

INTERNATIONAL
Herald Tribune

Question at McDonald's: Who's next in line?

By Chris Burritt and Danny King Bloomberg News

FRIDAY, AUGUST 25, 2006

GREENSBORO, North Carolina

McDonald's has promoted Ralph Alvarez to president and chief operating officer, sparking speculation that he is in line to become the next chief executive of the world's biggest fast-food restaurant chain.

Alvarez, 51, takes the No. 2 job at McDonald's after the resignation of Mike Roberts, who was considered by some investors to be the designated successor to Jim Skinner as chief executive.

Alvarez, whose appointment was announced Wednesday, has run the company's North American restaurants since January 2005 and has overseen six consecutive quarters of sales growth at U.S. stores open at least 13 months.



"It is certainly possible the board has decided that Alvarez has the potential to assume the CEO role," said Janna Sampson, a fund manager at Oakbrook Investments, which holds McDonald's shares. "I am surprised that Mike Roberts resigned."

Roberts was credited with helping revive McDonald's sales worldwide three years ago by luring customers with dollar menus and new salads. Efforts to replicate that success in Europe are taking hold, with sales at outlets open at least a year up six straight months.

"We all owe Mike a tremendous debt of gratitude," Skinner, 61, said in the statement, which did not explain why Roberts departed. "Because of his leadership, our system is stronger and more aligned than ever."

Roberts said in an e-mail message to employees that the decision to resign "is right for me, my family, my career, and the company at this time." He did not return calls seeking comment.

McDonald's shares rose 29 cents to close at \$35.88 in New York. Before Thursday, the stock had risen 5.6 percent this year.

"While Mike Roberts's presence and influence will certainly be missed, we believe McDonald's corporate culture and longstanding ability to build deep management teams will allow its strategy to remain uninterrupted," said John Ivankoe, a J.P. Morgan Securities analyst in New York.

Despite the company's gains, McDonald's promoted Alvarez amid an overall slowdown in revenue growth, to 7 percent last year from 11 percent in 2003 and 2004.

Alvarez joined McDonald's in 1994. As president of the North American unit, he was responsible for 15,000 restaurants in the United States and Canada. He spearheaded the introduction of new products, introducing a \$1.29 snack-size chicken wrap last month and an Asian salad in January.

"I don't see why he wouldn't be a contender" for chief executive, said Jeffrey Malcom, a fund manager

at Horan Capital Management, which holds McDonald's shares. "I'm sure he's had a considerable hand in turning the U.S. around."

Roberts was paid \$2.5 million in 2005, including a \$1.35 million bonus, according to a regulatory filing made by McDonald's. Alvarez received \$2.14 million. Don Thompson, chief operations officer for McDonald's U.S. unit, was named president of the division, succeeding Alvarez.

Roberts agreed not to work for any competitor, including Burger King Holdings and Wendy's International, for two years, McDonald's said in a filing with the U.S. Securities and Exchange Commission. He also is not allowed to write a book or an article or make public disclosures about McDonald's for three years without permission from the chief executive.

In May, the McDonald's chairman, Andrew McKenna, deflected questions about a successor to Skinner. McKenna said during a news conference after McDonald's annual meeting that the board had worthy candidates to consider from executives in attendance. Among them were Roberts, Alvarez and the company's chief financial officer, Matthew Paull.

The change at the top comes amid a management upheaval at McDonald's.

Roberts, who started at McDonald's in 1977, was named president and chief operating officer in November 2004, when Charlie Bell resigned as chief executive and chairman to focus on his fight against cancer. Bell died two months later. Bell succeeded James Cantalupo, who died of a heart attack in April 2004.

Danny King reported from Los Angeles.

ADVERTISER LINKS

Part-time CFO

Seasoned CFOs & Controllers. Since 1987. Trustworthy & Reliable
www.b2bcfo.com

World's Most Flexible LMS

Fits your needs. Free trial, case studies and best practices
www.Learn.com

\$100K+ Executive Jobs

Find 25,000 jobs that pay over \$100,000. Search now.
www.TheLadders.com

Chief Finance Officer

8 core competencies all finance departments should master
www.Deloitte.com/us/cfocenter



Copyright © 2006 The International Herald Tribune | www.ihrt.com