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Abstract

"Perceptions of Organizational Effectiveness over Organizational Life Cycles" written by Kim S. Cameron and David S. Whetten, posits a theory regarding organizational effectiveness criteria change as firms develop along the life cycle continuum. Induced from observations obtained from a simulation game, the Cameron and Whetten theory is applied in this article to two real organizations, Wendy's and McDonald's, with the intention of demonstrating that this theory is applicable in "real life" situations.

Keywords

Frederick J. DeMicco, Organizational Effectiveness Along Life-Cycle Stages: A Comparison Of Wendy's And McDonald's, Operational organization, Cameron and Whetten, Life cycle stages, Hamburger University

Organizational Effectiveness Along Life-Cycle Stages: A Comparison Of Wendy's And McDonald's

by

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"Perceptions of Organizational Effectiveness over Organizational Life Cycles," written by Kim S. Cameron and David S. Whetten, posits a theory regarding how organizational effectiveness criteria change as firms develop along the life cycle continuum. Induced from observations obtained from a simulation game, the Cameron and Whetten theory is applied in this article to two real organizations, Wendy's and McDonald's, with the intention of demonstrating that this theory is applicable in "real life" situations.

By many accounts, both Wendy's and McDonald's are regarded as being successful fast food franchises. The main thrust of this presentation involves a depth analysis of Wendy's and McDonald's to determine whether their perceptions of where emphasis should be placed to achieve effective operation have changed over time. Changes in perceptions of organizational effectiveness indicate the validity of taking into account changes in life cycle stages and congruent changes in effectiveness criteria when performing macro-level organizational research as pointed out by Cameron and Whetten.

The presentation will first develop the life cycle model concept and the appropriate model of effectiveness to use depending on the life cycle stage as positioned by Cameron and Whetten. Next, the discussion will set forth a historical overview of the two companies followed by an analysis of each company's effectiveness at both the initial stages of operation and the present time. Finally, comparisons and contra-distinctions between the focal organizations will be identified and discussed.

In choosing a theoretical basis for this analysis, attempts were made to avoid one of the common pitfalls in organizational research, which, simply stated, involves the reliance on or arbitrary selection of a model utilized to evaluate organizational effectiveness.¹ The selection of a model of effectiveness should be based on the unique characteristics of the focal organization. In other words, organizations are not static, as evidenced by the normal changes in events, threats, and opportunities at both an external and internal level, which are perceived by the organization as having an important impact on the organization's survival.² Therefore, this presentation's use of the Cameron and Whetten Theory facilitates the conscious selection of an effectiveness model through the

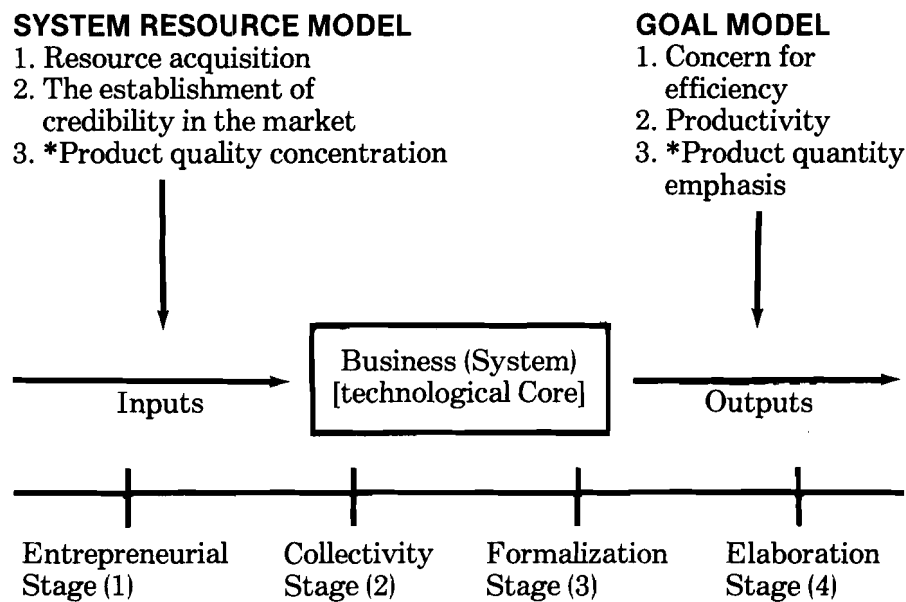
consideration of where the organization falls on the life cycle continuum.

