

LEADERSHIP IN THE FIELD: Interviews With Global Leaders

By Russell Reynolds Associates
with Roger O. Crockett

McDonald's Chairman Andy McKenna sheds light on the board's responsibility for planning succession, embracing innovation and mandating diversity.

McKenna On Boards An Edited Transcript

Roger Crockett: Given the rapid pace of change in compliance issues and the heightened demand for transparency on boards, Andy, how do you think that the role of the Director has changed?

Andy McKenna: I think the role of the Director is vital and I think that those of us who always were very focused on it haven't really changed much. If you took your job seriously, they were doing the kinds of things that people asked you to focus on. So I don't think it's a change in the way you execute your responsibilities. There may be a greater awareness, the need to make sure you execute those responsibilities effectively.

Roger Crockett: You are Chairman of another company, Schwarz Supply Source [the paper company]. Is your role as Chairman there any different than it might be for McDonald's?

Andy McKenna: Well, it's modestly different. I think that among public companies today there is a growing tendency toward having non-executive chairs. In fact, many of the proxies in immediate past years and likely in the upcoming years, have shareholder proposals to separate the CEO and the Chair role. So I think there's a definite trend. That's certainly a very common event in Europe and in other governing jurisdictions. So to have the understanding of how the relationship works, how the company can benefit from that kind of relationship, is important, important that everyone in the board room understands it and certainly important that everyone on the management team understands it as well.

Roger Crockett: Right. Well, let's shift to perhaps the most, if not one of the most important responsibilities of the Board and that is succession planning.

Andy McKenna: The most.

Roger Crockett: The most. Okay. I stand corrected. The McDonald's Board, of course, has been especially tasked with succession over the last several years. How do you recommend a board approach succession planning in order to pull it off well?

Andy McKenna: A perfect example would be Jim Skinner, our CEO, who, when he was elected as CEO in November of '04 came forward with a three-prong plan. One of the important things was talent management, which led to succession planning throughout the organization. So not necessarily for the next CEO but for people building themselves up. The focus has been to look at people and look at who's coming along. So on a regular basis we talk about that and we devote a major portion of one board meeting a year, that happens to be one that we have in July of each year, and the topic of that board meeting is succession planning. So I could take you and show you a book of the backgrounds we have of those people we think who are in contention for various roles as they grow in the company, up to and including the CEO role: Their background, what they've done in the company, what their achievements are, what their qualities are and perhaps some issues that maybe are opportunities to improve.

- Roger Crockett:** **Well, you raise a critical point about preparation and succession down into the company—layers below that executive management level—so that, in fact, people are ready by the time they grow up into the C-Suite.**
- Andy McKenna: Right. Well, that's exactly the case. In fact, if I took you through these books we prepare—with historical information, biographical information, pictures and so on—you would see how some people have moved up to the point where they are now on the career path that could easily lead them to the CEO job. We have a culture here which suggests that promotion from within is really the appropriate way to go.
- Roger Crockett:** **So given the instability in the global economy, what does that demand of a board in terms of its succession planning?**
- Andy McKenna: McDonald's is a global country. We're in 120 countries. So I think it's important that our CEO have a global reach to him or to her so that he or she understands not just how we do business in the United States, but how we do business in Europe and Asia and Latin American and elsewhere. So I think the important thing is to have those people prepared for the role with a broad spectrum. For example, there's almost nothing in this company that Jim Skinner hasn't done. I mean whether it was Asia, whether it was Europe, Latin America, or certainly the United States. Our Chief Operating Officer, Don Thompson, was President of McDonald's USA. He's now the Chief Operating Officer of the company. So all the heads of various countries report into him.
- Roger Crockett:** **Well, I'm struck by how a company that is more than 50 years old is still able to innovate, clearly that's important to you and clearly you guys have done it well with coffee and other products. So for any company, how does and where should innovation fit in the corporate DNA?**
- Andy McKenna: Oh, it's a major, major ingredient and we have a lot of people within this company who are focused on innovation. We have a major innovation lab in the United States. We also do in Europe. We do innovation in Asia. That's important. We just can't sit still and say everything's fine and we'll deal with the matters as they come up tomorrow. We have to be ahead of that, and an innovation lab permits us that privilege.
- Roger Crockett:** **So then, how important is it to develop a leadership team on the Board and in management that has consumer marketing and branding experience that they can bring to bear in the leadership of the organization?**
- Andy McKenna: I think on the Board you want a blend of talents. You want people to come from different cultures, but understand the culture of the company itself. So you certainly want people on the board who have branding experience, understand the importance of brand management and protection. Within the company itself, on the management side, of course you have parts of the company who are very focused on that. As I mentioned to you earlier, the Corporate Responsibility Committee itself has a great focus on brand and branding and brand management. So on the Board itself I think it's a blend of talents and background talents.
- Roger Crockett:** **So talk a little bit about diversity. This is something that your company, that McDonald's has been renowned for. How important is that in today's market?**
- Andy McKenna: That's important in every respect. We're very proud of our diversity. The Board is 50% diverse, and we know there are very few companies that can say that. Our senior management team is very diverse. That's been kind of the basis of this company. So a lot of the growth in this company, particularly growth on the management side, has been a response not to just the competency and the performance of the people, but also their diversity.
- Roger Crockett:** **For those leadership teams who say that they have some difficulty in finding qualified diverse candidates for the board and for the management team, what do you recommend?**
- Andy McKenna: I think you have to dig and find people who meet any diversity standards. And I know some people say it's not easy. I don't think it's hard. I just think you have to be alert to it and understand the need for it—and then accomplish it.

Roger Crockett: Well Andy, let's talk a little bit about the corporate culture. How do you go about creating and sustaining a good, strong culture over time?

Andy McKenna: Well Roger, you're raising a very important point. I can tell you that it's vital and I think more things fail simply because there are cultural failings. When someone comes into the company in some role and there's just not a fit. And why wasn't there a fit? Well, he or she couldn't fit into the culture of the company. And I know one of the things we've done in building this board is to make sure that our perspective directors get an understanding of the culture of the company, and make sure that they feel comfortable, and make sure they find a fit.

Roger Crockett: How do you strike a balance between shift in strategy and maintaining your culture?

Andy McKenna: You never leave your culture. Your culture is kind of unmovable. There may be occasions where they may be a need for a modest strategy shift, but you don't shift the culture. You don't accommodate someone else or some other event or some other circumstances. You don't change the culture to accommodate that. So I think the culture is primary.



Andy McKenna is non-executive Chairman of McDonald's Corp., where he has led the board since 2004. McKenna is an experienced corporate governance expert whose guidance helped McDonald's overcome the sudden departures of two CEOs, successfully appointing new leaders who quickly stepped up to maintain the company's high standards for performance and leadership development. He also serves as Chairman of Schwarz Supply Source, and as director of Aon Corp. and Skyline Corp.



Roger O. Crockett is a veteran business writer, thought leader and speaker. He is the former Chicago Deputy Bureau Chief for *BusinessWeek* magazine and a contributor to *Harvard Business Review*. His perspectives on business, leadership and diversity are trusted by many of the world's top executives and entrepreneurs.