

McDonald's: Behind the Arches Study Guide

McDonald's: Behind the Arches by John F. Love

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Plot Summary

Behind the Arches is a history of McDonald's from its pre-history and inception up to the mid-90s when the book is published. As the author notes in the forward, many people know the outer face of McDonald's, which is carefully managed. However, very few people understand how it works, not only in terms of its corporate management, but in food production, product development, franchiser-franchisee relations, and so on.

When people ask about McDonald's workings, the corporation usually points to Ray A. Kroc, its legendary founder. However, the book shows that while Ray Kroc was a crucial figure and a brilliant manager and salesman, many other people contributed to the growth and success of McDonald's in important ways. The author covers these figures in great detail; from the original McDonald's founders, Dick and Mac McDonald, to McDonald's first major financier, Harry Sonneborn, to Kroc's successor, Fred Turner, a surprisingly diverse and interesting cast of characters fills the book.

McDonald's is the second most recognized brand in the world, but few truly understand how extraordinary its accomplishments are. Over 96% of Americans ate at McDonald's in 1995; in the same year, it had 14,000 restaurants and served over 100 billion hamburgers. It is one of the largest employers in the United States, with half-a-million workers and is the country's largest producer and consumer of beef. It even claims 5% of the United States' yearly potato crop.

Most will recognize that McDonald's has incredible economic power within the fast-food industry, but few realize that it has the same massive impact in nonfood industries as well. McDonald's makes an enormous amount of money from real estate by leasing the land on which their restaurants are built and then sub-leasing the land again to their franchisees with mark-up. It has revolutionized food processing in the United States and across the world. Its product development team is among the more sophisticated research teams in any food-oriented corporation.

McDonald's character is least understood, however. Ray Kroc was not only a great entrepreneur, he instilled McDonald's corporate culture with a sense of pride, fierce loyalty, fastidiousness, ferocious competitive spirit and an appreciation for cooperation and trial-and-error methods of discovery. He set up McDonald's on a decentralized franchising model, wherein McDonald's allowed franchisees a wide berth of freedom to experiment with their restaurants as they saw fit. McDonald's has often conflicted with their franchisees but by and large treat them well and listen to their ideas for making the corporation better. Kroc made McDonald's a success because he gave his franchisees an incentive to innovate. The same holds for McDonald's suppliers, which are decentralized businesses in themselves.

Behind the Arches is a long book full of in-depth analysis of every aspect of the McDonald's corporation. It has a foreword and epilogue and seventeen sizable chapters in between. It runs largely in chronological order, with some chapters using a historical orientation and others focusing on particular aspects of production within McDonald's

superstructure. The writing is structured as a narrative and the author is clearly writing an apology for the corporation. However, it forms a powerful case for admiring one of the United States' and world's most successful (and often most reviled) corporations.



Foreword, The Unknown McDonald's

Foreword, The Unknown McDonald's Summary and Analysis

The foreword to the book explains its purpose. Many people know the outer face of McDonald's, the restaurant, but few understand its inner-workings. Within McDonald's Plaza in Oak Brook, IL, west of Chicago, the main office looks like a war room. It is not pretentious. McDonald's promotes its brand but not its inner workings. The press focuses on the outside, as McDonald's prefers it. At other times, the corporation prefers to focus on its legendary founder, Ray A. Kroc, his genius and hard work ethic.

McDonald's has been wildly successful, with over 96% of Americans having eaten at one in the past year (1995). It has 14,000 restaurants, has served over 100 billion hamburgers and employs over 500,000 Americans. It is the country's largest purchaser of beef and consumes 5% of the United States' potato crop. When McDonald's introduces a new product, they change how most Americans eat.

McDonald's economic power as it relates to nonfood industries is not well understood. It has a massive effect on real-estate, for instance. However, the character of the company is the least well-understood feature of McDonald's. The people who run and operate it are shrouded in secrecy. Ray Kroc was a great entrepreneur but he did not rule the corporation with an iron fist. In fact, he made the company successful by making each part of the production process its own business and having these different sectors act as entrepreneurs vis-à-vis one another. Kroc was revolutionary for his advances in franchising, in selling a brand and motivating its managers to adopt uniformity. Individual initiative drives McDonald's but it also achieves uniformity.

The three parts of the process—franchisees, managers, and suppliers—all must uphold common standards of quality, service and cleanliness, yet McDonald's is not the product of any one man. It is hard to know who is in charge of what at McDonald's. Despite being built on self-interest, no one dominates McDonald's; its structure is fundamentally federal.



Chapter 1, Yes, There is a McDonald

Chapter 1, Yes, There is a McDonald Summary and Analysis

There really is a McDonald, Richard J. McDonald. When McDonald's is going to close its original 1955 store in Des Plaines, IL, the topic of Richard McDonald arises because people become interested in the store's history. The two brothers have been forgotten in McDonald's lore. Ray Kroc's first McDonald's is not the first; the credit goes to Richard and his older brother Maurice, or Dick and Mac, as they were known. They invent McDonald's but lack drive and organizational skill. However, they discover fast-food, not Kroc.

The McDonald brothers are unemployed in the early 1930s, looking to make it big. Their cross-country search for work takes them through Hollywood, among other places. In 1937, Californians are driving more and more automobiles. Some have already conceived of curb-side service, and the first carhop drive-in may have been the Pig Stand in Hollywood, opened in 1932.

Carhop drive-ins spread throughout California. The drive-ins always experiment. In 1937, the brothers open a tiny drive-in east of Pasadena; their business is moderately successful and so they open a much grander drive-in in 1940 in San Bernadino. In the mid 1940s, it becomes a teenager hang out and makes money hand over fist. The McDonald brothers are rich and become part of the San Bernadino social elite. However, they are simple men. Over time, they become bored and feel competitive pressures. Drive-in economic models are revealing their flaws over time.

Eventually the brothers realize that they should close the barbeque pits at McDonald's and focus on hamburgers. Everything starts to move faster. They close their businesses in 1948, fire the carhops, and reorganize everything for fast-food production. Initially sales fall 20% and many complain. However, in six months, they recover, in part due to milk shakes and French fried potatoes. Cheap food helps them. Children are especially drawn, as are families. In a year, they are making more money and have created a new food concept. They will go on to acquire new kitchen instruments and improve upon them. Processes become subdivided, faster and faster. The author then describes these processes in detail, and the fact that they then create more restaurants.

Ray Kroc does not meet the McDonald brothers until 1954; he does not suggest franchising to them; they have already begun licensing. As time progresses, the arched design and kid friendly layout of McDonald's evolves. The author relates this story as well. However, the licensing system has problems. The brothers do not enthusiastically sell franchises as a result and so franchising goes bust within two years. They have trouble with a lack of productive uniformity and have a poorly constructed scheme. Plagiarizing starts by 1952 and the McDonald brothers bring more people into

competition with them than they sell franchises. In the mid-1950s, there is no dominant fast-food chain.