Cameron and Quinn developed four summary life cycle stages of organizations and delineated the characteristics associated with each stage by reviewing nine different life cycle models. The first stage, labeled the "entrepreneurial stage," is characterized by the organization's "marshalling of assets, lots of ideas, little planning and coordination and formation of a niche in the market."³ In this life cycle stage, organizational success hinges on its ability to develop external support, acquire resources, sustain growth, and remain flexible.⁴ The second life cycle stage, termed the "collectivity stage," which reflects a change in emphasis toward a more "human relations" orientation, is exemplified by "high commitment and cohesion among members, face to face communication and informal structure and a sense of mission."⁵ The "formalization stage" reveals a dramatic shift in the organizational development because formal goals emerge coupled with an emphasis on productivity and efficiency.⁶ This stage is characterized by "the formalization of rules, stable internal structure, emphasis on efficiency and the institutionalization of procedures."⁷ In the fourth stage, "elaboration of structure," the organization begins to monitor the external environment and organizational successes are based on "renewing adaptability, domain expansion and establishment of new multipurpose subsystems."⁸ While these stages represent only the initial stages of organizational development, the research of Cameron and Whetten confirmed that organizational characteristics and perceived success criteria change over time.⁹ Consequently, models used to evaluate organizational effectiveness should change depending on the particular life cycle stage typified by the characteristics of the focal organization under review (See Figure 1).

Cameron and Whetten identified the appropriate effectiveness model to use depending on the organization's focus on domain of activity (i.e., input versus output orientation). Organizations in the early stages of the life cycle tend to be more concerned with inputs, which is demonstrated by the need to acquire resources and gain external support. Cameron and Whetten suggest the use of the systems-resource model when evaluating organizations that fall into this category. Organizations in the third and fourth stages emphasize outputs demonstrated by their concern for efficiency, productivity, and the establishment of formal goals. Cameron and Whetten suggest the use of the goal model in the evaluation of organizations which are reaching this level of maturity.

The systems-resource model's use appears most appropriate when evaluating an organization which places considerable emphasis on inputs. The focus on inputs, typical in early stage firms, is partly shaped by the high level of environmental turbulence, uncertainty, and complexity experienced by organizations. In evaluating the focal organization using the systems-resource model, the dominant underpinnings of organizational effectiveness are resource acquisition and the ability to gain external support. Possible resources which the focal organization may wish to acquire include inputs such as major food stuffs (i.e., meat entree, bread, beverage, etc....), human resources (i.e., direct labor) and capital. Thompson (1967) postulated that changes in the environment

Figure 1
The Cameron and Whetten Life-Cycle Model



In the early stages of the life-cycle (stages 1 and 2), the firm places an emphasis on the input side of the system. The focus is on obtaining resources ("raw materials," i.e., food products) and producing "quality" products to establish a niche in the market. At latter stages of the life-cycle (stages 3 and 4) the output side receives greater emphasis. Having attained quality standards and market share in the early stages, the firm now tries to increase production and efficiency, and thus the emphasis shifts to a product "quantity" emphasis.

can have serious effects on the input side of the technological core system and thus can create roadblocks to organizational survival.¹⁰

One technique that may be used to deal with possible environmental input problems is buffering, which involves surrounding the technological core with input components. An example of buffering within the context of this discussion is the negotiation of long term contracts with suppliers, thereby ensuring the continued infusion of raw materials. The other major underpinning involves the organization's ability to gain external support through the development of a positive image. Olsen and DeNoble illustrate Wendy's attempt to gain external support by pointing out that the firm's early successes are attributable to the promise of better quality food than its competition. In sum, the analysis of Wendy's and McDonald's in the early stages of development will specifically address

how effective they were in acquiring resources and developing a positive image.

