



Book None of Us Is as Good as All of Us

How McDonald's Prospers by Embracing Inclusion and Diversity

Patricia Sowell Harris
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Recommendation

McDonald’s statistics tell the story of its impressive business achievements. The company serves 58 million customers daily at 32,000 restaurants in 118 nations. It employs 1.6 million people, and had 2008 sales of more than \$70 billion. That’s a lot of “secret sauce.” Through its vaunted Hamburger University, which opened in 1956 in an Illinois restaurant basement, McDonald’s teaches store managers, owners and operators how to do things “the McDonald’s way.” Author Patricia Sowell Harris is in charge of diversity at McDonald’s. She must be doing a good job, given that *Fortune* magazine cited McDonalds as the number one company for diversity two years in a row. Though Harris’s book is, by nature, promotional, she does a good job of explaining how diversity works at McDonald’s, why a diverse workforce is important and why it makes good business sense. *BooksInShort* recommends her lessons on equitable employment to CEOs, as well as to human resource personnel, and training and hiring managers.

Take-Aways

- With 1.6 million workers worldwide, McDonald’s is remarkably diverse.
- However, when it opened in the 1950s, McDonald’s was not at all diverse.
- One rule was that only men could work in the restaurants.
- McDonald’s started to hire women in the mid-1960s when the U.S. military draft made it hard for McDonald’s to find enough male employees.
- Its leaders began to understand that the company had to become more diverse to succeed in minority neighborhoods.
- Early efforts to diversify McDonald’s corporate staff did not always go smoothly.
- Diversity requires committed, active top management support, plus strong networking, education and training.
- McDonald works with minority community leaders and helps on major civic projects.
- Diversity must become an everyday thing, despite business ups and downs.
- Diversity encourages and enhances teamwork, and employee loyalty and solidity.

Summary

McDonald’s: A Slow Start on Diversity

In 1955, when Ray Kroc founded the McDonald’s Corporation – based on a hamburger restaurant owned by the original McDonald brothers – he envisioned the company as a “three-legged stool”: the firm, its suppliers and its franchisees. If one leg failed, the stool would topple.

“McDonald’s restaurants were owned by the people in the community, they hired employees from the community, earned the loyalty of customers in the community, and reached out to support the community.”

Although he didn’t understand the need for diversity at first, eventually Kroc came to see that to sell more hamburgers than anyone else, he would need to make McDonald’s as diverse as possible. He particularly needed to match his workforce to the minority communities where some of his restaurants were going to be located. Once Kroc was convinced, he put his training and educational staff to work to support his diversity effort. He made sure everyone on McDonald’s managerial staff supported the campaign and understood how to lead a workforce made up of people of many different backgrounds. The company became a beacon of diversity.

“We have ... learned that diversity is a sound business strategy – the smart thing to do if you wish to serve a diverse customer base.” (Jim Skinner, McDonald’s CEO)

Using a career-building model established by its “minority and women owner/operators network” McDonald’s now has employee networks for African Americans, Hispanics, Asians, gays and lesbians, young professionals and working mothers. This success did not come easily or quickly. In McDonald’s tenth year in business, 1965, the company had 738 restaurants and employed only men. That rule made exceptions only for “the wife or daughter of [a franchise] owner.” Kroc hired only men to eliminate the possibility of employees flirting on the job. Kroc’s policies were not unusual in the 1960s, when diversity was an “alien concept.” Roland Jones, who became “the first African American employee to work as a field consultant” for McDonald’s, later wrote a book about his duties advising franchisers on their business operations. In *Standing Up & Standing Out*, Jones describes Kroc as, initially, “less than sensitive to the broad social issues of racism, sexism and other forms of prejudice.”

The Company Opens Its Doors to Diversity

Business necessities forced Kroc to change his hiring policies. As the number of McDonald’s franchises rapidly expanded during the 1960s, the owners and operators needed to be able to staff their new restaurants. But this period of growth fell during the years of the Vietnam War, when the U.S. military draft was in effect. With many eligible young men entering the military, it was difficult for franchises to find enough male workers. Therefore, McDonald’s liberalized its hiring. First, it began to employ “Day Ladies,” mothers who worked at the restaurants during school hours; then it hired more female staffers.

“Kroc was proud of his immigrant heritage, and he firmly believed that anyone in America could succeed through hard work and dedication, just like he did.”