In 1954, Ray Kroc works as a food service equipment salesman and has been keeping track of the McDonald brothers' idea. Kroc sells them equipment and he is fascinated by them. He is not content with what he sees, believing he can do better.



Chapter 2, The Salesman

Chapter 2, The Salesman Summary and Analysis

Ray Kroc becomes a business legend several decades after he gets into McDonald's, often likened to Rockefeller and Carnegie but the legend obscures the man. Kroc is a salesman more than anything and many forget about his skills. Kroc sells many things, and is eager to find something to sell that will make him rich. He has never run a restaurant or made a hamburger when he gets into McDonald's but learns the business as well as anyone.

Kroc watches market trends and while he makes suggestions, they are not always well-received. He even suggests the carry-out food idea to Walgreen's, but they do not take him up on it. The author then gives other examples of Kroc's failure to sell his ideas. Yet he never gives up, ultimately getting into the milk-shake mixer machine business. He learns that companies have to be able to react quickly to market changes and he has great success with the milkshake maker, the Multimixer.

Kroc is not satisfied however, and the Multimixer does not sell well for long, due to competition. He reaches out to suburbs but competition finds its way there too. Kroc never loses his enthusiasm even as he loses business. He responds to declining Multimixer sales by expanding his produce line but eventually wants to get out of the business. He sees that McDonald's is having trouble with imitators and realizes that this is an opportunity. He understands the weaknesses in McDonald's business model as well and when he encounters McDonald's he finds that it has solved some but not all of them. He sees nation-wide potential, while the McDonald brothers think only locally.

Kroc offers to be the franchising agent for the McDonald brothers. He then negotiates a contract with them that gives him the exclusive right to franchise McDonald's around the country. Dick and Mac are happy to have Kroc's help but lay down harsh conditions, forcing Kroc to sell franchises for less than they are worth. Kroc accepts this because he mostly wants to use McDonald's to sell Multimixers but he then decides to focus on hamburgers.

Kroc founds McDonald's System, Inc. in 1952 which becomes McDonald's Corporation in 1960. He makes major operational changes but does not fundamentally alter what the McDonald brothers have created. While he has the chance to set up a knock-off franchise, he decides against it because he wants to benefit from the business learning that the McDonald's have gained. He begins to invent new franchising methods by finding out how to make customers succeed with his product.

Further, Kroc is an excellent salesman and communicator, often using his excellent speaking skills. His operators provide him with great details on sales and costs, which are provided to prospective franchisees to impress them. Kroc is candid and remembers details about those he meets, which always impresses people. He is eternally optimistic,

and so while he is 52 when McDonald's is incorporated, he has the energy of a thirty year-old. Kroc is also patient and does not look to get rich over night. Instead, he is motivated because he enjoys what he does.



Chapter 3, The Franchising Derby

Chapter 3, The Franchising Derby Summary and Analysis

McDonald's is successful and dominant in the fast food business without creating fast-food franchising or franchising generally. Kroc forms the McDonald's System on March 2nd, 1955, and is only one of a dozen or so entrepreneurs pursuing the idea. Franchising comes long before that, soon after the Civil War, in fact, with sewing machines. Food franchising predates the automobile.

Food service franchising comes later, in the mid-1940s, particularly with Dairy Queen and Big Boy. However, Dairy Queens are small and focused, whereas Big Boy's are enormous and full-service. Kroc founds a franchise in between. The author then tells stories of other fast-food franchise origins, such as KFC. Many of the founders have degrees from the same school of administration. When Kroc starts McDonald's, however, things take off like they never have before.

This is because of Kroc's innovations in franchising. He knows that the business will become cutthroat in competition and develops a decentralized but uniform model for taking advantage of it. He avoids territorial franchises, avoids easy money, and keeps franchises from forming hierarchies of their own. This also avoids territorial fights between franchise owners, a difficulty Dairy Queen suffers from. Kroc also builds McDonald's up slowly.

Kroc limits franchise ownership according to success and gives up large deals to keep to his model. He retains the right of franchise licensure against offers to buy them. The author then discusses some cases of conflict between franchiser and franchisee that Kroc learns from. He focuses further on sales per store. Collecting revenue depends on sales volume. He also resists profiting from his franchisees and puts their financial position ahead of his own. This benefits him in the end.



Chapter 4, The Owner/Operator

Chapter 4, The Owner/Operator Summary and Analysis

Corporate culture determines how managers react to change. Some resist change, others embrace it. McDonald's appears to be the former, but in fact it is the latter. Kroc sets the tone with his own "trial-and-error" mentality. The author then discusses some of Kroc's early franchising efforts and his failures. He also learns from licensing experiences and failures for others. He sees, for instance, that if you fight maverick franchisees about price, then you start to fight about everything. He also realizes not to overextend himself.

The author also discusses a fight between Dick McDonald and Kroc about exclusivity of franchising rights, which Kroc is eventually able to win. Further, Kroc has difficulties securing investors for his Des Plaines McDonald's. Many of his franchisees come from his fellow golf club members. He avoids remote control partly for this reason. Kroc does become upset when one of his franchisees raises the cost of the hamburger from 15 to 18 cents, but he learns to deal with it. The author then discusses other battles Ray has with franchisees. He has quite a bit of trouble making stores successful in the Midwest. However, one of his most difficult franchisees eventually turns a major profit for him there.

The climb only just begins with the Agates in Waukegan, however. The opening becomes a social event and a line forms that lasts over twenty-four hours. Kroc is inspired even further. The Agates make \$250,000 in their first twelve months, netting them \$50,000. Eventually, they earn more than Kroc does.

Within months, people from other states are traveling in. This leads to more franchise sales and these sales make more franchisees rich. The author then discusses more cases. In his fight with the Agates, he makes clear that deviation from his model will not be tolerated but that franchisees can deviate within these confines as they like. This establishes the important uniformity of brand that helps McDonald's even more.

Chapter 5, Melting Pot

Chapter 5, Melting Pot Summary and Analysis

Ray Kroc is hostile to big government and this is reflected in his decentralized, entrepreneurial business model. However, McDonald's management has no steady politics. Really, nothing about McDonald's is monolithic. Instead, Kroc wants to hire people who are extremists, capable and focused on their own phase or area. He wants people who perform their jobs well. Kroc is a management genius.

Kroc assembles one of the most diverse collected of managers in an American business. Their personalities differ and they have substantial freedom to make their own decisions. Kroc is not a corporate dictator as many imagine. However, he does mandate cleanliness and general fastidiousness, along with personal codes of conduct. He often terminates people on the spot for violating them, although more often than not these are mere threats. Poor performance is really what gets people fired.

Kroc is really a pragmatist and tolerates frustration. He expresses a kind of duality between his outward appearance and inner self. He is even if he does appear that way. After all, there is no training ground for running fast-food restaurants; Kroc has to adapt as circumstances demand. The author then discusses some of his hires, and how nontraditional they are. He hires men from humble origins and hires women in higher offices than others are doing at the time, such as June Martino. In fact, Kroc delegates authority to Martino before almost anyone else. He also uses Harry Sonneborn, his personality opposite, in very productive ways.

