Fresh thinking

McDonald’s senior leadership team is credited with instigating a dramatic turnaround in the company’s fortunes. Joanne Cleaver meets CFO Kevin Ozan, a key figure in this transformation, and finds out how his career path has taught him the importance of taking risks.

By 2015, the board had run out of patience and brought in a new CEO, Steve Easterbrook. At the same time, Ozan was elevated from the role of Senior Vice President – Corporate Controller to that of CFO. He now oversees accounting, internal audit and controls, treasury, tax, global business services, investor relations, global franchising, and workplace solutions.

“Nobody’s ever really ready for this job,” says Ozan, “but if you wait until you’re ready, you’ll never do it.” His immediate predecessor and former boss, who was still with the company through much of 2016, assisted with the transition and served as a shadow coach and mentor as Easterbrook, Ozan and the senior management team formulated their plan. As they began guiding the turnaround three years ago, the leadership team focused on three pillars: return McDonald’s to operating growth, strengthen its financial discipline and build brand excitement. Ozan formed and led several cross-functional teams to evaluate all financial aspects of the company with a “clean sheet of paper” approach and to challenge all legacy thinking – organizational structure and culture change in the process. The company’s customers.

Still, taking nothing for granted, in 2015 Ozan led a deep dive into the current rationale for owning its locations. The team concluded that the real estate in the US and its other long-established countries was too precious an advantage to relinquish. Franchisees, or “owner/operators,” as they are referred to at the company, are at the heart of the McDonald’s business model, so in November 2015, the leadership team announced a goal to refinance 4,000 restaurants by the end of 2018. This involved two approaches: expanding the franchisee base, or “developmental licensees (DLs),” and introducing a “clean sheet of paper” approach to existing restaurant operations.

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year, McDonald’s completed its largest refranchising transaction ever by selling its business in China, enabling the company to achieve its target a year ahead of schedule.

Today, with more than 90% of McDonald’s restaurants operated by franchisees, the company enjoys a more reliable and predictable stream of revenue and cash flow. For conventional franchisees, McDonald’s owns the real estate and the franchisees pay both rent and royalties based on a percentage of sales. For DLs, the franchisee is responsible for all capital investments, including the real estate, and McDonald’s just receives a royalty based on a percentage of sales. “It’s an asset-light, low-cost model that we manage and influence through relationships,” Ozan explains.

BOLD MOVES

The new leadership also made early, bold moves that showed a commitment to focusing on customers.

All-day breakfast in the US was a win waiting to happen. “It was the number one customer request for years: ‘Can you have breakfast available all day?’” Ozan says. “But we didn’t do it, for fear of complicating restaurant efficiency. Breakfast ended at 10:30 a.m.’” Historically, McDonald’s would have tested a new idea for years before introducing it, but in this case the company went from initial testing to full rollout in a few months. “This was one of the first tangible signs that we were going to be a more agile and nimble organization,” Ozan says.

Same-store sales rose by 5% globally in the last quarter of 2015, with analysts attributing much of the gain to the new all-day breakfast. That validated the leadership’s perspective. Now they are on a mission to rid “risk” of its reputation as a dirty word among McDonald’s staff. Their goals: “fast failure,” experimentation and innovation, and evolving the company culture to operate more quickly.

A year ago, McDonald’s transitioned from its turnaround plan to a strategic growth plan. The foundation of the plan is a commitment to “Running Great Restaurants,” serving great-tasting, hot food, fast, with friendly service and hospitality. The company also acknowledged the rising expectations of consumers for convenience, value and fun.

The team moved quickly, introducing Mobile Order & Pay to 20,000 restaurants in less than 10 months. Customers can now order ahead on the McDonald’s app and then have their order brought to them in their car when they arrive. Those ordering inside, either at the front counter or at new self-order kiosks, can now have their food brought to them at their table. And if a customer doesn’t want to leave their couch, they can now get McDonald’s delivered from over 10,000 locations around the globe.

CALCULATED RISKS

Just as the McDonald’s culture is shifting to embrace calculated risks to advance its business, Ozan has adopted a similar philosophy for directing his career.

He draws on his own experiences as a young accountant with EY. A Midwesterner born and bred, his first career aspiration was to make it in Chicago. After a few years edging up the career step ladder, he was offered a short-term assignment in London.

Most twenty-something professionals would have jumped at the chance, but Ozan hesitated. His international travel experience was limited to Canada, and he wasn’t sure how he’d navigate the threefold challenge of learning new tasks with new colleagues in a new culture. “The idea of it scared me,” he admits.

But something clicked inside and he accepted the assignment. “It was one of the best things I ever did,” he says. “I made lifelong friends from other countries. I grew both personally and professionally. And I learned that I needed to take calculated risks.”

Not long after he returned, he had a chance to apply that newfound wisdom to a pivotal decision faced by many rising public accountants: to pursue partnership at the EY member firm, but he detected a better long-term fit within the broad parameters of McDonald’s. In the fall of 1997, he made the move.

He draws from lessons learned at both EY and at McDonald’s to coach his staff through the company’s accelerating culture change. In retrospect, he says, some career disappointments delivered valuable insights that are essential for showing staff how to pursue their own goals.

For instance, after just a few years at McDonald’s, he applied for a job that represented the next rung on the ladder – and didn’t get it. He asked why and learned that a stint in field operations – getting to know the ground-level concerns and daily stresses of franchisees – was vital for genuine leadership. So he took a lateral position, stepping away from the top line to understand the process as well as the results.

He’ll soon have a new setting for exercising his creative side, as McDonald’s is preparing to relocate its global headquarters to downtown Chicago. As beautiful as it is, the old suburban campus is a relic of the era that built the company to its current scale. Going forward, McDonald’s aims to be part of the streetscape and to blend in with customers’ everyday lives – instead of inserting itself into customers’ habits in an incongruous way, as it does in the soon-to-be-warehoused paintings.

Decades ago, McDonald’s planners sited restaurants on the right-hand side of major roads so that customers could pick up breakfast without interrupting their morning routine. Today’s equivalent is occupying that same convenient spot on smartphones. Two of the essential drivers of the company’s growth, says Ozan, remain reliability and convenience – and anticipating what it will take to be where tomorrow’s customer expects McDonald’s to be.

Embracing ambiguity and aiming for a moving target are two leadership qualities that can annoy the precision-obsessed, which is why Ozan shares more about his decision-making process and personal style than is generally common among financial leaders. After all, people can’t follow your example if they can’t peek beneath the top line to understand the process as well as the results.

I asked about the ‘normal career path’ and they said, ‘there is no normal career path.’ That intrigued me.” He was on the road to partnership at the EY member firm, but he detected a better long-term fit within the broad parameters of McDonald’s. In the fall of 1997, he made the move.

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