



Jim Skinner on Navigating Business in the Connected World

To navigate the modern landscape and succeed in an increasingly connected world, companies of all sizes need to move quickly and innovate constantly, McDonald's Vice Chairman and CEO Jim Skinner told the audience at the concluding plenary session of the University of Miami Global Business Forum Jan. 15 - 16, 2009. In laying out the key priorities for modern companies, he said that they must be customer-centric, communicate a clear vision in good times and bad, be good global citizens, and constantly strive to attract and retain the best talent.



Skinner, whose career with McDonald's began when he worked at one of its restaurants while in high school, returned to the company after 10 years in the U.S. Navy, rising from restaurant manager trainee to international management. He ran European operations, was president and chief operating officer of the McDonald's Restaurant Group, was appointed vice chairman in 2003 and became CEO in 2004. He launched the company's 2003 revitalization plan, and in 2007 Dow Jones MarketWatch named him CEO of the Year.

"I've spent a lifetime looking at the world up close, and one of the things that strikes me is the incredible pace at which our world has advanced," Skinner said, noting that people are more connected and companies more efficient, but that connectivity and efficiency also make for more competition. That's why, he said, no matter the environment or the size of a business, the No. 1 thing a company must do is innovate — fast.

Even McDonald's, which feeds 56 million people in more than 100 countries every day, is not immune to competition. "Nothing stays unique for long. The products and services that we deliver can be copied in no time at all — and they have been," Skinner said. "If you are not always on the next thing, you will fall behind."

After innovation, a company's second priority must be a customer-centric view and strategy. "It's easier than ever for people to tune out messages, step aside from sales pitches and

customize everything they see and purchase,” Skinner said. He believes the company’s recent success stems in large part from increased focus on “customer relevance.”

But the company almost left this key business principle behind, he admitted. In 2002, McDonald’s, though still the world’s largest hamburger chain, experienced its first quarterly loss. The stock price sagged to \$12, an all-time low. It lagged behind its rivals in most customer-satisfaction surveys. The company had focused too much on getting bigger, rather than on getting better. “We took our eyes off our fries,” Skinner said.

The solution was the “Plan to Win,” which focused on customers, making the restaurants more modern and inviting, elevating the quality of food and service, and having a more varied menu. It also introduced the hamburger chain’s first worldwide marketing initiative, the “I’m Loving It” campaign. Before the ubiquitous “ba dump, bump, bump, bump” the global brand had as many as 40 different marketing messages.

That single marketing voice, Skinner said, allowed the company to focus on communicating with customers, thereby connecting with them more deeply.

Communicating a clear message to customers and employees is more vital than ever. Whether a business is humming along or in crisis, leaders should have a clear offer, campaign or strategy and let all stakeholders know what it is. That “makes all those who are tuned in to your business show faith and trust in the future,” Skinner said.

“Making mistakes because you’ve been aggressive in taking risks ... is OK, as long as you’re getting up right away, and you’ve got a plan to revitalize and learn from what you’ve done,” he added. “It’s what you’re going to do to fix the problem that matters.”

He related a story that Anne M. Mulcahy, chairman and CEO of Xerox Corp., told him. In 2000, when she took over the leadership of the company, the business had faltered. She eventually brought Xerox back to profitability in 2002, but when she thinks back on the tough times, she remembers that what everyone wanted most from her was a vision for a way out.

A decade ago, managing a message and building confidence in a brand was straightforward: formulate a message, reach out to a small group of influencers, and tell them the story. But blogging, round-the-clock news, text messages and other communications revolutions mean every brand is constantly under scrutiny, and “today’s opinion leaders are anyone with a laptop and burning passion,” Skinner said. That is one reason McDonald’s has shifted 15 percent to 20 percent of its media buys into such outlets as the Internet, the Nintendo Wii game system and TiVo.

An interconnected world means almost every brand is global, too, and large companies touch more lives, affect more environments and leave a bigger footprint than ever before. That’s why

being a “good global citizen” should also be a priority for companies.

One way to be a good citizen of the world, Skinner noted, is to bring a global brand to life locally — act local, recruit local franchisees and suppliers, and observe local customs. McDonald’s, for instance, closes five times a day in Saudi Arabia. But that doesn’t mean changing the menu — while some items are germane to a particular area, it tends to stick to its core offerings of burgers, fries and salads.

Another way to be a good global citizen is through charity efforts. Skinner pointed to the 284 Ronald McDonald houses around the world, and the Ronald McDonald House Charities in 51 nations. The houses begin as grass-roots efforts, founded by parents of sick children or by doctors in a given city.

Skinner, who is a trustee of the Ronald McDonald House Charities, said the company’s charity efforts are particularly rewarding and important because of its size. “A great advantage of our size and scope is that every step we take — no matter how large or how small — has the opportunity to benefit children and families around the world,” he said.

Finally, being a good global citizen in the modern world requires sustainability efforts, Skinner said, adding that McDonald’s knows that because of its sheer size, it consumes a tremendous amount of resources. That’s one reason the company has started working to reduce energy use and decrease packaging, and why it works on conservation efforts with organizations such as Greenpeace.

To achieve all of these other goals, companies must have the right talent in the right places, and they must manage their workforces and train future leaders. A workforce that stays put for a lifetime is a casualty of the modern age, and talent retention is the No. 1 issue for CEOs, according to recent surveys. And no wonder: “Learning curves are getting steeper, reaction times are getting shorter and everything is simply moving faster,” he said. A modern company must also be committed to diversity of both population and thought in its workforce.

Skinner acknowledged that these principles are tough to achieve. But, he said, “I firmly believe that every step you take down this path will help you grow your global business and reach your potential in this truly limitless age.”

By Rochelle Broder-Singer

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