Future managers fit the same patterns—diverse personalities, diverse management styles, all working together for success. The author then covers the cases of Fred Turner, Jim Schindler and Don Conley. Kroc harnesses all of their energies by unleashing them to do as they like and even letting them clash. As McDonald's grows, Kroc continues to delegate authority and expanded his decentralized business model, allowing for wide experimentation and learning from mistakes. The form of the model also continues to attract creative individuals who like to do their own thing. This adds to the firm's creativity.

Kroc begins to think McDonald's as almost on a sacred mission. He is building a model for American business. Many want to learn from his business model. He invites his managers together for personal occasions, along with their spouses, in order to promote a sense of family. Martino becomes a kind of den mother but everyone is loyal to Ray, the patriarch.

Kroc always treats managers well, compensating them amply and he uses his generosity to attract the best people. He also teaches his managers principles to help them identify with one another. Kroc is committed to basic, puritanical values: the work ethic, clean and tidy appearance and thrift. Kroc always looks for bargains. He is not a

religious man but is deeply devoted to his personal code. Managers adopt his principles because they do not lose freedom performing their jobs; instead, they have more as a result.



Chapter 6, Making Hamburgers

Chapter 6, Making Hamburgers Summary and Analysis

McDonald's managers are committed to building the best hamburger operation in the world. They can learn nothing from competitors but errors and others often liken their operations to the Marine Corps. However, others reject the analogy because McDonald's is full of marketing initiatives and product discovery. There are uniform standards but not regimentation.

Kroc sets the policy and others, if prepared, can compete with them. However, achieving uniformity is the hardest task of a franchiser and Kroc has a particular talent for it. Some companies centralize but Kroc avoids this. For instance, again, he avoids territorial franchising. Instead, Kroc builds a supervisory and support organization to aid franchisers. The author then discusses the reasons Henry's, a rival hamburger chain, goes out of business.

McDonald's focuses on building its operating system and continues to license. Kroc tries to improve the product, develop supply relationships, upgrade buildings and equipment, and organize a field force to train licensees and monitor stores. The latter ability has a large effect on American business as a whole.

Turner, Schindler and Karos develop a discovery process to set McDonald's on a developmental path which largely consists of trial and error. This is best embodied in the development of the French fry. The author then discusses developmental details. The team is able to convince local franchisees and distributors to play along with the changes. They experiment with potato type, potato preparation, frying devices, shortening and so on.

Eventually Martino suggests opening a lab, and they indeed build one, experimenting with large food processing machines. This helps them to automate French fry production. This is added to the increasing ability to automate milk shake production and Kroc uses automation to further increase McDonald's competitiveness, convincing their dairy suppliers to go along with developing new mixes.

McDonald's most changes the production of the hamburger. Originally, there is no formula but McDonald's develops one. They prohibit additives and unwanted beef parts and they track down beef suppliers who try to cheat them, signaling that they cannot be fooled. Again, lines of operations are developed, experimenting progresses and Kroc begins to change how purchasing supplies work, securing discount prices for buying in bulk. Kroc also develops intense loyalties with his suppliers because he treats them well. He entirely redefines customer-supplier relations.



Kroc and his team redesign everything about McDonald's buildings, equipment, dispensers, products, heating and ventilation. They focus on the minutest details of equipment design and develop a highly sophisticated design team. They also focus on handing down techniques to franchisees, converting running a restaurant into a science. McDonald's produces a manual of incredible detail to promote this process; the manual continues Kroc's tradition of emphasizing cleanliness.

Kroc is ruthless in enforcing the procedures his team develops, creating a world-class supervision team. He builds up to 360 field consultants as a result and opens a full time training center, which is, at that time, unheard of. It becomes Hamburger U. They also generate very positive media coverage. The "university" opens in 1968. That said, McDonald's still maintains high regard for franchisee experimentation and contributions. They always know uniformity is not enough.

Chapter 7, Making Money

Chapter 7, Making Money Summary and Analysis

McDonald's has trouble making a profit, despite its operating system. Kroc has never attended much to profit and loss statements and fails to make McDonald's profitable in the process. McDonald's finds out how to make money with real estate and a strategy developed by Harry Sonneborn, who creates their real estate investment strategy.

The strategy involves McDonald's creating a separate real estate agency to buy the land for franchisees to build their McDonald's on; they often cannot afford to do this on their own. They then charge mark-ups on the land. McDonald's leases from the land owner and subleases to the franchisees, creating a "sandwich" strategy. It produces immediate cash flow and gives McDonald's new control over the franchisee. There are some legal difficulties, but it ultimately harmonizes interests between McDonald's and franchisees. Today McDonald's is one of the greatest real-estate companies in the world, with Franchise Realty.

The author then describes the real-estate team and various problems they solve. They apply the same rigor to real-estate that they do to store operations and product development. They also work to persuade franchisees to go for the land deals, which is sometimes difficult. So they focus on developing negotiation tactics. McDonald's also has to develop a strategy for securing mortgage loans for multiple stores from large lenders. As a result, they have to work to improve their credit and appear risk-worthy to investors. New accounting methods have to be developed and cash crunches develop that have to be grappled with. Sometimes McDonald's gets into financial trouble. The author then discusses how Sonneborn handles a major cash crunch.



Chapter 8, The Buyout

Chapter 8, The Buyout Summary and Analysis

Chapter 8 concerns Kroc's attempt to buy the McDonald's name from the McDonald brothers. Dick and Mac are determined to benefit from their name recognition. However, they ask for 2.7 million, which is too much in Kroc's mind. McDonald's has trouble getting the money together and Kroc very much wants to buy out the name.

Kroc wants to buy out the McDonald brothers because his desire to experiment produces numerous contract violations with the initial licensing agreement. Further, in 1960, Kroc's contract is about to expire. So contract renegotiation have to take place. Frank Cotter, the lawyer for the McDonald's, hates Kroc and Kroc hates him back, so negotiations are difficult. Kroc wins with only minor concessions. However, Kroc's negotiating destroys his relationship with the McDonald brothers.

Kroc comes to see the \$2.7 million price tag as worthwhile but the McDonald brothers have few regrets; they simply want to live comfortably. However, there is some remaining difficulty over who will own the San Bernadino store.

Kroc hires an investor to gather the \$2.7 million needed to buy the name. The author then describes the path to acquiring the money in some detail. Ultimately, McDonald's takes out a nice loan but after false starts and premature celebrations.

After the acquisition, Kroc moves to redesign McDonald's architecture. The change has a devastating effect on the San Bernadino McDonald's, which quickly loses business. The McDonald brothers, however, live out their lives in peace. Mac dies in 1971 and at the writing of the book, Richard is still alive, living a comfortable retired life. In the end, they are happy, and Kroc is as well.

McDonald's is still far from its current dominant position, however. In 1961, when the deal is done, McDonald's only has 323 stores in forty-four states. However, now McDonald's can market their chain as they want to. They do not waste time.



