

CHRIS KEMPCZINSKI WAS ENJOYING A QUIET moment at his home in Chicago last autumn when he received a call from Chair of the Board of McDonald's Corporation, Rick Hernandez. Mr. Hernandez was calling to ask if Mr. Kempczinski would take over the helm of McDonald's. The circumstances were unusual. Evidence had emerged that McDonald's then-CEO, Steve Easterbrook, had violated company policy and undermined company values. After a thorough investigation, the Board took decisive action, terminating Mr. Easterbrook and naming a new leader.

Mr. Kempczinski wasn't new to the company but unlike previous chief executives, he hadn't joined the restaurant giant decades earlier, either. He'd come to McDonald's in 2015 after holding top management positions at Kraft Foods and PepsiCo. Joining as VP, Global Strategy, Business Development and Innovation, it took him only a year and a half to earn promotion to President of McDonald's USA, where he was responsible for the operations of about 14,000 restaurants. In November 2019, Mr. Kempczinski became President and Chief Executive Officer of McDonald's, the world's largest restaurant company.

He took charge of McDonald's amid an executive scandal and soon found himself facing the most serious global pandemic in a century. He spoke with Brunswick's **JAYNE ROSEFIELD.**

CHRIS KEMPCZINSKI

In just four years, he had clearly made a mark.

Nothing about Mr. Kempczinski's ascent surprised Greg Kelly, a Senior Partner at McKinsey & Company and a friend of Mr. Kempczinski's dating back to university. During their undergraduate days at Duke, Mr. Kempczinski made no secret of admiring "Coach K," aka Mike Krzyzewski, whose teams have won five national titles. Of Mr. Kempczinski,



Mr. Kelly says, "At college, we nicknamed him 'The Colonel' given the similarity between his leadership qualities and those of Duke's legendary basketball coach." In the younger Mr. Kempczinski, Mr. Kelly also saw the "tremendous energy and resilience" that might have predicted his traveling the globe not only as a rising leader in business but as a serial runner of marathons far and wide.

Michael Hsu, Mr. Kempczinski's former boss at Kraft Foods, now Chairman and CEO of Kimberly-Clark, saw the way in which these character traits, coupled with his deep understanding of consumer behavior, drove strong business performance. He describes Mr. Kempczinski as a "business savant," someone who is able to "translate insight into action into results." He also was struck by Mr. Kempczinski's genuine commitment to personal

Even amid a crisis, Mr. Kempczinski is determined to stay focused on the long term.



growth and development, as well as his focus on building meaningful connections. Put simply, he is a leader who at his core "cares a lot."

Inside McDonald's, Mr. Kempczinski wasted no time reminding employees, franchisees and suppliers that their pride in McDonald's was rooted in the values on which the company was founded—and reiterating his personal commitment to those values. "In his first town hall as CEO, Chris was clear with his expectation that everyone personify the values of the company," recalls Kevin Ozan, CFO at McDonald's. "In those 60 minutes, he reminded us all of the responsibility we have to deliver on McDonald's greater purpose."

It was a belief in Mr. Kempczinski that led Heidi Capozzi, Chief People Officer, to join the company in April this year. "My very first impression of

Chris, and a belief I continue to hold today, is that he is a true values-based leader. Integrity, and doing what's right, is at the core of who he is and how he thinks."

Mr. Kempczinski had barely warmed his chair in the job when the pandemic struck, closing restaurants around the world seemingly overnight. Mr. Ozan reflected on his CEO's approach: "From the outset of this pandemic, Chris's priority has been clear—protecting restaurant crew and customers above all else. The whole world was in crisis mode, but Chris's calm demeanor and thoughtful approach ensured that as a team we could implement the swiftest operational transformation in our history to protect restaurant crew and customers, while providing financial support to franchisees to ensure they could focus on running their restaurants rather than worrying about what the future might hold."

After a dramatic drop in sales in the early days of COVID-19, McDonald's in September reported its greatest same-store sales gain in nearly a decade in the US market. And at the time of Mr. Kempczinski's one-year anniversary in early November, McDonald's stock had spiked even above the year-earlier price when he took over as CEO. McDonald's has navigated the challenges presented by COVID-19, emerging with higher brand trust scores, higher customer satisfaction scores, and higher restaurant margins than the company had going in.

