

Analysis of Intangible Resources of McDonald's and Its Influence by Balanced Scorecard Method

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Abstract—The competition between enterprises has changed from the competition of original physical assets to intangible assets recently. In order to achieve long-term development in the fierce market competition, enterprises must strengthen the use of intangible assets management. The Balanced Scorecard is a strategic performance management tool that managers use to track the performance of internal staff activities, monitor the consequences of these actions, and assist in the management of intangible assets. As one of the largest fast food chain companies in the world, McDonald's has a relatively mature method of intangible asset management which includes intangible asset information disclosure, effective employee training and development of corporate culture. This paper will analyze its management methods and provide some suggestions for the management of intangible assets in contemporary enterprises.

Keywords—McDonald; Goodwill; Intangible assets management; The Balanced Scorecard approach

I. DESCRIPTION OF THE MCDONALD'S

McDonald's is a leading global food service retailer which was founded in 1955 in Chicago, the USA. Nowadays, it has

about 30,000 stores worldwide. Steve Easterbrook, the current president and Chief Executive Officer of McDonald, who has been taken the job since 2015. Under his leadership, McDonald's has been turned into profit by inspiring the evolution of the corporation culture. And Lucy Brady is Senior Vice President and Strategy and Business Development manager. She has extensive consulting experience, with long-term perspective and unique ideas. In 2017, McDonald's introduced a strategy named Velocity Grow Plan in order to speed up growth of business value. They pay attention to customers' needs and shopping experience. McDonald's iconic brand and market's tremendous influence can attract more customers and its professional employees and advanced technology make this strategy easier to implement.

II. ANALYSIS OF "VISIBLE" ORGANIZATIONAL RESOURCES

A. The balance sheet

In millions of US \$

TABLE I THE BALANCE SHEET OF MCDONALD FROM 2016 TO 2018

Accounts	2018	2017	2016
Cash and equivalents	\$ 866.0	\$ 2,463.8	\$ 1,223.4
Accounts and notes receivable	2441.5	1,976.2	1,474.1
Inventories, at cost, not in excess of market	51.1	58.8	58.9
Prepaid expenses and other current assets	694.6	828.4	565.2
Total current assets	4053.2	5,327.2	4,848.6
Investments in and advances to affiliates	1202.8	1,085.7	725.9
Goodwill and intangible assets	2331.5	2,379.7	2,336.5
Miscellaneous	2381.0	2,562.8	1,855.3
Total other assets	5915.3	6,028.2	4,917.7
Property and equipment, at cost	37193.6	36,626.4	34,443.4
Accumulated depreciation and amortization	(14350.9)	(14,178.1)	(13,185.8)
Net property and equipment	22811.2	22,448.3	21,257.6
Total assets	32811.2	\$ 33,803.7	\$ 31,023.9

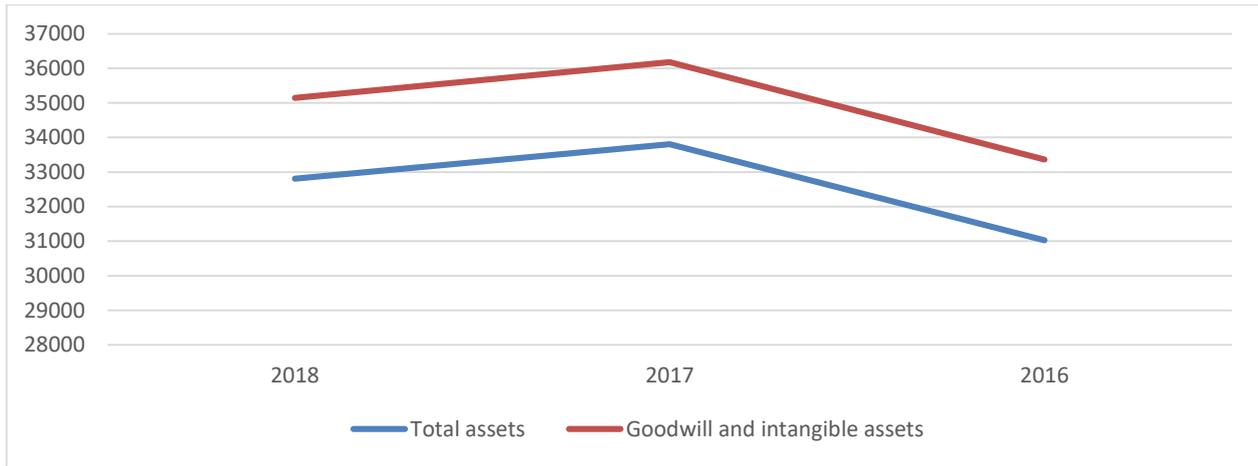


Fig. 1 The trend of total assets and goodwill and intangible assets (In millions of US \$)

