

**When the Golden Arches Lose their Shine:
McDonald's Japan Food Scandal**

TEACHING NOTES

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

Case Synopsis

McDonald's officially entered the Japanese market in 1971, with the opening of a restaurant in the district of Ginza. By the end of 2013, the company counted a total of 3,164 restaurants in the whole Country, becoming the second largest fast food restaurant network in the Japanese market. However, in July 2014, McDonald's Japan was accused of using the expired meat for the production process of its Chicken Nuggets. The spread of the news has resulted in a remarkable decline in both sales and reputation for the company, which was already experiencing financial losses. McDonald's Japan CEO, Sarah Casanova, declared "our organization was paralyzed. Decision-making was slow, rigid and overly centralized". Therefore, an internal organizational problem was identified as being the main reason for the crisis and its spread at all corporate levels.

Learning Objectives

The presentation of the McDonald's Japan case should produce several learning outcomes for the audience. The desired learning outcomes will be mainly driven by the questions asked during the presentation of the case, and will be directly associated with the relevant literature studied during the course "Corporate Brand Management & Reputation."

CEO's role in building reputation

The first desired learning outcome principally linked to the role of the CEO in the management of the crisis in both the long and short run. Indeed, the audience should learn the essential role invested by Sara Casanova in the crisis management. According to Roper & Fill (2012), the performance of the CEO is crucial as he or she should take responsibilities if something happens in the corporation and work to rebuild a strong reputation. Furthermore, the Chief Executive Officer should create a sense of urgency when a crisis hits the organization, stimulating the rest of employees in acting accordingly, and, therefore, bringing them together increasing their communication and shared values (Kotter, 1995). According to Gaines-Ross (2008, cited in Roper & Fill, 2012), the CEO is more under the spotlight if compared to a few years ago. As a consequence, the role of the CEO is essential when it comes to public opinion, and it is not only linked to the internal company itself anymore. The CEO represents the public front side of a corporation, and everything he or she does and says can provide insights about an organization's values and beliefs (Roper & Fill, 2012). Sara Casanova's speech was directly communicating to the public eyes the position of McDonald's regarding the situation, so it is possible to argue that the CEO acted as a symbol in the apology for the whole corporate brand. The CEO

actions are never taken as being personal, they are rather attributable to the organization as a whole, conveying the message of their solutions in the present and the future to the stakeholders (Roper & Fill, 2012). The CEO is perceived as being an expert who can provide both internal and external stakeholders with objectivity and credibility (Roper & Fill, 2012).

Since it has established its first restaurant, McDonald's has earned a good reputation Worldwide; indeed, according to DeBlasio (2008), the corporation has been regarded as being one of the most ethical ones. For this reason, it is noteworthy to underline that it is also thanks to the corporate reputation earned throughout the years besides the communication and efforts undertaken by the management that McDonald's Japan was able to recover in the way it did.

At this purpose, according to Greyser (2009), all the actions were taken by a company to build and strengthen its name, and so a reputational reservoir can be a strong foundation for the reputation of a corporation that endures over time and that can be essential in cases like this.

Crisis Management

As for tackling the food scandal in McDonald's Japan, the primary crucial step was to prevent the crisis from eroding the corporate reputation, and it is necessary to understand the relationships between the corporate brand and its supply chain, as the latter can have a substantial impact on the organization itself. After facing the food safety issues, Japanese McDonald's suspended its imports of chicken products from China and started importing its products from Thailand's McKey Food Services. The change of the supplier was a short-term decision as it had a strong impact on regaining customers' trustworthiness. Even though the crisis was mainly generated by its suppliers rather than by a corporation itself, customers accused McDonald's to be responsible. According to Gowerek and McGoldrick (2015) being the visible part of the value chain and the one that puts a label on what it distributes, the corporation will be the one addressed by customers. Indeed, even if McDonald's is not responsible to manufacturer the product; it should have controlled and managed its suppliers to ensure quality conformed to their standards (Gowerek & McGoldrick, 2015).