As organizations mature, the primary emphasis shifts from input to an output orientation (e.g., formalization is higher). During the later stages in the life cycle, organizations judge effectiveness on how closely an organization's outputs come to matching its stated goals.¹¹ The goals model is most appropriately used in the evaluation of effectiveness in firms characterized by an emphasis on outputs. Goals relating to an output orientation can be measured in terms of efficiency, of uniform quality of product or service, and of productivity. Improvements in efficiency and uniformness involve the upgrading of training, equipment, and information systems. Additional goals, for example, are satisfying environmental constituencies through the coordinated efforts of specialized departments like research and development of a new product innovation. In other words, through the coordination of the skills inherent in these diverse departments, the organization is best positioned to achieve certain goals, which may be unattainable without the integrated effort of a professional staff. McDonald's introduction of a breakfast menu represents the utilization of a smoothing technique through improvement in technological efficiency by spreading out customer demand over a longer period of time.¹² While the breakfast concept represented an attempt to improve efficiency, its success was more than likely enhanced through the concerted efforts of the professional staff.

This section discusses the theoretical basis for using either the systems-resource or goal model of effectiveness evaluation depending on the position of the organization along the life cycle continuum. However, it is important to note that the usage of either model in all situations may not be appropriate.¹³ Justification for using the systems-resource model in the evaluation of the focal organization lies in the clear correlation existing between the resources input into the organization and its finished product. The usage of the goal model in later stages of life cycle development is somewhat harder to justify. A number of goals were identified through research of corporate annual reports, which represents the major source of goal-related data. While the point is made that only official goals are discussed, the analysis remains consistent in the treatment of both focal organization's goals.

McDonald's Begins With A Street Plan

Ray Kroc was first introduced to McDonald's in 1954 in San Bernadino, California. There he met Richard and Maurice McDonald, the owners at that time. He was impressed by what he saw at their restaurant: value, speedy service, elimination of wastefulness, cleanliness, and nothing to steal.¹⁴ When Ray Kroc left California, he had a contract that allowed him to sell McDonald's franchises, and he would receive 1.4 percent of each franchise's gross sales.

In 1961 after much trouble with the McDonald brothers, he bought the trademarks, copyrights, formulas, golden arches, and the name for \$2.7 million and enlisted the help of Harry Sonneborn, a former vice-president of Tastee-Freez, to raise the money. They borrowed it from col-

lege endowment funds at a high interest rate. By the time Ray Kroc had finished repaying this loan, McDonald's had cost him \$14 million.

He was starting out in a new market with few competitors. He opened his first store in Des Plaines, outside of Chicago, and then sold his first franchise, which later opened six stores, in Fresno, California. There was a certain image Ray Kroc wanted a McDonald's restaurant to present, that of a clean and wholesome place to eat. His motto was QSC/TLC: Quality, Service, Cleanliness/Tender Loving Care. He wanted to sell quality products with fast service in a clean environment, including restrooms. He wanted to have a business which attracted families. He also tried to discourage teenagers as customers. In order to do this, he made the restaurant self-service and refused to hire females because they attracted the wrong kind of boys. This hiring philosophy continued until 1969, when women were first hired as crew members.¹⁵

In order to increase McDonald's profits, Kroc and Sonneborn decided to make McDonald's a landlord. To do so they needed \$1.5 million which they obtained from several New England insurance firms in exchange for 22.5 percent of the McDonald's stock, which would be worth \$500 million 10 years later. McDonald's would now build the store and furnish it with equipment, then rent it to the franchisee for 8.3 percent of the gross sales.¹⁶

After selling his first franchise, Kroc hired Fred Turner to run the day-to-day operations, including teaching new franchisees the "Ray Kroc system," and being sure that it was followed. Later franchisees and restaurant managers would be taught the "system" at Hamburger University. Turner was loyal to McDonald's and stayed with the company. In 1973 this loyalty was repaid when he was named chief executive officer of the corporation. Loyalty by suppliers has also been rewarded. If a supplier stays with McDonald's, McDonald's will stay with that supplier. As McDonald's has grown, so have these loyal suppliers.