By graphing the results, it is not difficult to find that total assets and goodwill and intangible assets of McDonald's both are increased first but then reduced from the year of 2016 to 2011. Goodwill and intangible assets of McDonald's were 2379.7 which increased by 1.85% from 2016 to 2017 and it declined 2.03% from 2017 to 2018. Intangibles were classified as "goodwill" in accounting practices. "McDonald's goodwill primarily results from purchases of it restaurants from franchisees and ownership increases in subsidiaries or affiliates" (McDonald's Corporation Annual report.2018). Intangible assets also including trademarks, patents, copyright and so on, which are contributed to development of McDonald. In order to protect their brand and branded products, McDonald's have registered these intangible assets in the U.S. However, these

assets have not been registered in other countries outside the U.S; for example, McDonald loses its Big Mac trademark across EU (Daniel Bailey, 2019). Therefore, McDonald's needs to continuously focus on increasing brand awareness. On the other hand, some intangible assets which are internally generated would not record on the balance sheet. Expenditures on tangible assets are capitalized, while expenditures on intangible assets are expensed. Thus, traditional accounting has limitations and the balance sheet only provide a little information about intangible assets.

B. Analysis of McDonald's global brand value

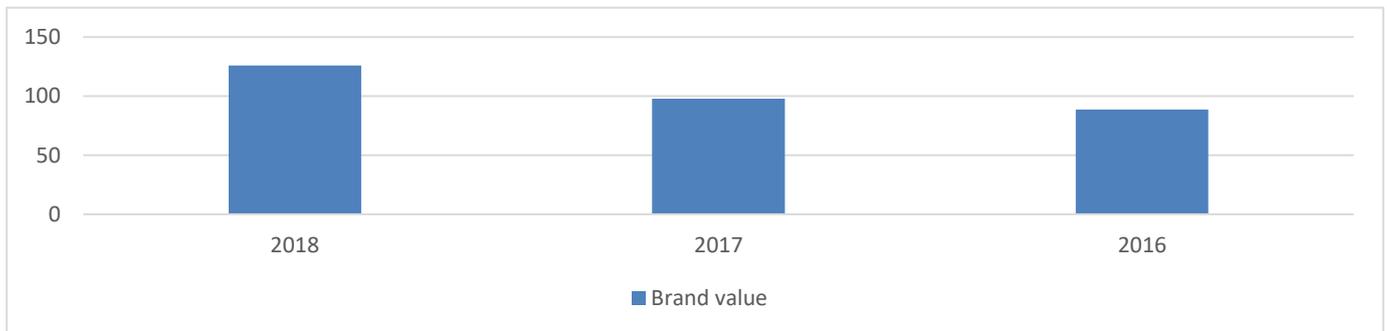


Fig 2 McDonald's global brand value (In millions of US \$)

McDonald's is the World's most valuable brand in 2018. As can be seen from the graph, McDonald's global brand value continued growth during last three years. McDonald's created strong and impressed brand image in UK (Jones et al, 2002, pp

41). Furthermore, McDonald's is considered a symbol of the consistency of product quality, restaurant environment and service experience.

III. ANALYSIS USING THE BALANCED SCORECARD
APPROACH

TABLE II THE ANALYSIS OF MCDONALD USING THE BALANCED SCORECARD APPROACH

Balanced Scorecard				
	Strategy Objectives	Measure	Target	initiatives
Financial	Increase Shareholder Value	% increase of share price	Increase 3%	N/A
	Increase Profit	% increase of sales profit	Increase 3%	N/A
	Reduce Cost	% decrease of operating cost	Decrease 1%	N/A
	Increase Revenue	% increase of sales revenue	Increase 2%	N/A
Customer	Customer Demands	Collect customer's advice and classify their varieties	Meet the 90% needs of most customers	More customized food
	Attract Customer	Acquire a number of new customers join in McDonald	Reach another 1,000,000 customers	Provide discount to new customers
	Increase Customer retention	% of previous customer willing to continue dining in McDonald	Keep more than 90%	Provide extra rewards to long-time customers (more than 5 years)
	Increase Customer Satisfaction	Make a satisfaction survey annually	More than 80% high satisfaction	More choice of payment method. Keep the dining environment clean and tidy.
Internal Process	Strength Relationship with Supplies	Record the frequency of interactive between supplies and McDonald's	Have a meeting quarterly	Invite suppliers visit McDonald's factory to build a deep relationship with suppliers
	Food Differentiation	Increase efficiency of publish new food	Study and launch one product per month	Cover different kind of taste for choose
	Provide Promotion	% Increase McDonald's promotion code usage	Exceed more than 70% usage	Give out discount code to customers
	Improve Services efficiency	%Decrease customer's average waiting time	Decrease 10% for waiting time	Buy more machines to support food making
	Research and Development	%Increase of automatic order machines usage	Increase 10% orders use by automatic order machines	Reduce cashier, increase automatic order machines
Learn and Growth	Training Staffs	% increase the hour of employee training	Attain extra 5 hours/month training	Perfection food, increase the aesthetic measure of food
	Education Staffs	Check the health problem quarterly	All employee obey health standard of McDonalds	Expert the health standard of workplace. All employee must wear gloves and mask
	Acquaint Market	Decide the trend of market favors	Each location has their own special food	For the public and owe regional features
	Employee Engagement	Get feedback from employee monthly	Gain 85% employee engagement score	Additionalperformance wages and welfare ; Support the wellbeing of employees

