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CEO's Death Forces Change at McDonald's

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McDonald's Corp. Chief Executive Jim Cantalupo died suddenly of a suspected heart attack Monday, cutting short his successful 16-month campaign to restore sales and profit growth at the world's largest restaurant chain. Authorities said Mr. Cantalupo, 60 years old, died while being rushed to a hospital early Monday morning after collapsing in his hotel room in Orlando, Fla.

Less than six hours after Mr. Cantalupo's death, the McDonald's board named 43-year-old Charlie Bell to the top job. The vote occurred in a hastily arranged meeting of directors, many of them gathered in Orlando for a large convention of owners and operators of McDonald's restaurants. By 9:30 a.m., when Mr. Cantalupo had been scheduled to make opening remarks at the convention, Mr. Bell already had succeeded him as chief executive.

McDonald's had planned for Mr. Bell eventually to replace Mr. Cantalupo, who came out of retirement in late 2002 to try to reverse a long slide in the company's financial performance. Mr. Cantalupo quickly did so by demanding better service, introducing healthier items such as salads and slowing the opening of new restaurants -- all moves that brought dramatic improvement. McDonald's net income for 2003 rose to \$1.471 billion from \$893.5 million in 2002.

Big challenges remain for Mr. Bell. The fast-food industry increasingly is under attack from nutritionists, plaintiffs' lawyers and others who say it is partly to blame for the nation's obesity epidemic. The industry's pervasiveness has created another problem: Raising prices has become more difficult because of the glut of competing fast-food outlets.

At 3:11 a.m. Monday, deputies from the Orange County Sheriff's office received a call from security at the Peabody Hotel, where Mr. Cantalupo was staying, said Cpl. Carlos Porres, a spokesman for the department.



Arriving at the hotel, the deputies found Mr. Cantalupo unresponsive in his hotel room and tried performing CPR. He died in an ambulance taking him to Sandlake Hospital in Orlando. He was pronounced dead at 4:53 a.m. Heart medication was found at the scene, Cpl. Porres, said, adding that he didn't know exactly what medication was in the room or who found Mr. Cantalupo.

The Orange County Medical Examiner's office said Mr. Cantalupo's cause of death was "most probably cardiac related," and the manner of death was "natural." The Medical Examiner's office declined to say whether an autopsy would be performed there, or at all.

McDonald's officials said the board executed a succession plan that was already in place. Under that plan, Mr. Bell rose to chief executive from the positions of president and chief operating officer. Replacing Mr. Cantalupo as chairman is Andrew McKenna, 74, the board's presiding director. Mr. McKenna became a McDonald's director in 1991 and is the chairman and CEO of Schwarz Paper Co., a producer of packaging materials that sells tray liners and french-fry bags to McDonald's.

During his 16 months as chief executive, Mr. Cantalupo executed the most dramatic turnaround in McDonald's history. Doing so was especially gratifying for him because he initially was passed over for the top job, back when that post was handed to Jack Greenberg in 1998. Mr. Cantalupo had excelled at one McDonald's post after another since 1974 -- most notably, accelerating its expansion abroad -- and he didn't hide his resentment about losing out to Mr. Greenberg, a fellow former auditor at Arthur Young & Co.

When the board brought him back to replace Mr. Greenberg in December 2002, Mr. Cantalupo began undoing some of the more high-profile projects his predecessor had set in motion. One of the first changes was to pull the plug on a \$1 billion technology project, code-named Innovate, that Mr. Greenberg had envisioned as a global digital network linking 30,000 McDonald's restaurants to headquarters and vendors.

"We know we need to make changes," Mr. Cantalupo said soon after his return. But, he added, "We don't intend to throw capital at problems."

Mr. Cantalupo won applause on Wall Street for slashing capital spending by 40%, putting the brakes on what many analysts regarded as runaway expansion of restaurants and by paying a significantly fatter dividend.

At the same time, Mr. Cantalupo and his team addressed mounting customer complaints by speeding up drive-through service and seeing that surly employees were disciplined. Efforts to improve the taste of McDonald's burgers, by tinkering with their seasoning, also got a push from the new boss.