Kroc wanted his restaurants to be the same everywhere. Therefore, he enforced rigid standardization at all franchises. The 385-page operations manual was considered the corporate bible. Each innovation made in the menu and the service created more uniformity. Each refinement increased standardization. Kroc felt that he could decrease serving time by increasing the uniformity of the product. His formula for success included the following things: simple food, quick service, stiff franchise fees, cheap labor, a huge outer real estate ring, and faithful suppliers.¹⁷ This formula has evidently been very successful.

Kroc maintained a tight rein on his corporation for a long time. He wanted franchisees who would run their stores exactly the way he wanted, and he felt to do this correctly their total commitment was required. Many franchisees felt they were simply managers rather than independent businessmen.

In order to increase uniformity throughout the many McDonald's restaurants, Kroc started Hamburger University to teach the franchisees the exact way things should be done in a McDonald's restaurant. Students were taught equipment, products, business controls, interpersonal relations, equal employment, energy conservation, and employee

safety. Hamburger University also offered post graduate studies which included industry and system changes, marketing, finance, government affairs, personnel, and salary and wage administration. In 1982, Hamburger University had graduated 15,000 students.¹⁸

The main objective of McDonald's has always been to serve a quality product quickly in a clean environment. Another objective has been continued growth which is shown by the fact that each year more McDonald's restaurants are opened; in 1982, there were 520 new ones. A third objective has been to increase the number of company-owned and operated restaurants; in 1982, 53 percent of the McDonald's were in this category.

Ray Kroc's "assembly-line hamburger" was a concept with much potential which has been greatly cultivated in the last 30 years. The addition of products such as the Big Mac in 1968 and the Quarter Pounder in 1972 has increased this potential. A study once showed that the planet could support 12,000 McDonald's restaurants, and they are well on their way there.¹⁹ In 1982, there were 7,259 McDonald's restaurants in operation, and continued growth is expected.²⁰

McDonald's Early Cycle Shows Success

In evaluating the effectiveness of McDonald's in the early stages of development through application of the systems-resource model, the primary considerations under review include the acquisition of resources and the establishment of a positive image. It is important to note that when Ray Kroc purchased the company 200 restaurants were already in existence. Therefore, many of the key input resources were already in place. Taking advantage of this situation, Kroc maintained relationships with specific suppliers, which circumvented potential problems in acquiring certain resources (i.e., buffering). These suppliers included Martin Brower Corp. (paper and sundry supplies), Harry Smorgan (shortening for fryers), Harold Freund (bread), Jack Simplot, "the Idaho Potato King" (potatoes), and Golden State Foods Corp. (frozen patties, drink syrup, and special sauce.)²¹ Kroc obtained the consistency of materials by developing bonds with respectable vendors. This has proved to be a successful strategy in that the same suppliers continue to serve the corporation today.

Another key input into the company was the infusion of capital, both in terms of acquisition dollars and expansion dollars. Kroc obtained financing in the amount of \$4.2 million, of which \$1.5 million represented money used to acquire land, build restaurant units, and furnish them with equipment. These additional units were then leased to franchisees for an 8.3 percent annual percentage of revenue. By using this purchase-leaseback method, the company was able to supplement its cash flow over and above the normal license fee.²² The improved cash flow enhanced the company's ability to acquire resources to expand the business beyond traditional methods utilized in the industry at that time.

A prime example of the McDonald's approach to the human resource element of inputs is amplified by the story of Fred Turner, a hamburger "flipper" at Kroc's first McDonald's restaurant, who came up through

the ranks and today is the company's CEO. Kroc recognized in Turner, an ex-military man, a dependable, responsible, and loyal individual who fits his standard for all employees. From inception, Kroc was committed to hiring the "right" employees.