During this first year, Mr. Kempczinski has proven agile in his role and is firmly focused on the path ahead, having refreshed the company's values over the summer and recently launching McDonald's new growth strategy, Accelerating the Arches. As part of the strategy launch, Mr. Kempczinski articulated a clear vision of where the company will make a greater impact in the world through its renewed purpose to feed and foster communities.

Said Mr. Kempczinski in the company's recent Investor Update: "People expect more from corporations today—a truth that has taken on additional resonance during a year in which climate change, social justice, diversity and inclusion have driven the public conversation Customers want to see that the McDonald's they visit locally matches how we act globally. They want—and expect—McDonald's to be a force for good." And under Mr. Kempczinski's leadership, McDonald's is committed to delivering on that expectation—being defined not just by what they do, but how they do it.

In early November, Brunswick Partner Jayne Rosefield, head of the firm's Chicago office and

65
YEARS
IN BUSINESS,
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PEOPLE A DAY
(GIVE OR TAKE).

Global Consumer Industries Practice, interviewed Mr. Kempczinski.

As you navigated a global pandemic and the rise of extreme social unrest during your first year as CEO of McDonald's, did any particular principle or philosophy guide you?

It's been important to me that we're always connecting the decisions that we make back to what we stand for as a company. Reminding people: Here are the values that have defined McDonald's over the years and, based on those values, here's why we're going to make these decisions.

Any time you're in a crisis, you can get a little bit short-term focused. My guiding light has been to make sure we're keeping the long-term in mind and to ensure we're as transparent and authentic with people as possible. What do we know? What don't we know? What are we uncertain about? What are we certain of? It's been helpful for us just to keep people in the loop, informed, focused forward.

But this year has definitely been a team effort, and I've certainly been fortunate in that I have a very experienced team around me.

Are there particular mentors or heroes whose words or examples have helped guide you this past year?

There's not one person. I've taken different lessons from all the leaders I've worked for and admired.

My first mentor at P&G was a guy who defined what it means to be honest and upfront. In following that example, I've tried to not put a lot of corporate spin and polish on stuff, but to just speak in a pretty open, honest way about how I see things.

Another influence was Nelson Mandela. I'm a product of the '90s. I graduated from college in '91—right around the time Nelson Mandela had been released from prison, become President of the ANC, and started negotiations to end apartheid. It would have been so easy for him to dwell on all the horrible things that had happened to him over the decades. But what so impressed me about him was that he was firmly focused on the future, on moving forward. I've never forgotten that.

Finally, I went to Duke and I'm a big Duke basketball fan. I wouldn't be a Duke fan if I didn't take some lessons from Coach K. His ability to forge a sense of comradery among his players holds lessons for any leader. He builds great teams.

In my experience, you piece together these lessons from different leaders and ultimately they define your own leadership style.



Have events or experiences of the last year in any way altered or broadened your perspective on leadership?

Definitely one of the things that's gained focus is the need for communication. To lead, you have to be out there talking a lot and, in some cases, saying the same message over and over and over. You also have to acknowledge there are things that we don't know.

COVID's a perfect example of that. Are we making the right trade-offs between keeping our restaurants open, keeping communities served, keeping employees employed—between all of that and keeping people safe? I hope so. And I feel good about what we've done. But those are areas of uncertainty. I don't have all the answers, and if I pretended I did have all the answers, people wouldn't believe me.

Amid all else that's going on, you recently launched a purpose to feed and foster communities? What does that mean exactly and how will your customers see this come to life?

Customers are seeking brands that reflect their values ... and the line between the corporate brand and the consumer-facing brand is blurring. In this current environment, all companies are being asked to define their mission, their higher purpose. Because we're McDonald's and our reach is so great, we're in so many different countries, we touch so many

"I don't think we did enough to embrace how we are a part of culture," Mr. Kempczinski said in explaining the launch of the Travis Scott Meal, a wildly successful venture between McDonald's and the celebrated rapper.

different things, we were getting pulled into lots of efforts where either we didn't have inherent credibility or our ability to make a difference was limited.

I wanted to step back and just think about where we could actually make a difference. And that brought us back to the notion of community. When Ray Kroc structured McDonald's as a franchise business, the founding idea was to have a franchisee who lives in the community and who is going to be way better at managing the restaurant than some corporate stiff, thousands of miles away.