So did premium salads. They would become an immediate hit and help McDonald's sluggish U.S. operations regain momentum -- even though the company was copying rival Wendy's on the lettuce-and-tomato front.

The salad offensive was part of Mr. Cantalupo's strategy to blunt attacks on McDonald's as a purveyor of unhealthy food. Just last week, senior company executives joined U.S. Health and Human Services Secretary Tommy Thompson in Washington to announce they were enlisting in the fight against obesity.

Under Mr. Cantalupo, McDonald's promoted entree salads while eliminating "super size" french fries and soft drinks. The company took these actions amid the twin threat of more lawsuits filed on behalf of obese consumers trying to shift the blame to burger sellers and potential government regulation of fast-food fare.

McDonald's has also been bracing for the release of "Super Size Me," a documentary about the detrimental effects of the filmmaker's decision to eat only McDonald's fare for an entire month. Today, McDonald's is launching "Go Active!" -- a fitness campaign featuring Bob Greene, television talk-show host Oprah Winfrey's former exercise trainer.

That Mr. Cantalupo died apparently from heart disease won't help the company in its push to alter an image of selling unhealthy food. He often boasted about his love of cheeseburgers. But it isn't at all clear that Mr. Cantalupo's diet had any connection to his death.

Sadness in Orlando

Outside the Orlando convention center, where the once-every-two-years meeting of McDonald's owners and operators proceeded despite Mr. Cantalupo's death, attendees expressed sadness and concern. Karen Cocozolli, who owns three McDonald's outlets in Philadelphia, shuddered at the thought that the late chairman's death could become fuel for critics of McDonald's fat-heavy menus. "We don't need any more of that," she said.

It's critical that Mr. Bell show "leadership right away," said Jim Mangell, a Canadian franchisee. "We have been through a turnaround, and now we don't want to lose momentum."

The momentum under Mr. Cantalupo was dramatic. In January 2003, a month after he took charge, the company reported the first quarterly loss in its 38 years as a public company. Then, in the second quarter of last year, same-store sales jumped 4.9%, the biggest growth rate in five years. During Mr. Cantalupo's tenure, McDonald's restaurants reported 11 consecutive months of same-store sales increases. Its stock price climbed from \$15.02 on April 17, 2003 to a 52-week high of \$29.98 on March 5.

Yesterday, analysts widely reaffirmed their "buy" rating of McDonald's stock and expressed confidence in Mr. Bell's ability to continue turning the company around.

Overseas Success

That confidence arises largely from Mr. Bell's strong performances in his previous posts as head of various overseas markets -- first Australia, then Asia, then Europe. The model market in the global McDonald's system is considered to be Australia, an operation that Mr. Bell is credited with having built up. Under his watch in Europe, sales recovered from the devastation of fears over mad-cow disease. Besides boosting efficiency, Mr. Bell has shown a knack for restaurant design. In Australia, where he was born and raised, he invented a coffee shop called McCafe, which McDonald's is slowly spreading around the globe.

Mr. Bell's strong performance in these markets prompted Mr. Cantalupo to pick him as his successor. A McDonald's employee since age 15, when he began flipping burgers, Mr. Bell nonetheless has spent a relatively brief time learning about the core U.S. business, having worked most of his 28 years with the company outside the U.S.

"Charlie Bell has worked side by side with Jim during these past 16 months to revitalize McDonald's all over the world," McDonald's said in a statement. "He is ideally suited and prepared to continue Jim's remarkable focus and discipline on our business." Mr. Bell wasn't available for comment.

He is expected to take his time choosing his own first lieutenant. The prime candidates are considered to be Mike Roberts, president of McDonald's USA, and Claire Babrowski, chief restaurant-operations officer. Mr. Roberts, 53, joined the company as a regional purchasing manager in 1977 and served as head of the company's western division. Ms. Babrowski, 46, joined the company as a restaurant worker in 1974 in Ottawa, Ill., and was most recently president of McDonald's Asia/Pacific, the Middle East and Africa.

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