The other primary aspect of the early life cycle development involves building a credible public image. The original concept of the McDonald's restaurant revolved around developing a family-oriented atmosphere. This concept was based on the hallmark phrase, QSC/TLC (Quality, Service, Cleanliness/Tender Loving Care), which exhibits the fundamentals of "a clean, well-lighted place, devoid of juke boxes, cigarette machines, pinball machines, or vending devices of any kind..." "Our theme," stated Ray Kroc, "is synonymous with Sunday School, the Girl Scouts, and the YMCA. McDonald's is clean and wholesome."²³ Of course, this image was well received by the public in the early 1960s when very few family-oriented restaurants were in existence.

From the standpoint of the systems-resource model, McDonald's concentration on the input acquisition functions early in the life cycle fits reasonably well into the Cameron-Whetten model. The company's successes in the early life cycle stages enabled them to survive and formed the basis for prosperity as the company matured.

McDonald's Later Cycle Is Sophisticated

One of the principal drawbacks of using the life cycle model as a basis for choosing a model of effectiveness is the inability to pinpoint the exit from or entrance to a particular stage. However, inferences can be made as to which stage of the life cycle an organization falls into depending on its emphasis (i.e., input versus output). As McDonald's has matured as an organization, it is apparent that the emphasis of the company has shifted away from the input side of the transformation process. This shift in organizational emphasis to outputs reflects the company's entrance into the formalization stage, which is characterized by concern for efficiency, uniform quality of product or service, and productivity. Normally, as the level of formalization increases, the number of goals stated by the company increases. Harvard Business School Professor Theodore Levitt attributes the company's success to its having "created a highly sophisticated piece of technology by applying a manufacturing style of thinking to a people-intensive service situation."²⁴ Clearly this view of McDonald's underscores the shift in emphasis toward an output orientation characterized by an efficient, standardized operation. Ray Kroc's central idea backing up this premise is embedded in the production of "an assembly-line hamburger." Some of the technological innovations which were utilized to improve efficiency include the introduction of the first computerized French fryer and computerized grill. Also, as pointed out in a previous section, the company employed smoothing techniques to improve efficiency by spreading out customer demand.

In the McDonald's system all functions are planned and standardized throughout the units, leaving little discretion to the workers, managers, or owners. Standard procedures, which are subscribed to by McDonald's units, are found in a 385-page operations manual covering

all aspects of running the hamburger business.²⁵ To further control the output side of the business, McDonald's has set goals regarding the repurchase of units currently owned by franchisees. By 1977 McDonald's had repurchased enough stores to directly control over one half of the total units in existence. Additional steps taken to standardize the McDonald's units have been achieved through the requirement that franchise owners and some managers attend Hamburger University where they receive training in equipment usage, products, business controls, interpersonal relations, equal employment laws, energy saving techniques, and safety measures.²⁶ Through the use of a computerized cash register system, the company is able to monitor and control the operations of the restaurants. These cash registers can be dialed up at night by the company's main computer which accesses such information as total sales volume, breakdown of items purchased, and current inventory levels. Through this standardized approach, McDonald's is able to coordinate the activities of all of the restaurants, both company owned and franchised, so that customers can expect the same quality product regardless of where it is purchased.

The company has also implemented strict energy conservation techniques. For example, many restaurants have installed sophisticated energy management systems that reduce the amount of energy used for heating, air conditioning, ventilation, lighting, and cooking.²⁷ These examples represent only a small sample of the myriad of techniques and standardizations which have allowed McDonald's to achieve its official goals relating to number of units opened, sales growth, and profitability which could be identified in the annual reports dating between 1972 and 1983. Achievement of these goals has resulted in the "institutionalization" of McDonald's not only in the United States but around the world.

McDonald's may be entering a new stage at the present time, an "elaboration of structure." The company has begun to establish "multipurpose subsystems" such as Ronald McDonald houses, involvement in the Jerry Lewis Labor Day Telethon, and donations to the PBS television program "Zoom"; these current projects, over and above selling a billion hamburgers every seven months, demonstrate McDonald's intentions to monitor the environment and become involved in other aspects of serving the public. In the future, McDonald's may very well become a much more flexible organization than is currently perceived.

