



David Fairhurst, Executive Vice President, Chief People Officer, McDonald's



Strategic CHRO

Conversations with leaders who are transforming the world of HR.

Biweekly Series

David Fairhurst, CPO of McDonald's, on Challenging the Boundaries of HR

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For the next installment of our interview series with leaders who are transforming the role of the CHRO, [David Reimer](#), the CEO of Merryc & Co. Americas, and I sat down recently with [David Fairhurst](#), chief people officer at McDonald's, who shared many provocative insights on how the role is being redefined.

Reimer: What does the phrase "strategic CHRO" mean to you?

Fairhurst: A lot of HR practitioners to this day think in terms of strategic HR as simply being HR minus the administration part of it. A lot of HR professionals also have been obsessed with getting a seat at the table. But the reality of the issue is that when the seat at the table was there, the capability of the people to sit at that seat was not there.

If you are being strategic, it's about challenging some of the boundaries of the HR function.

We're now into trust strategies, reputational strategies, and digital engagement with employees. It's about being focused on the overall business first and the function second.

We're also focusing on the positive side more. Historically, the profession has had a propensity to look at the negative. They used to deal with absence and turnover or anything that was going wrong and never analyze what was going right.

One example is focusing on exit interviews, which are historic data and usually flawed. You should focus on why people come to work. In one of my previous roles, we stopped doing exit interviews and started doing "stay meetings." We would sit down with people and ask them, "Have you got everything you need to do your job?"

"I've always said that working on reducing turnover is like creating prisons."

Another example is turnover figures. I've always said that working on reducing turnover is like

creating prisons. If you want to create a building with lots of walls and keep people in and stop them leaving, that's a great thing to do. But that's not modern-day life. It's about the positivity of engagement and why people come to work.

Reimer: What else has changed about HR?

Fairhurst: The application of science. It was a function that used to rely on art and not science. I'll give you an example of how you apply them both. In the UK a number of years ago, I got a PhD student at Lancaster University to study massive amounts of our data. We went down a few rabbit holes and found some things that were interesting but useless. But then he came back to me and said that he found a correlation between the performance of a store and the age of the people who worked there.

I wanted to know more, so he dug deeper and found that when you employ two or more people over the age of 60 in the "front of house," and not as managers, then the sales are 20 percent higher than other stores. Whenever you say "20 percent sales hike," it piques my interest.

We're the biggest employer of young people in the world, but it turns out that when you have two older employees in the front of the house – again, they're not managers – then it has a stabilizing effect on the group. It doesn't work for 40-year-olds. Why? Because they're the age of the younger employees' parents, and young people don't follow parents. They follow grandparents, and they get life advice from them.

Second, the older workers are more likely to stay. But more than anything else, when you train young people to be hospitable, they will watch a 60-year-old open a door, and they will start to do it. It affects your sales. So we launched a campaign that we don't just hire young people; we also hire late-life workers. But this is the point: CEOs would give their back teeth for that sort of sales hike based on people analytics.

Bryant: How did you get into HR in the first place?

Fairhurst: All my family were retailers, but when I left university, I was going to be a priest. The first thing that people usually say when you're going to go into the church is, did your family push you into it? I had a fairly religious upbringing, but it's not that I was obsessed with religion. It's just that I felt the church should run more like a business, simple as that.

Then when I had lost the vocation to do that, I said, "What on earth am I going to do?" People told me that I couldn't go into social work. "You're too commercial. You're too spreadsheets and P&Ls," they said. I had been a retailer when I was 12 years old, selling sweets to kids in my own space in my granddad's supermarkets. So I needed to be on the commercial side.

Somebody in the careers field said to me, "I guess you should be in business, but probably more on the people side of business."

I started in aerospace, and at the time – this was in northern England – one of the issues we were dealing with was moving to monthly payments instead of cash payments. That was a massive shift. A lot of our work was around modernization and computerization.

I did my Master's degree in strategic HR management. One of the things that I rather cheekily did is that I did my dissertation for my Master's on outsourcing HR, and getting rid of HR from businesses. Why? Because it's the sort of thing that my father would say, like "what do you do anyway?" For me, it was a rather provocative way of saying, why does this function exist and can't it be outsourced?

Bryant: Given that backdrop, how should companies think about the value of people management?

Fairhurst: We all know there's value in the human side of the business. But how do you measure that? Now a movement is starting in which Wall Street, which is more financially focused, is taking a greater interest in HR. There is a human-capital-management coalition, which is a group of investors that got together to push for the transparency of human capital measurement. What's the quality of the leadership of the business relative to where you put your money? And what's the culture? So then the question is, how do we measure it? So this conversation is under way, and my prediction is that within five years, Wall Street will have a measure.

The minute that happens, and you've got a kind of Moody's rating for the quality of leadership and culture, imagine how much will change. Then the question will be whether the HR function is ready to deal with all the new expectations of that.

Reimer: Can you give me an example of where HR functions probably aren't ready for that

sort of Moody's rating?

Fairhurst: I usually say to people, "Put your hands up if you're looking forward to your performance review this year." What do you think the correlation is between performance management in most companies and the performance of the company? That answer is performance management processes use up millions of dollars and actually don't affect the performance of the business.

"It struck me that we were behaving a bit like a legal function."

It struck me that we were behaving a bit like a legal function. The approach was to focus on risk, and managing all these people a certain way for the one person I might need to fire, which required all sorts of documentation.

So I've blown it up, and we now call it performance motivation. First thing I did was to remove every single piece of paper. And every year, on the anniversary of your service, your manager gets a text saying that they need to have a career conversation with you, and here's a guide for how to do it. Then we focus on the quality of the goals that people set and the 360 feedback the employee seeks out. They have to own getting the feedback.

Bryant: How do you measure the success of a CHRO?

Fairhurst: The label of CHRO can be misleading, given what the function really is. It's one of the reasons I changed the name of my job title to Chief People Officer. To this day, it sparks a conversation – "What's that?" My expertise would be more of a blend of what is traditionally known as corporate relations, communication, marketing, insights and HR. I'm heavily involved in reputation issues.

I'm heavily involved with the CEO. I'm heavily involved in community and corporate social responsibility activities. I think you could have 20 HR directors and have 20 very different jobs. And I don't think the measure's strategic vs. non-strategic. The measure is, what exactly does your role involve?

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