

Why It's So Hard for McDonald's to Change

"The system" McDonald's holds dear is what's holding it back

McDonald's is an industrial wonder. It's the biggest restaurant chain in the world, measured by sales, with some 14,000 locations in the U.S. and 36,000 globally. That's the problem. Executives proudly refer to "the system," which guarantees that its French fries will be the same size everywhere and cooked for exactly the same amount of time; its burgers will be the same thickness and have the same taste; and its liquid eggs will be precooked, folded, and flash-frozen by its suppliers before they become part of a bacon, egg, and cheese biscuit.

As I wrote in 2013: McDonald's doesn't operate on gut feelings, or instincts, or even experience. It uses focus groups. It finds test markets. It runs the numbers. Too much change can break the system. And if there's ever a conflict, the system always wins.

Don Thompson, who will leave the company in March, had two and a half years as chief executive to try to make McDonald's more relevant to U.S. eaters. It took McDonald's two years to develop a simple chicken McWrap. And that's only when it was clear that Chipotle—once part of McDonald's—and Five Guys and Shake Shack and Subway were stealing younger customers with fresher, seemingly healthy foods that could be made to order.

As sales dropped, Thompson tried to make some adjustments to the system. This past fall, he said he wanted to let customers add their own toppings to burgers. If, that is, they lived in the few towns in California where the test was underway—or in Australia. He talked about offering more local food. Not locally produced food, but what he called locally relevant food. His plan included selling mozzarella sticks in New Jersey and chorizo burritos in Texas.

There was one thing that customers really wanted from McDonald's: all-day breakfast. Thompson said he was considering it. That was April 2013. Two months later, a few McDonald's restaurants in undisclosed locations began serving breakfast items after midnight. A year later, when Taco Bell started serving breakfast, McDonald's still wasn't offering an Egg McMuffin at all hours of the day. The system couldn't handle it.

Thompson had worked at McDonald's for a quarter of a century. He, too, was a product of the system. As was every chief executive before him. Thompson's successor, Steve Easterbrook, has at least one thing going for him: He left McDonald's for two years before returning in 2013.

That might not be long enough to be able to crack the system.