With the application of the systems-resource model, this analysis of McDonald's fits the Cameron-Whetten model.

Wendy's Grows Quickly

Wendy's was established in 1969 in Columbus, Ohio, by R. David Thomas and his management team of franchise veterans. The 43 year-old Thomas was an experienced administrator of food service and franchised organizations; he spent 14 years with Harlan Sanders in the early years of Kentucky Fried Chicken, helping the Colonel establish and build the fried chicken empire. That was followed with a brief stint as vice-president of operations in the Arthur Treacher's Fish and Chips organization. However, as a self-avowed "hamburger man," Thomas

quickly left that position to open the first Wendy's in downtown Columbus on November 15, 1969.

Fast food market skeptics pondered Wendy's chances of survival as it appeared that America could not withstand another hamburger chain since experts like McDonald's were already adding breakfast items and other foods such as chicken to expand their menu in an attempt to offset slumping unit sales growth. Indeed, most market observers believed that the fast food growth rate had already peaked and that rapid expansion was behind us in 1970.²⁸

However, Wendy's not only survived but thrived through the 1970s as America's fastest growing burger chain. This was accomplished through a strategy of providing a higher quality burger than was previously being offered by established hamburger chains. Indeed, Thomas attributed early company success to selling better hamburgers than McDonald's and Burger King, the industry leaders, at a lower cost per pound.²⁹ Wendy's stressed quality freshness and a custom-made burger. Thomas, in fact, felt that Wendy's offered what he considered a "Cadillac hamburger" which could be made 256 different ways through the use of various condiments that other burger chains failed to offer. Along this ideal of a quality product, Wendy's hamburgers were fresh and one-quarter pound beef compared to McDonald's one-tenth pound burger. Even Wendy's other menu items such as the Frosty, a milkshake-like product, and chili were of high quality ingredients.

The single, double, or triple hamburger, chili, Frosty, French fries, and soft drinks were all Wendy's offered. Thomas carried this belief, perhaps learned during his Kentucky Fried Chicken days, that it is best to do just a few things but to do them better than anyone else. Indeed, "quality is our recipe" was the slogan forever repeated in early Wendy's advertisements.

Also adding to Wendy's growth was the innovation of the drive-thru window which seemed partly responsible for Wendy's doing more business than any other chain on a square foot basis in the mid 1970s. Customers using the drive-thru do not take up parking spaces or fill up tables.

Wendy's growth, as explained by firm president Bob Barney who was formerly associated with Thomas at Arthur Treacher's, would be tempered with an entrepreneurial spirit while carefully formalizing the organization and control as necessary.³⁰ Indeed, Wendy's expansion strategy was based on a selection of committed franchisees who had track records of proven business successes. Wendy's management went to painstaking efforts to check out prospective franchisees. They only accepted for potential franchise owners those with sound financial capabilities and those with a hands-on commitment willing to be involved with the actual operations of the store.

Wendy's awarded franchises on an area basis rather than as single store facilities. Size and area population along with the franchisee's experience were also considered in making franchise decisions. Wendy's charged an opening fee of \$10,000 and also received income of 4 percent of sales from each franchise. Wendy's did not make any income from the sale or

lease of real estate or equipment. Nor was any income realized from selling fixtures, foods, or supplies, although they did help the franchisees in gaining good prices for those expenditures. The sole income came from franchise fees, the 4 percent of sales charged each franchise, and from the operation of their own units, 200 of the 1000 stores in 1977.

Since much of Wendy's income was tied to the performance of the individual units, the company offered much assistance to the individual restaurant managers, including site approval of prospective locations, operations manuals, a training program at the company headquarters in Columbus, and promotion assistance. Thomas believed that Wendy's and the individual owners had the same goals, i.e., profits; therefore, they should all work together toward success.