Therefore, the primary mission is to assess the seriousness of the situation, which threatened the trust and faith of McDonald's Japan. Importantly, it later exerted negative effects on the financial condition of the corporation brand itself. By assessing the essence of the brand meaning, current crisis situation, potential communication impact, and the effectiveness of initiatives in terms of how to recover (Roper & Fill, 2012). Hence, McDonald's changed its suppliers as an immediate action to contain the scope of the crisis. Afterwards, in order to resolve the aftermath of the crisis and regain trust harmed by the scandal from its customers, McDonald's Japan implemented a series of customer-focused initiatives. According to Augustine (1995), it is similarly important to profit from the crisis. In this case, the turnaround of the business of McDonald's Japan demonstrated that they had taken the opportunity to review its own process and achieve a better result than before.

Communication

Producing changes was an important milestone for McDonald's Japan, but what was even more essential was the ways in which these changes were communicated. Indeed, by "talking and being authentic" (Greyser, 2009), the corporation not only adopted a transparency strategy to conduct internal and external communication, but also perform the change in accordance with local customers' expectation. From a theoretical perspective, internal communication is considered to be crucial as employees should be supportive towards the brand, particularly when it comes to bridge the gap between image and identity (Vallaster & de Chernatony, 2006, cited in Roper & Fill, 2012). McDonald's was meager in terms of internal communication; therefore, the corporation looked extremely fragmented. As a consequence, in order to integrate and anchor the changes, a revision on how these were communicated was implemented. According to Roper & Fill (2012), employees should be actively involved in changes, so that they can convey a uniform and consistent image of the brand to external stakeholders. It is through the anchored change in the employees that the corporation successfully adapted to the culture of local markets, which in turn, saved the corporation from its dire situation (Kotter, 1995). Internal communication played a fundamental role in anchoring the new values inside the organization, but these changes needed to be also externally communicated.

According to Grunig & Hunt (1984, cited in Roper & Fill, 2012), the effective use of communication is based on four main criteria such as: form, style, tone and timing. In the specific case of McDonald's Japan, the communication respected all of these four criteria. The form was extremely suited in the situation as it conveyed a sense of regret for the fact, but also the style. Indeed, depending from the targeted audience, the corporation adapted different styles, from the workshops with the mothers to the public speech with the press. Furthermore, McDonald's Japan set the perfect timing for the various activities it undertook, starting solving the issue from the inner and communicating it when solved. Lastly, the tone in which McDonald's communicated with external stakeholders was formal, but at the same time, with reference to the CEO's speech, a sense of closeness, thanks to the jokes and her personal experiences' reference, to the audience was perceived.

Teaching Plan

Owing to the fact that the case happened in the past, we therefore had the opportunity to unveil the complete the story behind the case in the presentation. Taking the time constraint into consideration, the presentation is divided into three main components with suggested time plan included. Furthermore, the discussion of the presentation would be facilitated with the aid of whiteboard. Detailed description of time and whiteboard plan is given in below sections.

Time Plan

The instructed time of presentation is 30 minutes, in which each group will have to include background information of the case, discussion, and follow-up story. The leader of the case discussion is responsible for allocating time to each part depending on the actual situation. The suggested time plan is described below:

Part 1: Case introduction (8 minutes)

The first part of the presentation contains an introduction to the case involved. In this part, the presenter will give an overall picture of the case by pointing out the food security scandal that hit McDonald's Japan, and emphasizing the challenge in reputation and financial performance. The objective is to fill the class with necessary information in order to contribute to the discussion of managerial questions in the second part.

Part 2: Case discussion (12 minutes)

In second part, the class would be involved in a discussion over managerial questions. The class will take the role of management team of McDonald's Japan and decide what actions they will take to rescue the company out of the crisis. The presenting group here is suggested to act in teamwork by having one discussion leader and other two notes takers so that a smooth process can be ensured. The discussion leader is recommended to divided the discussion into three phases: key issues, key alternatives, and key actions, which would be further explained in broad plan below.

Part 3: Case follow-up story (10 minutes)

The third component of the case will present the solutions made by McDonald's Japan. Here the class would have an opportunity to compare what has been discussed and what actually happened in reality.

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Board Plan

In order to efficiently guide the discussion within the limit of time, it is our intention to apply the following three headings to which the class is encouraged to offer their comments:

- Issues: What are the key issues in the reputational crisis that McDonald’s Japan faced?
- Alternatives: What could be the possible solutions to the issues?
- Actions: What actions can be implemented?