Off of that founding idea of serving communities, we know we can make a difference around jobs and opportunity. We can make a difference around being there for communities in crisis, from Ronald McDonald's House Charities to natural disasters. That led to the feed and foster community idea, because I did feel like that's a place that we have a very credible ability to make a difference.

Your investments in Drive Thru and digital in restaurants have proven to be fortuitous, even prescient, amid the pandemic. What are your 2021 priorities for staying ahead and nimble?

We call them the three Ds: Drive Thru, delivery, digital. And we're definitely doubling down on those. I think everybody has recognized we're going to a world that's going to be more contactless, that's

going to have more dine-away as opposed to dine-in. We're making sure that we're continuing to offer a better experience on these than anybody else. So, for example, with Drive Thru, the classic frustration for the customer is: How long is it going to take?

So, are there things we can do to speed up the Drive Thru? Yes. Plenty of things. Voice recognition could be one area to do that. Second, what if you're a loyal customer? Maybe there is a lane for our loyal customers that allows them to go through in a faster way. We're looking to innovate and actually make sure that we're doing it better than anybody else.

Given your particular focus on those factors, even before you became CEO, it's almost as if you saw the pandemic coming.

We've been in the Drive Thru business for decades, so I don't want to say that we had any foresight in that. We did recognize three or four years ago that delivery was going to be a huge opportunity for us. We have a big advantage with 40,000 restaurants.

Seventy-five percent of the population across our top markets live within three miles of a McDonald's. We just have an incredible footprint that lends itself to delivery. The more delivery locations you have, and each of our restaurants is a delivery location, the better you can make that experience. So, credit to the team for getting on that one early.

As for digital, I think everybody, not just in our industry, recognizes that digital is transforming how consumers are interacting with brands, how they're experiencing things. I think for us, to be honest, we just had to catch up. And I think we're now at a place where we've caught up. Now, we actually have to create some advantage there.

Given your franchise model, how do you ensure during COVID-19 that restaurants can survive the short term and be in a position of strength for the long term?

We were lucky in that McDonald's franchisees came into the pandemic in a very strong position. In most major markets, they were at or near record cash flow, which essentially is how much money they're able to take out of the business.

When COVID-19 struck, the first thing that we wanted to do was put some immediate liquidity into the system. So, we put about \$1 billion of liquidity into the system.

Right now, if you look at where our franchisees are, I feel very good about their health. We have a few specific issues here and there. But, broadly, our system's in great shape.



"WHETHER YOU'RE THE CEO OR YOU'RE WORKING A FRY STATION, IF YOU FAIL TO LIVE UP TO THE VALUES, THEN YOU CAN'T STAY IN THE SYSTEM."

Looking at your recent marketing initiatives, featuring cultural icons like Travis Scott and J Balvin, and the recent launch of Spicy Chicken McNuggets, I have to wonder how a brand as established as McDonald's continually reimagines marketing?

I get asked sometimes, "What exactly do you do as CEO of McDonald's?" It can seem as though the system runs itself. So what do you do? My answer is: ensuring the relevance of the brand. There's nothing more important to my job than making sure McDonald's is as relevant 10 years from now as it is today.

We make a significant investment each year in marketing. I didn't think we were getting enough out of that investment. I didn't think that we had contemporized our approach to marketing. I don't think we did enough to embrace how we are a part of culture. The things you just referenced there are about us getting more aggressive, getting more out of our investment and then embracing our role in culture. Sometimes, having the visibility of McDonald's can be a burden, can make for an easy target. But far more often, it's a huge benefit because people just love to talk about McDonald's, and that's something we should lean into.

The prior CEO stepped down last year over a compromise of company values, and this year the company has faced accusations of racial discrimination and sexual harassment. When you took on the role, quickly establishing values as a central theme of your leadership, was there a sense that McDonald's needed its values updated?

I think it's precisely because McDonald's had a very strong core set of values that the issue with my predecessor was as traumatic for the company as it was. When you had a leader that acted in a way that was incongruous with those values, it raised a question: Are we as good as we say we are?