Wendy's growth through the '70s was nothing short of exceptional. Expanding to 1500 locations by the end of 1979, Wendy's vaulted to third place among the hamburger sellers in terms of market share, only trailing McDonald's and Burger King.³¹

Not only did Wendy's open a lot of restaurants, but they also set profitability standards for the industry. In 1975 the company realized an incredible 40.4 percent return on investment. In fact, Wendy's had the highest profit margin in the fast food industry during those times.³² However, the times changed with the advent of skyrocketing beef prices. In 1979 Wendy's was saddled with losses. Their problem used to be their virtue: a limited menu of hamburgers and chili. With longer menus other chains could spread increased meat costs among more items.³³

Through the insistence of Barney, Wendy's recognized the need for an expanded menu and possible expansion into the breakfast and dinner markets. Abandoning Thomas' earlier policies, Wendy's was the first to introduce the salad bar. That was followed by chicken filet sandwiches, breakfasts, taco salad, and hot stuffed baked potatoes, all of which met with varying degrees of success. By 1983 Wendy's returned to top the industry in profitability; its success in broadening the menu was a major reason. "We have never rolled out a product that we later had to remove from our menu," boasted Barney.

An advertising thrust of the 1980s also proved to be partly responsible for Wendy's fine performance record. Always emphasizing higher quality food than competitors, each advertising campaign proved successful. The now famous slogan "Where's the beef?" created a 27 percent increase in the number of people who think that the single is bigger than the top two competitors' burgers. Sales also increased but it is difficult to measure how much of the increase is due to a direct effect of the ad.³⁴

Today Wendy's units number over 2,700, one third of which are under Wendy's ownership; the rest are franchises. Wendy's operates at least one store in each state and in 12 foreign countries. Although expansion has slowed somewhat from the record-setting levels of the 1970s, growth is still of paramount interest to management. A goal of 4000 restaurants has been set for 1990.³⁵

Wendy's is positioning for the long term through a reorganization process that saw Thomas relinquish day-to-day operational duties. The pro-

cess outlines a greater emphasis on marketing and efficiency of operations. In 1983 a new building design was implemented to enhance marketing efforts and ease pressure from internal operations.³⁶

As Wendy's looks ahead to the goal of 4,000 stores and per unit sales of \$1 million, up from \$700,000, CEO Barney is emphasizing heightened management skills and efficiency of operations, without ever losing sight of Wendy's overriding theme, "Quality is our recipe."³⁷

Wendy's Early Cycle Emphasizes Acquisitions

Wendy's effectiveness in the early stages should be evaluated through the application of the systems-resource model. Consistent with this model is Wendy's emphasis on gathering resources and establishing a positive image.

As Wendy's grew, increasing the number of units drastically in the 1970s, acquisition of resources was of paramount importance. The individual franchisees supplied much of the resources in terms of capital as Wendy's purchased none of the real estate or equipment for franchised locations. However, they did insist that certain guidelines be met as to store locations and operating techniques. Also, because most of the financial burden was placed in the hands of the individual franchise operators, their financial capabilities were of great importance to the selection of the franchise operators.

Wendy's, however, did not have a system to gather raw materials. These resource acquisition problems were transferred to the individual franchises. Owners of individual stores purchased the beef, etc., although aided by top management in securing favorable prices and storing techniques.

Wendy's strength was in its establishment of a positive image. Through the establishment of a high quality custom-made hamburger, Wendy's was able to carve a niche in the older (18-49), more quality conscious, upscale customer base.

Later Cycle Stresses Efficiency

Wendy's entry into the formalization stage of the life cycle was ushered in with a company-wide reorganization marked by Thomas' relinquishment of day-to-day management duties, which were assumed by Barney and a professional management team, which emphasized planning and brought in consultants to develop formal goals. Those established included annual increase in unit sales by 40 percent, increase in units from 2,700 to 4,000 by 1990, and increase in advertising expenditures by 1.5 percent of system-wide sales.³⁸

In addition, the organization took action to enhance efficiency. For example, the introduction of computerized cash registers supplied the company with sales and marketing data and aided individual units with cash management control functions. The franchise management system was strengthened as procedures became more rigidly enforced. A management training system was also instituted. Wendy's innovation of the drive-thru window improved efficiency by allowing the increase in customer service without commensurate increase in capital invest-

ment.³⁹ Wendy's was in a position to offer new products without sacrificing its revamped operation. The company's menu expansions were based on whether the new item would affect the established processes; for example, the "Taco Salad" was introduced because the company was in a position to produce it without a large investment of capital.

