

[Print Story](#) | [Close Window](#)Printed from ChicagoBusiness.com

A Ray redux at McDonald's

Can CEO recreate Kroc's secret sauce?

By James B. Arndorfer
August 04, 2003

McDonald's Corp. CEO James Cantalupo is distributing a 28-page booklet to company executives laying out the "standards for how we will run McDonald's today, tomorrow and forever."

It's not an outside consultant's report or statistical analysis, but rather "Forever Ray," a book of quotations from company founder Ray Kroc.

Packed with epigrams — "McDonald's is not in the restaurant business, it's in show business" and "Luck is the dividend of sweat," although curiously missing the famous "If you've got time to lean, you've got time to clean" — "Forever Ray" is emblematic of Mr. Cantalupo's effort to call on what worked in the past to get the Oak Brook-based fast-food giant back on track.

"I'm one of the few people who's still around who actually worked with Ray," says the 30-year veteran, who came out of retirement Jan. 1 to lead the company. "(I'm trying to) reestablish our cultural heritage."

Since taking the top job, Mr. Cantalupo has acted on Mr. Kroc's verities. He has eliminated distractions such as a pricey information technology system, emphasized training and ramped up restaurant evaluations to ensure better customer service.

His efforts appear to be paying off with better sales, but that's the easy part. McDonald's still needs to prove that, over the long-term, it can grow again and adjust to changing tastes.

Mr. Cantalupo's back-to-basics drive "gives them a little bit of a rallying cry," says Robert Goldin, executive vice-president of Chicago-based restaurant consultancy Technomic Inc. But, he adds, "I don't see it as driving a huge amount of growth or fundamentally improving the dynamics of the business."

Indeed, Mr. Cantalupo acknowledges the need for continued innovation — the chain, for example, is testing automated grills and french fry machines. But the focus for the next year or more is shoring up the core business, which has been suffering.

So, he's been cleaning up stores and improving service and adding new products, such as a line of premium chicken salads. Early signs are encouraging: Net income in the first half of 2003 rose 6% to \$798.3 million, or 63 cents per share, as revenues increased 8% to \$8.08 billion.

U.S. same-store sales were up 1.6% through June, compared with a 0.9% drop last year. And the company's stock has been on the rebound, from a 10-year low of \$12.38 in March to \$23.01 last Thursday.

Mr. Cantalupo's strategy is to get more customers to visit stores — as opposed to McDonald's nearly half-century approach of opening more stores to reach more people. He wants to do this by rolling out better marketing, adding kiosks where customers can order food instead of waiting at the counter and expanding drive-throughs.

But Mr. Cantalupo, who built the company's international business, looks to the past as he tries to build for the future. That's a switch from his predecessor, Jack Greenberg, who sought to break from the familiar, introducing the Made for You kitchen system and buying restaurant chains like Chipotle Mexican Grill and Donatos Pizza.

'A restaurant person'

Drawing on history is more of a natural for Mr. Cantalupo — who at a recent media event clowning around with "Chief Happiness Officer" Ronald McDonald — than it would have been for Mr. Greenberg, who announced his retirement late last year. Although Mr. Cantalupo originally joined McDonald's as a controller, he is more closely associated with the company's old guard than was his predecessor.

"He's a restaurant person," says McDonald's USA President Michael Roberts. "He's very comfortable behind the counter."

In a bow to the storied past, Mr. Cantalupo tapped Fred Turner — the late Mr. Kroc's right-hand man, successor and author of the company's first operating manual — to oversee product-improvement efforts.

McDonald's also recently reinstalled working kitchens at Hamburger University, the company's famed management training facility at its west suburban headquarters campus, where budding managers sweat over grills. Functioning kitchens were taken out years ago as the curriculum devoted more time to human resources and other matters.

"In Hamburger University, we got too elevated in terms of what we were teaching," Mr. Cantalupo says. "We need to get back to basics."

Sending a message

While a skeptic could dismiss a book of Kroc-isms and bringing back grills to Hamburger U as gimmicks, they send a message about the company's priorities, from Oak Brook on down.

Says executive recruiter Peter Crist, president of Hinsdale-based Crist Associates, "Sometimes, the clarity of a simple statement drives behavior better than some complex, strategic thing."

©2003 by Crain Communications Inc.