The table below illustrated the suggested contents in each heading for this case. The table could serve as a guiding tool for the discussion leader in facilitating the discussion.

Issues	Alternatives	Actions
<ul style="list-style-type: none"> • loss of customers’ trust • internal control of supplier • dropping sales • Reputation in danger: brand’s essence harmed 	<ul style="list-style-type: none"> • Apology from CEO • Investigating the issue and provide information • Be transparent 	<ul style="list-style-type: none"> • CEO apology • Supplier change • Customer engagement • Authentic approach

Reflections

In the course of Corporate Brand Management and Reputation (BUSN35), the major task given to us was to write a live case in a group of three students and present it at the end of the course. Our selected case depicts the reputation crisis of the Japanese subsidiary or the fast-food giant: McDonald. In the case-writing process, through the collection of information on Internet and the assistance of McDonald’s Japan senior management, we produced a written case, which describes the overview of the crisis stemming from food security scandal, and delved into the management decision made by McDonald’s Japan.

In the beginning, we had a discussion and selected three cases across the world in recent years as our potential topics. After supervision with the tutors, we decided to choose McDonald’s Japan as the focal point for our master case writing for three reasons. First, the decision was based upon our intention to choose a case that is not widely known to the class in order to create a higher suspension and better discussion. Furthermore, the case happened between 2014 to 2017, and therefore it has an up-to-date nature that provides the class with latest practices in relevant areas. Last but not least, this case illustrates the importance of adaptation to local culture by global corporation in times of crisis, which we deemed to be a key take-away in this case.

In the process of writing this case, we have encountered several challenges. The first challenge confronting us was the complexity of the case. The case was about how McDonald’s Japan managed to bounce back dramatically over three years from a reputational crisis resulting from its food security issue. At first glance, it seemed straightforward. However, it was when we started to gather information about the

case that we realized the complexity of it. Although quite a few news and articles has analyzed the reason behind such a big turnaround in the fast food giant's history, there seemed to be different perspectives intertwined together without apparent themes ready for us to rely upon. In order to cope with the complicatedness of the case, our group decided to approach inside contact in McDonald's Japan through social network in an attempt to acquire official information. To our surprises, we successfully made connection with a senior manager in the organization who provided us primary information about the crisis and how it was handled by McDonald's Japan. It was through our proactive "reaching-out" strategy that we managed to acquire the valuable information, which was then adapted and organized in our written case as well as management decision.

The second challenge resided in our ambition. As we have the valuable information from internal contact, we soon grew too eager about wanting to present everything we collected. The turnaround of the company, apart from repairing its reputation, is a result of other key factors such as financial initiatives and organizational re-structure. However, after several occasions of discussion, we came to the realization that the report would seem quite fragmented and lose its focus if all those points were to be included. We then examined our initial object of the case and decided to focus solely on the management solutions that were most relevant to restoring reputation.

Preparing for the teaching plan was the third challenge that we had to overcome in the assignment. Since this was the first time that we were asked to prepare a case and lead the discussion in class, we were not sure how to achieve a ideal situation where discussion among classmates can be aroused. Understanding our weakness, we paid particularly close attention to how the guest speaker organized their discussion and the way they used the whiteboard to summarize comments from class. We then decided to employ whiteboard as our tool to steer the discussion. Taking the limited time we had in the presentation, we further divided our whiteboard into issues, alternatives, and actions for a more focused manner of discussion.

By writing the case and preparing for the presentation, we have multiple key leanings from the process. First of all, writing the case helped us to relate to the theories taught in class from the perspective of management team. Looking into the details of the case and investigating how they dealt with the issues in fact offered a chance to observe the application of theories happening in real business world. Second, the assignment gave us the particular chance to do presentation different from traditional ones in that we have to lead the discussion and arrive at the conclusion with the class. It was a test where we have to switch perspectives from students to teachers, which provided a good practice of listening, taking notes and probing the questions. Finally, this journey allowed us to benefit from the experience of wise leaders in times when critical decisions were to be made. As such problem solving skill is emphasized more and more nowadays in the workplace, we were glad that we learnt some more practical and valuable lessons more than others would.

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