organizational resilience from the natural sciences of engineering and ecology before branching out into the social sciences. As such, the concept of organizational resilience is based on the notion that individuals, or a system, can withstand stress or bounce back, or recover its prior shape after a distribution. In part, due to the wide range of domains that organizational resilience covers, it has shown a remarkable degree of versatility in the literature. As a consequence, though most probably unintended, a lot of confusion surrounds it. For example, organizational resilience is regarded as adaptability and survival, as health and longevity, or as the opposite of failure and death.

Authors have continued to refine the concept of resilience. It is noted that it is an emergent quality of organizations and unknown until it is revealed by disruptions, and that it pertains to the ability of the organizations to manage chronic stresses related to its environment.

Models for Resilience

Resilience is sometimes described in the literature as a trait, a characteristic or an outcome of the entity that faced adverse conditions. As mentioned earlier, several fields have investigated organizational resilience and have proposed different models of resilience. Scholars have proposed frameworks that consider industrial processes, resources, supply networks, supply chain, innovation and supply chain resilience to build resilient processes.

MCDONALD'S AS A RESILIENT ORGANIZATION

We considered McDonald's as organizational resilient organization for our mini-case because the company heard the cry of its healthy eating customers and shifted its image from the fast food unhealthy eating place to the healthy option food choice. More specifically, McDonald's developed a strategic approach that included winning customers by including healthy food menu items in its food product mix, such as choices of egg-white McMuffins; premium wraps with grilled chicken, lettuce, tomatoes and cucumbers; and value meals that offer a choice of side salads or fresh fruit in lieu of french fries.

McDonald's approach also included a marketing strategy that promoted the healthy choices in its menus exhibited by a "Good Choices for Every Taste" Happy Meal campaign. McDonald's focus is on its brand and associated proposition which includes adapting to customers by meeting their needs. For example, McDonald's now serves breakfast all day to customers eating Egg McMuffins and other breakfast foods in the morning and throughout the day.

During 2013, McDonald's was experiencing growing competitive pressure from Subway and Burger King as they both targeted women with their healthy food options. The strategy to compete included McDonald's modifying its menu to include modern tastes and healthy food choices to deal with the issues related to the fat and high calorie nutritional content of its foods. The decision to compete included a focus on survival in the midst of changing consumer tastes as well as changing consumer preferences.

To continue to adapt to the changing food trends with a focus on nutrition, McDonalds included calorie counts to its menu prior to the federal mandate. This addition lead the way for McDonald's to promote the change in the product mix and advertise the messages to align with the common trends. More specifically, the calorie count menu was a good marketing strategy to highlight healthy food choices such as apple slices, low-fat milk, salads, and grilled chicken sandwiches. To appeal to a mixed consumer base, McDonald's also maintained high calorie menu items such as a double quarter pounder with cheese, bacon clubhouse burger, and a large chocolate shake. Thus, McDonald's offers menu items that represent a good product mix that focuses on choices for consumers.

ORGANIZATIONAL RESILIENCE MODEL

An organizational resilience model includes various components that will be used as a framework for implementing practices that will assist organizations in managing change that will result in organizational resilience in the midst of adverse events.

In Fig. 1, we present and discuss the organizational resilience model to serve as a basis for conducting business in a socially responsible manner in order to prevent and minimize the impacts of adverse events on the bottom line of organizations. The model includes:

1. Corporate social responsibility is an approach that guides business decisions including identifying and responding to social concerns including childhood obesity.
2. Methodology defined by the Project Management Body of Knowledge (Project Management Institute, 2013) as a framework for organizational resilience.
3. Organizational resilience indicator to denote transformation in the midst of adverse events.

Model Inputs

Corporate social responsibility includes focusing not only on financial issues; but also, on implementing and supporting

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