Chapter 9, Partners

Chapter 9, Partners Summary and Analysis

McDonald's is ready to move forward. One of their strategies is to open several company-controlled McDonald's in order to produce more competition from their franchisees. Kroc is not in a position to dictate McDonald's policy but he, for familiar reasons, resists this. Instead, they branch out into advertising, which is new at the time. McDonald's is new to marketing as a whole and they need to build strength there.

Today McDonald's is associated with great marketing but this comes slowly in the beginning. The original McDonald's characters develop from crude original models. Kroc eventually hires a Chicago public relations firm to obtain press attention. They experiment with types of newspaper ads and television ads as well. The advertising attracts attention to Kroc's personal life.

McDonald's tries to steer media attention, particularly to how many burgers they sell. The public loves it. McDonald's often uses gimmicks like this to get free press attention. Kroc also does public interviews; McDonald's starts to do charity work as well. The Ronald McDonald Children's Charities is developed after Kroc dies in 1984.

A grassroots movement in local McDonald's starts to produce innovative advertising experiments. Radio jingles turn out to be particularly productive, as does advertising during children's shows. McDonald's advertisers continue to experiment in the same careful way that other branches of the corporation do with their part of the business.

The author then describes some of these experiments. It turns out that clown suits are effective with children, particularly Bozo costumes; Bozo becomes associated with McDonald's. However, his popularity slips and so the promotional team tries to develop another spokesman. It is this team that gives birth to Ronald McDonald in 1963. The first challenge the team faces is making Ronald popular without a television show, but they are again successful. With Ronald, McDonald's establishes hegemony over children's fast food.

McDonald's begins to aim at national advertising and has to acquire various licenses in order to do so. The author discusses some difficulties in forming advertising cooperatives. Sales soar when they are successful, particularly in the late 1960s. As time progresses, McDonald's operations become more sophisticated. Eventually they branch out into new products. The fish sandwich is also developed during this period as a result. The fish sandwich produces an advertising boon because it is a new item. A decade after Kroc acquires his first store, he dominates fast-food advertising and his competitors.



Chapter 10, Going Public, Chapter 11, McDonald's East, McDonald's West

Chapter 10, Going Public, Chapter 11, McDonald's East, McDonald's West Summary and Analysis

A love interest and divorce moves Kroc to California in the early 60s and this changes the direction of the company. He divorces his wife Ethel and tries to marry a woman named Joan Smith, but she breaks off the engagement. He marries Jane Dobbins Green on the rebound. In California, Ray decides to focus on taking over the West Coast market as a linchpin of the McDonald's business strategy.

With control now split into divisions, Turner becomes more sophisticated in running McDonald's operations. However, they do have some conflicts, particularly with Sonneborn, who comes into power and begins to consolidate control over the corporation through his financial influence. The author details the tension between Kroc and Sonneborn over control of McDonald's assets.

One major move is gaining funds for McDonald's via going public, offering shares of McDonald's stock on Wall Street. However, it is hard to appraise McDonald's values but with good timing and the right appraisals, McDonald's is successful. Kroc, Sonneborn and Martino become super rich in a short time.

Sonneborn, however, has more power than ever and now has public exposure. After some time, many grow disenchanted with him. However, before his decline, he establishes network television advertising, a core feature of McDonald's marketing strategy, particularly the ads with Ronald McDonald. They also advertise in the Macy's day parade. In 1967 McDonald's sets up OPNAD, the Operators National Advertising Cooperative.

In Chapter 11, the tension between Kroc and Sonneborn grows, such that McDonald's is almost split into an "east" and "west." The division between the two men spreads deep into management throughout McDonald's in the 1960s. Sonneborn is becoming a member of the financial elite and wants to run McDonald's like a standard corporation but Kroc has a different vision. Kroc comes to despise Sonneborn for his aggressive behavior and vision for McDonald's. He owns 43% of McDonald's and considers it his.

The two handle their differences by not speaking to each other, using Martino as a buffer but the policy disputes rage. Sonneborn, however, develops a weakness. After McDonald's goes public, he begins to hand over real-estate to Pete Crow and loses total interest in hamburgers. Sonneborn becomes increasingly absent. After going public, McDonald's can expand at a great rate and the two visions come into sharp conflict. Sonneborn actually reduces the number of stores built, but Kroc increases expansion in the West. McDonald's West continues to look like Kroc.



Kroc eventually has to convert McDonald's East to his vision, however and so a showdown has to occur at the Chicago office. Many in the Chicago office are divided. Kroc accuses everyone of being anti-innovation and is furious, embarrassing Turner and others publicly at a party. Sonneborn continues to avoid conflict and acts through mediators but clearly believes McDonald's is reaching market saturation; his views appear unreal to those on the ground in operations. That said, the state of the economy does not make his position entirely unreasonable. He pushes for orderly, careful expansion and closes stores that fail to make enough money.

Sonneborn and Kroc fight about other matters as well, such as the price of the hamburger; Kroc wants to raise the price due to inflation and Sonneborn resists. This issue nearly brings them to a meltdown point. Most of the board of directors appear to side with Sonneborn and so over time Kroc begins to plant his men there. He wants to fire Sonneborn but doing so will be difficult. He wants complete control and wants to replace Sonneborn with Turner.

Sonneborn does not want to fight and offers to resign in 1967. He understands that he has outlived his usefulness; in fact, he even sells all of his stock. Sonneborn has been forgotten within McDonald's because operations managers no longer see McDonald's as a real estate company. Turner is now the rising star and looks to be the next director of McDonald's.



Chapter 12, High Gear, Chapter 13, Media Magic

Chapter 12, High Gear, Chapter 13, Media Magic Summary and Analysis

Ray's personal life affects the company again when he decides to divorce Jane for his second attempt to marry Joan. His personal life is causing difficulties and so he begins to relinquish power to Fred Turner and starts a new life with Joan. Kroc does not hang on too long, especially now that Sonneborn is gone and McDonald's is in the hands of people he can trust. Turner keeps a low profile and Kroc enjoys his fame.

To the present day [1996], Turner has run McDonald's longer than its founder but has never showed him up; he is a modest man. Kroc remains the spokesman throughout the 1970s, but Turner is the man behind the scenes and continues to defer to him in many ways. This restores harmony while giving Turner lots of power.

Turner needs it as other fast-food chains are starting to take off; competitive pressures build. Turner rejects the then common view that the fast-food market is saturating. Turner doubles McDonald's real estate holdings and starts opening 500 new McDonald's a year. By 1978, McDonald's has 3000 stores. McDonald's stays ahead as other chains fall apart (such as Burger Boy) and others grow more slowly (Burger King). McDonald's decentralization helps it.

however, McDonald's faces various financial pressures. Turner relies on Sonneborn's successor, Boylan, for help. He is a financial novice. However, Boylan finances McDonald's with debt and its expansion is enormous, which Boylan believes will allow it to recoup its income. Turner proves a quick study for the details, deciding to develop financial centers of organization through acquiring some of McDonald's most effective franchises. The author discusses the buyouts. Buyouts proceed too quickly, however and Turner has to pull back.