McDonald’s began hiring African American workers after the race riots of the late 1960s. By 1967, McDonald’s franchisee in Washington, D.C. had built a track record of hiring black employees and had created the marketing character Ronald McDonald – the company’s iconic clown, initially portrayed by now-famous TV weatherman Willard Scott. When McDonald’s bought the \$16.8 million company, its staff included black administrators who had come up through the ranks to become “restaurant managers [and] area supervisors.” McDonald’s promoted some of them to the ranks of its corporate executive officers. At the time, establishing restaurants in minority areas was a huge challenge for the company, in part because it required new franchise investors to operate their own restaurants. Investors needed “about \$150,000 for a turnkey” facility. This was beyond the means of many black investors, so to dodge the investor-operator requirement, the company tried to line up “white investors” to fund African American entrepreneurs’ inner-city restaurants. This arrangement was called a “zebra partnership.”

“We hired so many high school kids that we quickly became America’s favorite first job.”

In 1968, Herman Petty, who previously owned a Chicago barbershop, became “McDonald’s first black franchisee.” Petty was a good bet. “Because I had a barbershop down the street, I knew everybody in the neighborhood, and they knew me,” he says. Meanwhile, the zebra partnership concept turned out to be a big problem. Many silent partners did not maintain the proper equipment or pay their suppliers consistently. McDonald’s spent \$500,000 to “untangle” the flawed ownership arrangements. It eventually forced out some original investors. After the dust settled, eight new African American owner/operators were running their own McDonald’s restaurants. As the 1960s ended, McDonald’s management had learned an important lesson: It had to alter its composition as the U.S. underwent massive societal changes. Kroc championed the expanding company’s new diversity. He and Fred Turner, former grill man and now the corporation’s president, provided vital executive “air cover” for diversity to become the new normal.

Diversity in the Executive Ranks

Bob Beavers was one of the initial African American employees at McDonald’s in Washington, D.C. He recalls that in 1963, “My girlfriend said there was a sign in the window of a McDonald’s just a few blocks from my house, so I went in and applied, and two days later I was working there.” He began cleaning windows and trash receptacles at the restaurant for \$1 per hour. By 1969, he was working in the corporate office. During his first interview at headquarters, he says, “There was not a single person of color in the entire building, which was not a comforting feeling. I didn’t see anybody like me, not even a secretary, not even a clerk, male or female.” Beavers moved up the ranks and joined McDonald’s board of directors in 1984. He served for 27 years and now owns a company that supplies McDonald’s with napkins.

“Managing diversity means operating in a corporate culture where different views, opinions, experiences, educations, religions and lifestyles are respected.”

The early days were not easy for Beavers and other black employees. A manager in McDonald’s regional office in Los Angeles became angry when Beavers visited his location. He asked Beavers why he thought he could enter the office. Turner soon got word of this incident; a few weeks later, the manager was out of the company. At the time, McDonald’s had some 1,300 U.S. restaurants. Turner wanted to add 200 to 300 each year, but he knew that would be impossible without Hispanic and African American franchisees. Beavers’ job was to find promising black entrepreneurs to license as new franchisees. His goal was to sign up 50 “minority franchisees” within two years. He did better than that. Many of the new franchisees took out U.S. Small Business Association (SBA) loans. Because McDonald’s aggressively sought minority entrepreneurs, the SBA bent over backward to reduce red tape and expedite the loans.

Creating Networks: McDonald’s Operators’ Associations

As a field consultant, Roland Jones had his hands full getting new minority-owned franchisees ready to follow McDonald's precise operational procedures. He began meeting with new owners and operators in groups, launching the networking concept that the company still uses. The initial training group of franchisees met in a Chicago tavern's basement. The company eventually bought a building on the South Side of Chicago and converted it into a training and educational facility. Minority franchise owners and operators began to fly into Chicago to attend the training sessions.

"Training and education provide the foundation for making diversity work for you."

McDonald's leaders understood that networking at the meetings was extremely valuable in indoctrinating new franchisees and enabling diversity. In 1970, a new networking organization, the Black McDonald's Operators Association (BMOA), started in Chicago. This led to the 1976 formation of the National Black McDonald's Operators Association (NBMOA), which proved to be a valuable pipeline for blacks who wanted to move to corporate jobs within McDonald's. The company worked with the two associations to develop the Black Career Development (BCD) training program and the Accelerated Management Development program, which fast-tracked African Americans into executive positions. McDonald's also helped black employees through a new "Big Brothers and Big Sisters" program. Then as now, part of training minority employees is teaching managers about the importance of diversity.