Early on, I wanted to put my fingerprints on what was already a very strong set of values and make clear that we are absolutely committed to them. This is who we are. We did have a leader who didn't act in accordance with our values, and you've got to hold everybody to the same account. Whether you're the CEO or you're working a fry station, if you fail to live up to the values, then you can't stay in the system. I wanted to make that set of expectations very clear at the beginning of my tenure so that this was not a moment to reconsider what we stood for. Rather, this was a moment to double down on what we stand for and make it clear that it applies to all of us equally.

In July, in response to the killing of George Floyd, McDonald's posted a video titled, "They were one of us." How do you view the responsibility of brands such as McDonald's to take a stand on social issues?

It all connects to what you stand for as a company. What are your values?

One of our values is that we open our doors to everyone. When you serve as many customers as we do, our customers are society. One of the things that has defined McDonald's over the decades has been our emphasis on diversity, making sure we have a franchisee population that reflects the US population or the global population.

When you've built your business model on diversity and providing opportunities for everyone, and suddenly a human rights issue comes into the public discussion, it would have been a huge miss for us to not put our voice out there.

When something in the public discourse is relevant to who we are as McDonald's, and frankly where we would be expected to say something, we should lend our voice.

There's a whole bunch of other areas that aren't as relevant to us where we shouldn't be lending our voice. It goes back to credibility. Where do we have credibility to speak and stand behind our values and commitments?

The McDonald's brand is well known around the world. Everybody has a clear sense of it. Everybody recognizes the golden arches. And yet the menu varies from culture to culture, place to place. How does the brand remain so cohesive while catering to local tastes?

We use the expression—I'm sure other companies use it as well—there's freedom within the framework.

We have our core menu: hamburger, cheeseburger, Big Mac, Quarter Pounder. If you have the golden arches outside your door, you're serving the core menu.

But then you do have the flexibility locally to add items that you think appeal to local tastes. That's why in China, you find things like bubble tea, which has little tapioca droplets in it. In India, you have the tikka masala burger.

Freedom within the framework gets back to this point of how the brand stays relevant. Food is such a local experience that you have to give people some latitude to adapt to local tastes. I think we've done a pretty good job over the years of striking that balance.

"CUSTOMERS ARE SEEKING BRANDS THAT REFLECT THEIR VALUES... AND THE LINE BETWEEN THE CORPORATE BRAND AND THE CONSUMER-FACING BRAND IS BLURRING."

Brunswick Partner **JAYNE ROSEFIELD** is head of the firm's Chicago office and Global Consumer Industries Practice.

As someone who eats at McDonald's daily, what is your favorite regular item at HQ?

You've got to double-click one more—give me a day part. When you eat as much McDonald's as I do, you think in day parts. Breakfast? Definitely the Egg McMuffin with no Canadian Bacon. If it's available, I like a blueberry muffin with that.

Pivot to lunch, I always get the fries. Not a day goes by that I don't have a small order of fries. I have a rotation of lunch items. I'm a Filet-O-Fish-no-tartar-double-ketchup guy. I like the Nuggets with ketchup. Not any of the other sauces; just straight-up ketchup. On occasion I will do a Quarter Pounder.

Regular chicken nugget or spicy?

I've always liked the regular. But I'm now a convert to the spicy. I'm hoping it's going to stick around.

When you travel abroad, do you have any favorite international menu items?

When I travel abroad, I embrace the hospitality of the franchisee that I'm visiting. They like to show me the latest thing that they've got on the menu and I'll go with that.

If they don't express a strong bias, I do the Quarter Pounder because that's a great product to calibrate around the world. You know what a good Quarter Pounder should taste like. Through trying that product, you get a sense of how the kitchen's running.

Any franchisee reading this is going to make sure they suggest a new item because they don't want to be calibrated. (Laughs.)

What's this we hear about changes to your iconic burgers?

The adjustments we're making are a series of small changes that add up to one big difference our customers really notice. Essentially, it's a new cooking procedure in the restaurants that allows us to cook a hotter, juicier burger every time. We also put the onions actually on the grill as opposed to putting the onions on at the dressing table. The onion flavor gets sort of seared into the beef. It's a great flavor improvement on our product.

It's kind of amazing. After 65 years of doing this, we still find ways to actually make the product just a little bit better. We're rolling out this new cooking procedure around the world. Where we've launched it, in markets like Canada and Australia, we've seen great success with meaningful lifts in both sales and traffic, and we're excited about what it can do in the rest of the world as well.

Now, you've got me hungry.

You're going to love those grilled onions. ♦