During this time McDonald's begins to hire women to solve their staffing policies, which is somewhat progressive for the time. They introduce new products, such as the Quarter Pounder, the Apple Pie and the Egg McMuffin. The author describes the development process for these new products.

In Chapter 13, the author notes that Turner's expansions pay off. However, marketing still lags. Expanding menus attract new people but the advertising wing of McDonald's has to be expanded. So Turner has a new marketing team developed and the famed McDonald's commercials are born, along with their just-as-famous jingles, often sung by celebrities.



During this time, the Hamburglar is created, as is Mayor McCheese, Office Big Mac, and Grimace. The Big Mac is developed during this period as well, and takes off. The author then discusses other promotional events and the operational difficulties behind it. OPNAD becomes even more influential during this period. Advertising develops at the national level, but eventually franchisees have the choice of which commercials to run.

In 1980, Chicken McNuggets are introduced. Marketing helps make them a success. At present, franchisees have lost a lot of input into advertising. The author notes that McDonald's runs the risk of losing its grassroots flavor.



Chapter 14,

Chapter 14, Summary and Analysis

McDonald's not only changes the food service industry, but the food processing industry as well, building its own wing of the food processing trade. McDonald's has a \$1 billion-a-year company that manufactures more hamburgers than anyone in the world. McDonald's deliberately avoids drawing attention to this fact in part to avoid attacks from other food suppliers, which it avoids using due to its unique way of making products. Other factors are important as well.

McDonald's food suppliers grow with it and the author describes some cases. McDonald's is particularly adept at using loyalty to generate greater efficiency. It also avoids written contracts for this reason. This helps to promote an atmosphere of cooperative innovation as well. The author illustrates this with the potato manufacturer Simplot. Similar issues arise in the meat business, although some trouble arises when McDonald's insists on avoiding frozen meat. However, this enables them to produce better tasting burgers. Cooking times fall as well. The author then proceeds to discuss McDonald's entry into the chicken market, which is fraught with difficulty.

McDonald's innovation stretches beyond food production and into food processing, such as with its warehousing and shipping paper producers. Innovations generally produce cheap products, faster production and faster cooking, along with cheaper but expanded supply lines. All the companies that work with McDonald's grow and they form cooperatives, gaining power themselves. The author then illustrates with several examples; a company known as Marshall refuses to bow to some of McDonald's demands.

In Chapter 15, the author begins with a discussion of a rumor that spreads in the mid-1970s that McDonald's makes its hamburgers with worms. This example illustrates McDonald's troubles with its media image. The worm rumor is confined to the Atlanta area, but great damage is done. McDonald's expects criticism and is the most visible retailer on earth, but it is not prepared for fame.

Kroc runs the company into trouble by supporting Nixon and defending the free-market, along with donating large amount of money to political campaigns. McDonald's becomes unpopular, for instance, for paying its workers too little. In the late 1960s, McDonald's comes under attack for racial reasons, which is hard to handle. The author then discusses other public relations challenges, such as critiques of the quality of its food, which they consider fabrications. For a variety of reasons, Kroc avoids political contributions in the future, but in part to avoid throwing more trouble McDonald's way.

McDonald's becomes more politically sophisticated over time, particularly through handling disputes about the minimum wage and minority franchising controversies. A communications department is created in 1974 to handle such issues but when



Starmann takes over in 1981, public perceptions begin to change. McDonald's stages a massive media event on November 21st, 1984 to serve its 50 billionth hamburger and invites major journalists. However, the attention brings investigations from the CDC that do not go well; McDonald's has to get into health issues as a result. Further, when a shooting occurs in a McDonald's, it has to work on its image as a safe fast-food place. Ultimately, McDonald's succeeds in maintaining its image.



Chapter 16, Checks and Balances, Chapter 17, Exporting Americana

Chapter 16, Checks and Balances, Chapter 17, Exporting Americana Summary and Analysis

McDonald's not only faces public relations problems in the 1970s, but faces the internal struggle to maintain profitability, partly through the profligacy of its franchisees. Franchisees are becoming rich everywhere but franchisees-franchiser issues begin to arise again. Expansion brings complications. Franchisees begin to feel distant from the corporation and internal dissent is hard to predict as it originates from many corners.

Eventually the McDonald's Operators Association, or MOA, is formed; it is a body of elected representatives from the population of franchisees that meets with McDonald's leaders. The group starts as adversarial and McDonald's is caught by surprise as this is not characteristic. However, McDonald's takes the charges seriously.

The author discusses some of the charges, some of which involve real estate flaws and other important abuses. Health, financial, and other quality rating systems are established in response. Ed Rensi, then president and CEO of McDonald's, starts as a field consultant and helps to design a rating system. However, the MOA starts to lobby Congress for legislation to limit the franchiser's right to renew franchisees.

McDonald's has trouble learning to handle its success. The managers are sensitive to the charges as they admire the company that Kroc built and the principles he built it on. McDonald's addresses the MOA directly and clear communication helps to solve many of the charges. McDonald's brilliantly solves the problem by giving franchisees formal lines of communication and McDonald's regional managers improve upon them.

The author discusses some of the managers and their innovations along with other conflicts with the MOA. McDonald's fights movements for unionization, along with complaints that new McDonald's restaurants have adverse impacts on local stores. By 1977, the MOA has lost its "punch" but other problems loom and McDonald's struggles to stay out of the courtroom. It ultimately fails and the author discusses several cases. It often takes action against licensees but takes extreme care in how it proceeds.

Chapter 17 discusses McDonald's international operations. It begins to diversify in the late 1960s and early 1970s within the United States, trying to play to regional differences and often tries to acquire other food service chains to diversify its holdings (it operates Dasani today). They also contemplates developing a theme park known as Western World. However, ultimately it chooses internal diversification. This leads to expansion worldwide, beginning in 1970 when it moves to Canada and reaches deep into Mexico by the mid 1980s. It is reluctant to move beyond North America, but eventually it does.



McDonald's struggles to accommodate cultural differences, not only in style but in taste. It develops food for the American middle class; this will not fly everywhere. It has a major impact on shaping global food service, but it still has to bend to many cultural norms. McDonald's International is today one of its fastest growing segments. In 1992, Japan is its fastest growing area. It does not have to deviate much from its American expansion strategy.

McDonald's fails in some places by not repeating the same practices that made it so successful in the United States; the author discusses the case of the disaster in the Netherlands, and another in Canada, the latter of which involves tensions between Turner and Cohon, the Canadian manager. There is also a discussion of Fujita, the leader of Japan's McDonald's operations, who is successful in adapting McDonald's to Japanese culture.

Discussions of various expansions into other countries fill the chapter, including expansion into Hong Kong, Singapore, Brazil, Germany, Sweden, and Australia. It ultimately realizes that it is an American food system and has to stick to its American style. Adjusting too much does not work. Instead, it often focuses on raising the profile of its food through advertising in other countries. England is a particular challenge, as is overseas marketing generally.