"While we were successful in bringing people of color into McDonald's in the early years, we were not as successful in keeping them."

In 1980, McDonald's hired Mel Hopson, a black executive, as its affirmative action officer. It stated a new policy holding managers responsible for diversity. The NBMOA network expanded to black suppliers, and negotiated with McDonald's to secure a more balanced ratio of the number of black- and-white-owned franchises. The result was an additional 600 black-owned restaurants. Currently, NBMOA represents 1,500 restaurants and "some 325 owner/operator entities."

"The issues that African Americans have are different from those of women, and they are both different from those of Hispanic Americans, and so on."

Such advances emerged from the three pillars of McDonald's diversity program: "strong management support at the top, training and education and networking." This dedication to diversity paid off for McDonald's. For proof, look to 1992, when some parts of the Los Angeles black community rioted after the verdict exonerating police for the beating of African American Rodney King. The rioters did not harm McDonald's restaurants in the area that were run by local African Americans. At the same time, other local businesses suffered an estimated \$2 billion in damages. *Time* magazine reported, "When the smoke cleared...not a single McDonald's restaurant had been touched...As a result, McDonald's stands out not only as one of the more socially responsible companies in America, but also as one of the nation's truly effective social engineers."

Women and McDonald's

Women joined McDonald's diversity initiatives a different way. While McDonald's needed black owners in their community's neighborhoods, it had no such need when it came to women employees. At the same time, McDonald's leaders began to understand that women staffers would make female customers feel more comfortable. McDonald's president Fred Turner became head of what he called the "Women's Lib Committee."

"We moved beyond simply counting heads a long time ago. Today we are intent upon making heads count. So...our definition of diversity includes a broad mix of different ideas, opinions, backgrounds and life experiences."

In 1979, McDonald's sponsored "Operation Homecoming," a national conference on "better utilizing women and minorities." With Turner's advocacy, the company instituted a training program for managers and women employees. In 1988, women franchise owners set up the Women Operators Network, followed by The Women's Leadership Network, which provided mentoring. McDonald's reached out to female suppliers and helped organize an industry group, "Women's Foodservice Forum." The various women's networks have proven vital to promoting diversity within the company.

"Instilling the principles of diversity and inclusion takes patience and persistence."

McDonald's used the same approach with other groups, including Hispanic Americans, people with disabilities, Asian Americans and the gay and lesbian community. In 1977, the company organized the McDonald's Hispanic Operators Association and, soon, The Hispanic Leadership Network. A few years ago, the company created its "Hispanic Business Vision" to tie "diversity to business results." This placed it among the most respected business entities in the Hispanic community. In 1982, McDonald's started the "McJobs" program to help "physically and mentally challenged individuals develop skills and confidence to succeed in the workplace." The company organized the Asian McDonald's Operators and its Gay and Lesbian and Allies Network.

Achieving Diversity

Becoming more diverse is difficult. Expect numerous starts and stops as you find your way. See diversity as a process of continuous attainment, not a rigid target like a 15% increase in sales or profits at year's end. A company cannot achieve diversity unless its senior management champions the effort. Fusty attitudes about inclusion or workforce composition are roadblocks that can set back any diversity initiative.

"A significant number of McDonald's senior management does more than support diversity – they represent a diverse group of leaders within their own ranks."

You can use training and education programs to help employees "open their hearts and minds" regarding diversity, and thus break through stultifying barriers. Establishing networking opportunities for minority employees, women employees, gay and lesbian employees, and other diversity groups is also vital. Whatever you do, don't adopt a standardized approach regarding your company's diversity efforts. Be sensitive to the special needs and concerns of each diversity group, and set the goal of including everyone in a unified corporate culture. That has been the goal at McDonald's, where the workforce, from fry chefs to the CEO, is now made up of "62% women, 35% Hispanics, 20% African Americans, 5% Asians and 2% Native Americans."

"Diversity within your organization is not a destination you will ever reach; it's a journey you decide to take."

Lee Dunham, an African American owner and operator, and the proprietor of McDonald's first restaurant in New York, sums up the corporation's diversity philosophy this way: "If we can stay united and head in the same direction, [then] everybody is represented and valued, and can sit at the table and make a contribution." Or, as Ray Kroc said, "None of us is as good as all of us."

About the Author

Patricia Sowell Harris, McDonald's global chief diversity officer, has spent more than 30 years with the company. *Working Mother* magazine called her one of the U.S.'s "Top 10 Diversity Champions."