The main rule of McDonald is customer first. In order to implement it, service is the first invisible resource. Most customers of McDonald do not want to spend too much times on eating, therefore, the efficiency service is important. The

staff needs to be trained and have enough knowledge of process of food making. McDonald's provide drive-through services which made the drivers enjoy the meal without getting off, even though it is a big challenge for their staff. Taste is

another factor. The organization has their specific taste formula on making sauce and meat. In 2017, a large number of Americans express their hope that McDonald can re-launch Szechuan sauce on Twitter, and the sauce worth a high value on EBay. Since the quality is high, customer are more willing to pay for their food. The company also established the McDonald's Uncle Children's Charity Fund to fund a variety of children's programs covering health care, medical research, educational arts, and civil and social services, those behaviors make the brand gains a lot. In the middle of 2017, an ordinary American local college student, Nick, in order to subsidize the usual expenses, he decided to apply for kitchen chef. One day, he found that the ice cream machine that seemed to have a sudden internal jamming and a sizzling voice. So he opened the back cover and the scene he saw made his heart miss half a beat. In order to change this situation, Nick and the manager had a dispute; however, he received a letter of dismissal in next day. He was so angry that he posted the matter on Twitter which has been forwarded by more than 2,000 people just one day after it was issued, and the entire foreign media has been screened by this news. The US Food Safety Authority (FDA) has been checked the authenticity of this matter, McDonald will face huge fines and will force them to re-train all employees for food safety. Nowadays, the equipment is automatically heated and disinfected every day, all spare parts are regularly cleaned and disinfected and replaced on time. McDonald may ignore the problem of hygiene. People ought to think that such a big brand has no problem, but as McDonald explode more and more scandals, food safety issues which have become the primary concern of most customers. A study indicated that food quality and safety are significant problems in today's food economics (Klaus G.Grunert, 2005). Consumer cares for food safety scandals are led to a global and interconnected system. In the last ten years, many standards have been published; even so, there are still problems in the compliance system between emerging and developing countries. Compared with customer satisfaction, brand reputation is the most vital drive of customer loyalty (Fred Selnes, 1993). Since McDonald is not a monopoly, it needs to establish a good image to improve his reputation, and promote customer loyalty. Food hygiene problems caused McDonald's stocks to plummet, reputation has also been affected, and to some extent its intangible assets have been threatened.

IV. RECOMMENDATIONS

Compared with traditional types of assets, the content of intangible assets is more complicated. If company managers pay less attention to intangible assets, they will have a negative impact. Therefore, in order to realize the scientific development of intangible assets management, the company should form a scientific culture. Any form of asset management requires the company to accurately understand the company's asset composition. Therefore, the company's intangible asset information disclosure can enable stakeholders in the company's managerial market to better understand the company's current asset management. The situation helps the company's decision-making on intangible asset management. Asset information disclosure includes information collection for intangible asset management at this stage, and also includes the company effectively publicize the management information

of intangible assets. The development of intangible assets management requires the participation of employees throughout the company. Since the different business activities of employees will have an impact on the development of intangible assets management, if the employees of a certain department do not cooperate with the management of intangible assets, it will cause biases in the management of intangible assets. In general, the main way to increase the level of employee involvement in intangible asset management is through employee training. The training course for employees should be set in a targeted manner in combination with the composition of intangible assets. Through effective employee training, employees can improve the knowledge about intangible assets and enhance employees' attention to intangible assets management.

V. CONCLUSION

For mature companies such as McDonald's, goodwill and intangible assets should be based on their own, consolidate the competitiveness of their own brands, while adapting to the latest changes in demand. Effective asset management can not only ensure the company's asset security, but also enable the company to use an effective model to achieve its comprehensive level of development. The impact of intangible assets on the operation and development of various industries in the future is obvious. If enterprises can use the scientific intangible asset management to further develop the advanced technology and service advantages, they can realize the improvement of their comprehensive technical level and development.

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