There are also troubles with developing overseas partners and with occasional anti-American attacks on McDonald's establishments. Unions often instigate these attacks. McDonald's is patient and confident. It pays off. When communism falls in Eastern Europe and Russia, the entry of McDonald's is often seen as a sign of social and political change due to its international image. Throughout all of this, Turner tries to maintain local entrepreneurship with the franchise. McDonald's also develops and offers stock options to its franchisees.



Epilogue

Epilogue Summary and Analysis

Mike Quinlan becomes the third chairman of McDonald's in 1987 and has to guide McDonald's through tough economic times, through the early 1990s, in particular. During a speech in 1994, Quinlan notes that only a few weeks before, McDonald's sold its one hundred billionth hamburger. However, he notes that customers do not care; they have to keep focusing on the customer. McDonald's has to restructure throughout the late 1980s and early 1990s and begins to evaluate itself and its flaws.

McDonald's reinvents itself when no one is noticing. The cost of growth is rising and the real estate market is becoming more difficult to manage. McDonald's pays higher bills but the recession of the early 1990s makes that impossible to sustain. Fred Turner knows that McDonald's needs to change as well, which is why he appoints Quinlan to take over for him.

McDonald's acquires an image as one of the most wasteful corporations in the United States and has to respond. They ditch foam packaging and partners with the Environmental Defense Fund. McDonald's also has to deal with challenges to the nutritional value of its food and has to change recipes and offer lower calories options as a result.

Competition is revving up as well and old profit strategies no longer work. McDonald's needs a national strategy. They develop and struggle, but survive, developing several new methods of increasing the value of their food to customers. The author then describes these developments.

McDonald's international, however, continues to flourish and expand; it becomes the second most recognized brand in the world. McDonald's has to struggle to flourish in countries that are old enemies of the United States, like Russia, but it still succeeds. Its 1991 opening in Beijing smashes records. They are now aiming at India, Africa and the Middle-East.

McDonald's has always been committed to good corporate citizenship. It gives back to the community through Ronald McDonald House and its charitable operations. It sets the bar for large corporations' employment programs and is a major employer of the young and minorities. Quinlan is optimistic about the future and thinks McDonald's story is far from over.



Characters

Richard and Maurice McDonald

Richard (Dick) McDonald (1909-1998) and Maurice (Mac) McDonald (1902-1971) are early leaders in fast-food servicing and production. They create McDonald's and give it its name. The men come from New Hampshire but leave their home during the Great Depression to make it big with their own business. After some experimentation, they open the first McDonald's in San Bernardino, California, in 1940. Over the next few years, the men experiment with fast-food production, eventually producing the assembly-line style of fast-food creation that is nearly ubiquitous today; they called it the "Speedy Service System" and introduce it in 1948.

The brothers realize the potential for McDonald's early and begin franchising it in 1953, beginning with Neil Fox in Phoenix, Arizona. However, only the system is franchised, not the entire design. This eventually produces a variety of knock-offs, but Fox keeps the name. They begin to produce McDonald's according to a standard design that includes the Golden Arches; they open subsequent restaurants in Saginaw, Michigan and Downey, California in 1953, as well.

In 1954, the McDonald brothers are rich men; they want a franchising agent to spread their franchise and hire a milkshake machine salesman named Ray A. Kroc as their sole licensing agent. Kroc's genius in salesmanship leads McDonald's to grow enormously and he eventually acquires full licensing and begins to run the corporation on his own. Eventually Kroc wants to buy full rights to McDonald's and the McDonald brothers want \$2.7 million for it. This creates tension but they eventually resolve their disagreement, despite destroying their relationship.

Ray A. Kroc

Ray Kroc is born in 1902 and dies in 1984. He is the main character of *Behind the Arches*. Ray is a man who grows up with an unusual drive to succeed in business and incredible power of salesmanship. In his early adult years, he spends time selling various items until he settles on a milkshake machine known as the Multimixer.

Selling the machine across the country causes him to run across the McDonald brothers who want his machine to make McDonald's milkshakes. However, they need far more than most because of their assembly-line style of production. Kroc is intrigued and sees the possibility of expansion; he convinces them to let him be their sole franchising agent and from there Kroc's salesmanship and entrepreneurial skill cause the McDonald's corporation to take off.

In 1954, Kroc opens his own McDonald's in Des Plaines, Illinois and creates the McDonald's corporation. From this time until 1961, Kroc attempts to expand McDonald's at a furious pace and constantly tries to improve on every aspect of the business. In this



period Kroc also produces a revolution in franchising, creating a decentralized model of franchiser-franchisee relations that harnesses the entrepreneurial skill of McDonald's franchisees and gives them wide latitude to experiment as they see fit.

In 1961, Kroc convinces the McDonald brothers to sell the entire company to him and from there, Kroc expands McDonald's beyond all expectations. With the help of Harry Sonneborn, he finances these expansions and ultimately turns his interest overseas. Kroc hands the company over to Fred Turner in 1968 and remains as its spokesman.

Kroc is fiercely competitive, creative and while appearing unwilling to take no for an answer, he is often surprisingly flexible and adaptive to changing circumstances. He becomes famous for his accomplishments and has a variety of famous quips that express his business strategy. He always believes in cooperative development, experimentation, free-enterprise, individual responsibility and complete fastidiousness. These traits earn him a place among America's greatest businessmen.

Fred Turner

The second chairman and CEO of the McDonald's corporation, he is Kroc's protégé and keeps a low profile in public.

Jim Schindler

Schindler was the head of McDonald's engineering and design division.

June Martino

Kroc's bookkeeper in 1948, she rose to be the Corporate Secretary, Treasurer, Director and part-owner of McDonald's corporation. During the strain between Kroc and Sonneborn, she serves as a go-between.

Harry Sonneborn

The financial wizard behind McDonald's who figures out how to finance McDonald's expansion through real estate. Later in McDonald's history, he and Kroc come into conflict about the future direction of the company and for a time McDonald's becomes split between McDonald's East and McDonald's West, with Sonneborn in the East and Kroc in the West.

Richard Boylan

Boylan is Sonneborn's successor, but he and Kroc's successor, Turner, get along well.



Franchisees

The franchisees are those families and individuals who buy the rights to run and operate a McDonald's restaurant. Franchisees are a core part of building McDonald's and making it competitive, but later in McDonald's history, tensions arise between it and the franchisees.

Suppliers

McDonald's has many suppliers of food and equipment. Kroc organizes them in the same decentralized fashion as he organizes franchisees and many of McDonald's early suppliers grow as dramatically as McDonald's does as a result.

Joan Smith

Kroc's third wife; he leaves his first and second wife for the opportunity to be with her.

Mike Quinlan

The third chairman and CEO of McDonald's who serves from 1979 to 2002.

McDonald's Operators Association

An organization of McDonald's franchisees that complains about how they are treated by McDonald's corporation; eventually their demands are met and their power is undermined.



Objects/Places

San Bernadino, California

The town where the McDonald brothers open their first McDonald's in 1940.

Oak Grove, Illinois

A suburb of Chicago and the home base of the McDonald's corporation.