The goals discussed above have been set on a medium-range basis and cannot be fully evaluated at the present time. However, the company's focus on planning, hiring a professional management team, and the structuring of activities indicate a priority on efficiency.

The Two Organizations Differ In Stages

The preceding analysis demonstrates that both corporations follow Cameron and Whetten's model of how organizational effectiveness criteria change as firms develop through the life cycle. In the initial stages of development, both were primarily concerned with acquiring resources and establishing a positive image. However, some distinctions exist, which have implications for organizational effectiveness in future stages.

Wendy's early development was guided by the superordinate quality theme, which established the company's positive image. This was inherent in all aspects of operations, but was especially critical to contrasting their product with industry leaders like McDonald's in competing for customers. In contrast, McDonald's positive image was developed with a family orientation. The organization was confronted with setting itself apart from the fast food restaurant typical of the late 1950s. Even though McDonald's was forging new ground in the fast food business, the concept was accepted because it satisfied the basic customer need for a family restaurant.

In the acquisition of resources, Wendy's was able to finance growth through internally generated funds, franchise fees and the customary 4 percent annual sales charge. Therefore, the main consideration for capital shifted to the individual franchisees. Wendy's general lack of a system to acquire resources proved to severely depress the company's profits when beef prices climbed in the mid 1970s. This problem slowed the organization's progression through the early life cycle stages, because management was forced to re-examine and devise new methods of acquiring and marshalling resources. These factors led to an extension of Wendy's development in the early stages. McDonald's, on the other hand, had acquired an input system of suppliers from the beginning of operations. Through reinforcing its suppliers, the company was able to buffer itself from possible material shortages. McDonald's was able to acquire capital resources very quickly through its purchase and leaseback agreements with the franchisees producing additional cash flow of 8.3 percent of sales above the normal annual royalty fees. Because of these two factors, McDonald's matured into later life cycle stages at a faster pace than Wendy's. McDonald's was able to concentrate on the formalization and standardization of procedures which facilitated the emergence of a very well thought out technological core.

As these focal organizations matured, the emphasis on inputs yielded to an emphasis on outputs. Coupled with this change was an increase

in formalization and standardized processes. Once again, some distinctions can be drawn as to how the two companies achieved goals relating to efficiency and productivity.

In contrast to the organizations at the early stages of development, very few distinctions exist in the methods employed to improve efficiency and standardize procedures. The common use of training manuals, training schools, computerized equipment and information systems, and drive-thru windows have all contributed to improvements in efficiency and productivity. One major difference between the two organizations' tactics involves increasing the technological efficiency of the units. McDonald's use of the breakfast menu has worked to smooth out demand over a longer period of time. Wendy's decided to produce a greater number of similar products employing existing technology in hope of smoothing demand out into the evening hours. The other major distinction is related to what the standardization is intended to accomplish. McDonald's continues to focus on producing the ultimate "manufactured burger." Wendy's standardized processes, involving the use of compartmentalized, refrigerated delivery trucks and storage rooms, are intended to increase the usable life of its fresh products.⁴⁰

Both organizations developed along similar paths even though their processes produced different results. Therefore, the effectiveness of an organization depends in part on how well it solves problems given its operating purpose. The consideration of life cycle stages provides additional theoretical backing to evaluate effective problem solving.

The analysis demonstrates that the Cameron and Whetten model can be applied to real organizations. This model represents a viable alternative when performing macro-level organizational research by taking into account life cycle stages and by acknowledging potential problems.

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