Des Plaines, Illinois

The town where Kroc opens his first McDonald's in 1954.

McDonald's Headquarters

Located in Oak Grove, Illinois, the headquarters is where McDonald's main operations are centered but they still rely on a fairly decentralized method of production and distribution of goods and services.

The Multimixer

The machine Kroc sells to make milkshakes that the McDonald brothers use to produce milkshakes in their McDonald's restaurants. The machine brings the three men together.

The 15-cent Hamburger

McDonald's original selling point is its 15-cent hamburger which it sells for nearly two decades at the same price.

Milkshakes

McDonald's original drink; it is through the milkshake making machine that Kroc meets the McDonald brothers.

French Fries

McDonald's original side item, the corporation experiments constantly to produce the right taste.



Franchise Licenses

Licenses are purchased by franchisees in order to legally operate their own McDonald's.

Fast-food Equipment

McDonald's constantly updates its production and shipping equipment in order to increase efficiency.

The Fish Sandwich

The first new food item to be introduced by McDonald's to its menu of hamburgers, cheeseburgers, French fries and milkshakes.

Ronald McDonald

The mascot of McDonald's who is created after Bozo the Clown, their prior mascot, becomes less popular in the early 1980s.

McDonald's International

The international wing of the McDonald's corporation.

Themes

Hard Work

Ray Kroc was the embodiment of traditional American bourgeois virtues; he was devoted to the principles of hard work, individual responsibility, thrift, and determination. It was clear from the very beginning that McDonald's would carry on these character traits in its corporate culture. In fact, even under the McDonald brothers, McDonald's was the subject of great investments of energy and time.

However, Kroc fundamentally changed things. He constantly set up new restaurants and sold franchise licenses across the country. He constantly responded to new challenges, such as licensing difficulties, conflicts with franchisees, supply difficulties, inflation, recessions and so on. Even when things looked bleak, he never lost faith in McDonald's ability to succeed. Kroc would routinely fire staff that failed to add value to the company and would close restaurants that failed to earn a profit. The corporation constantly updated and refined its structure, products and policies in order to remain competitive.

An illustration of McDonald's spirit of hard work and competitiveness is illustrated in the following quote from a McDonald's supervisor who was introducing himself to the owner of a competitor restaurant: "Hello, I'm the new McDonald's supervisor. We're going to run you out of business." The story is true and the attitude was pervasive. Behind the Arches shows how this determination to succeed paid off in McDonald's dramatic and legendary success, its expansion and its worldwide brand name recognition.

Innovation and Decentralization

McDonald's started small and expanded rapidly. At every stage, however, it retained an extreme attention to innovation. The McDonald brothers practically invented and substantially refined the assembly-line process of food production they developed for hamburgers and were able to do the same for the production of French fries and milkshakes.

When Kroc took over, he continued the process of innovation, experimenting with cooking equipment, ingredients in milkshakes, whether to use frozen beef or not (unfrozen preferred), which sort of potato to use and what kind of shortening to apply to the food. He experimented with restaurant design, methods of food processing, supply lines, and so on. As time progressed, McDonald's formed a research laboratory for perfecting the taste of their food, the first of its kind in the fast-food business.

McDonald's did not engage in its innovation even primarily in its main office, however. Instead, Ray Kroc managed McDonald's franchisees with a largely hands-off approach. While he demanded that certain standards of quality be met in terms of cleanliness and so on, and that branding and marketing be uniform, franchisees were not only allowed



to experiment but encouraged to do so. In many cases, McDonald's actually took franchisee successes and applied them to their stores nationwide.

As McDonald's expanded, maintaining the decentralized model became more difficult but Kroc fought to prevent operations from centralizing too much. He also encouraged decentralized suppliers to coordinate with decentralized franchises which helped to create a broadly decentralized network of McDonald's restaurants.

Struggle

McDonald's could never have succeeded without its struggles but struggles posed its greatest threats. McDonald's earliest difficulty was surviving beyond a single store, something the McDonald brothers had to struggle with largely on their own. They had trouble selling franchises and so hired Ray Kroc to do the job. Ray had his own difficulties setting up his first store and getting people interested in buying franchise licensing.

Ray eventually succeeded in selling franchises but financing was becoming a major barrier to further expansion. In response, Ray hired Harry Sonneborn to procure financing for their expansion; Sonneborn came up with the idea of using real estate to make money for McDonald's restaurants by leasing land from owners and sub-leasing it back to franchisees, making money on mark-up.

McDonald's usually faced stiff competition; it had competitors in the fast-food industry from the beginning, but even when it would beat a competitor and drive others out of business, new chains would grow, learn and adapt, often leading some to think that McDonald's had saturated the market. In fact, this perception split Harry Sonneborn and Ray Kroc, leading to a severe personality conflict between the two of them. As a result, Sonneborn eventually had to resign.

However, these are only a handful of examples of the struggles that McDonald's faced; many more are discussed at length in *Behind the Arches*. McDonald's struggles helped it to hone its strategy, mature and, later on, learn how to manage its media image and handle cultural and moral criticisms of its practices.

Style

Perspective

John F. Love is the author of *Behind the Arches*. He is not a corporate book writer, employed by McDonald's for pay, but rather was surprised that McDonald's revealed so much to him as an independent researcher. None of his questions were unanswered and no source was inaccessible. That said, Love's attitude towards McDonald's is extremely positive.

Typically books written about McDonald's are extremely negative. Consumer advocates, nutritionists, political activists and critics of advertising all have a beef with McDonald's, but Love's book is different. He peers deep into McDonald's corporate culture, and looks at its history from beginning to end. It is quite clear that he has an enormous admiration for the firm.

For one thing, Love is literally in awe of McDonald's accomplishments, its growth from a single store to over 14,000 today. He is deeply impressed by Ray Kroc who, while not a perfect man, was a great salesman and entrepreneur. The author expresses deep admiration for McDonald's federalist business structure and business model and deeply approves of the corporation's approach to innovation.

Love consistently defends McDonald's from attacks. He defends Ray Kroc in particular and rarely engages in criticism of either Kroc or McDonald's. Crises simply "happened" to McDonald's and the author presents these crises as surprises to decent people trying hard to make their business work. When Love covers conflicts over the McDonald's hiring practices, its environmental impact or accusations of racist employment policies, he rises to McDonald's defense while admitting their mistakes from time to time. Yet he rarely ascribes malicious intent to McDonald's, often seeing their mistakes as excesses of their virtues.

As such, Love takes an unusual perspective on McDonald's but it is certainly refreshing. Whatever criticisms of McDonald's one might have, reading *Behind the Arches* makes it hard to maintain an entirely negative attitude.

Tone

The tone of *Behind the Arches* has three primary elements: drive, admiration, and hope. *Behind the Arches* is a story told by a man that, through his research, came to admire McDonald's history and its corporate culture, particularly its fierce drive to persevere and its placing high value on creativity and innovation while spurning central control. As such, the story of McDonald's is told with brio and drive. The chapters are full of many stories, often told through narrative at a clip. The speed is fast, but not hurried and the sense of the text paints a picture of an organization on the move.



The tone is also full of admiration. John Love admires many things about McDonald's, as stated above. However, he also admires its people; he admires Ray Kroc for his talent, his wisdom, and his ingenuity. He admires June Martino's resolve, Fred Turner's humility, Harry Sonneborn's creativity, and the creativity displayed by McDonald's franchisees. The author speaks of McDonald's with a sense of deep understanding, and is almost defensive of an organization he values.

Finally, the tone contains a sense of hope. McDonald's is a story of a corporation on the rise. During its (now) seventy year history, McDonald's had setbacks but rarely shrank inside. All that varied was McDonald's rate of growth. It is a company that slows down but never stops. As a result of this and the virtues displayed in McDonald's corporate character, the author tells its story with a sense of hope for its future.

Structure

Behind the Arches originally appeared in 1986 but a revised edition was published in 1995. It gives the entire, detailed history of McDonald's from its pre-history and inception to its current triumphs and struggles. The author includes a foreword that impresses upon the reader how extraordinary McDonald's achievements have been and how the book will proceed. The epilogue looks back over McDonald's history and engages in a discussion of some of its current challenges.

Between the foreword and the epilogue lie seventeen chapters laid out in (largely) chronological order. Some chapters are fully narrative, telling only stories, while focusing on important themes. Other chapters hone in on particular sectors of McDonald's, particularly the later chapters. Chapter 1, "Yes There is a McDonald" introduces the founders of McDonald's and its pre-history. Chapter 2, "The Salesman" introduces Ray Kroc and explains how he came to run McDonald's. In Chapter 3, "The Franchising Derby", the author explains McDonald's franchising structure.

Chapter 4, "The Owner/Operator" discusses cases of franchise operators and their relationships with owners and Chapter 5, "Melting Pot" illustrates Ray Kroc's practice of hiring diverse employees with distinct personalities and talents. In Chapter 6, "Making Hamburgers", Love describes McDonald's process of producing and refining the production of hamburgers, while in Chapter 7, "Making Money" the reader learns about McDonald's business model and financial structure.

Chapter 8, "The Buyout" covers the conflict between Kroc and the McDonald brothers over Kroc's desire to acquire the McDonald name. Chapter 9, "Partners" explains the growing role of Harry Sonneborn in McDonald's financing. In Chapter 10, "Going Public", McDonald's increases its investment funds by offering stock on Wall Street. In Chapter 11, "McDonald's East, McDonald's West", we see the growing tension between Kroc and Sonneborn, along with its resolution.

Chapter 12, "High Gear" is a discussion of Turner's ascent to power and his rapid expansion of McDonald's across the country and the globe, where Chapter 13, "Media



Magic" is an explanation of the development of McDonald's media campaigns and famous commercials and jingles. Chapter 14, "'McDonaldizing' the Suppliers" explains the conflict between giving franchisees leeway to experiment and keeping them uniform.

Chapter 15, "The Public Challenge" outlines the many difficulties McDonald's has had maintaining a positive media image and in Chapter 16, "Checks and Balances", discusses the rise of the McDonald's Operators Association and how McDonald's accommodated the organizations demands while depriving them of power. Finally, in Chapter 17, "Exporting Americana", Love explains McDonald's process of spreading McDonald's across the globe.



Quotes

"The fundamental secret to McDonald's success is the way it achieves uniformity and allegiance to an operating regimen without sacrificing the strengths of American individualism and diversity. McDonald's manages to mix conformity with creativity." (Foreword, *The Unknown McDonald's*, 7)

"Ray Kroc did not invent fast food. He did not invent the self-service restaurant. And his first McDonald's restaurant was not the first McDonald's." (Chapter 1, *Yes, There is a McDonald*, 10)

"If someone likes making money, I'm not attracted to them. I like anybody who likes what he's doing, because that's the thing that I treasure most." (Chapter 2, *The Salesman*, 47)

"What eventually separated McDonald's from the rest of the pack was Kroc's ability to marshal the efforts of hundreds of other entrepreneurs—his McDonald's franchisees—to work not merely for their selfish interests but for McDonald's interests. As Ray Kroc saw it, they were one and the same." (Chapter 3, *The Franchising Derby*, 66)

"You had to realize when you were dealing with Ray that he had a head like a rock. Ray never forgot, and he never forgave." (Chapter 4, *The Owner/Operator*, 86)

"If a corporation has two executives who think alike, one of them is unnecessary." (Chapter 5, *Melting Pot*, 87)

"Hello, I'm the new McDonald's supervisor. We're going to run you out of business." (Chapter 6, *Making Hamburgers*, 113)

"What converted McDonald's into a money machine had nothing to do with Ray Kroc or the McDonald brothers or even the popularity of McDonald's hamburgers, French fries, and milkshakes. McDonald's made its money on real estate and on a little-known formula developed by Harry J. Sonneborn." (Chapter 7, *Making Money*, 152)

"I would have wound up in some skyscraper somewhere with about four ulcers and eight tax attorneys trying to figure out how to pay all my income taxes." (Chapter 8, *The Buyout*, 193)

"Just one decade after Kroc opened his prototype store in Des Plaines, McDonald's had achieved dominance over its competitors." (Chapter 9, *Partners*, 230)

"Indeed, the split between the heads of McDonald's East and McDonald's West was so severe that it could not help but lead to a perilous division within the ranks between Kroc's men, who controlled operations, and Sonneborn's men, who controlled the purse strings." (Chapter 11, *McDonald's East, McDonald's West*, 249)



"Ray was the classic entrepreneur, except he didn't make the classic mistake of hanging on too long. ... Ray came back to Chicago at the right time [to take over from Sonneborn], but when he knew he had the right people in the saddle—particularly Fred Turner—he had the good sense to bug off." (Chapter 12, High Gear, 271-2)

"McDonald's had changed the nature not only of the food service industry; it had changed the nature of the food processing industry as well." (Chapter 14, "McDonaldizing" the Suppliers, 321)

"Indeed, McDonald's was orchestrating the greatest dispersion of wealth that the free enterprise system had ever seen." (Chapter 16, Checks and Balances, 380)

"I believe it is time to renew ourselves again. Internally and externally. A continued evolution." (Epilogue, 454)



Topics for Discussion

How did McDonald's form? When Dick and Mac McDonald were successful, why did they not expand the franchise? How did Kroc come to control the corporation?

What feature of McDonald's structure does the author argue is the source of its success? What is his argument?

What is McDonald's attitude towards trial-and-error experimentation? What are the weaknesses of such a strategy? What are its strengths?

Many readers will find *Behind the Arches* full of surprising facts about an incredibly familiar food-service corporation. What most surprised you? What most impressed you?

Explain how McDonald's financed itself during its periods of expansion.

What is unique about McDonald's corporate culture? Explain your answer in detail.

Many have a negative opinion of McDonald's. After reading *Behind the Arches*, has your opinion of McDonald's improved? If so, how and why?