

How Steve Easterbrook, the wizard from Watford, cooked up a supersized McScandal

The British boss doubled McDonald's share price — but the fast-food giant is suing him over alleged sexual transgressions



Steve Easterbrook left McDonald's with a \$57m-plus payoff
ALYSSA SCHUKAR

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For fans of sport and beer, there are few places more alluring than Chicago. On any given Sunday — and many other days, too — the Bulls, Bears, Cubs or White Sox will be in action, their games screened live to packed bars and Irish pubs across the Windy City. That heady mix must have appealed to Steve Easterbrook when, seven years ago, he moved to Chicago for a new job as chief brand officer of McDonald's. Two years later, he was the chief executive.

It was a remarkable moment. One of America's best-known companies, an icon of the postwar consumer boom and the biggest fast-food chain in the world, had appointed a football-loving former grammar-school boy from Watford to be its boss. But this unlikely combination ended in spectacular failure, when the squeaky-clean Midwestern values espoused by McDonald's clashed with the more relaxed approach to work — and play — imported to America by Easterbrook and some of the British executives he brought in.

Despite slashing costs, almost doubling the share price and stabilising the business following a tumultuous period under his predecessor, Don Thompson, Easterbrook was sacked last year for having a relationship with an employee. His departure followed an internal investigation that found the boss had acted in contravention of the strict code of ethics enforced by McDonald's.

However, that was just the start of the trouble for the wizard from Watford. Last week, the burger giant said it was suing Easterbrook, 53, to retrieve the payoff it had given him — estimated to be worth more than \$57m (£43.6m) — because he allegedly lied to investigators and had in fact engaged in sexual relationships with three more staff.

It is also claimed that he gave shares worth “hundreds of thousands of dollars” to one of those employees.

The scandal has triggered accusations that the board, which includes the former Diageo boss Paul Walsh, took its collective eye off the ball as Easterbrook eroded the ultra-conservative culture favoured by many leading US companies. Much of the ire has been directed at the chairman, Enrique Hernandez, who has been on the board for 24 years.

“It is a botched job,” said Dieter Waizenegger, executive director of CtW Investment Group, a McDonald's shareholder backed by a number of workers' unions, which has called for Hernandez to resign. “There was a party culture. You need to start from the top and you can't have a lax culture.”

Easterbrook is far from the first boss in a high-profile job who failed to adapt to the practices of a different country, but his story may be the most explosive. Following an anonymous tip-off in the wake of his sacking, McDonald's began a second investigation — this time using outside counsel. That probe found that the former chief executive, a divorced father of three, had sent “dozens” of sexually explicit pictures and videos from his work email to his personal account, according to the McDonald's lawsuit.

The claim concludes that Easterbrook was in “clear breach of the duty of candour”, and that by allegedly lying he attempted “to induce the company to separate him on terms much more favourable to him than those the company would have agreed had it known the full truth of his behaviour”. Easterbrook has not responded to the allegations, and could not be reached for comment.

Those who know Easterbrook say that he is a driven, talented executive who enjoys the social element of business. He studied natural sciences at Durham and trained as an accountant with PwC before joining McDonald's in 1993 as a branch manager. He became UK chief executive in 2006 and ran its north European business, leaving for stints at Pizza Express and Wagamama before his return as chief brand officer.

Sponsorship deals McDonald's has with sporting organisations allowed Easterbrook to enjoy corporate hospitality, according to two sources. “It was work hard, play hard — nothing more than that,” said one.

A former girlfriend, Denise Paleothodoros, who began dating him in 2014, described Easterbrook last week as “normal, a guy's guy — he's into sports and likes to drink beer”. She said he often ate a quarter pounder with cheese and fries, never recognised by servers, and that while he had whisked her away for holidays on a McDonald's corporate jet three times, he had reimbursed the company.

Easterbrook's profile was sent into the stratosphere when he secured the top job. Along with the plane-maker Boeing and snacks conglomerate Mondelez, McDonald's is one of Chicago's corporate titans. Bosses are lobbied furiously, given access to

the glitziest private clubs and paid significantly more than their British counterparts. In his final year, Easterbrook received about \$16m – and could have expected that figure to rise with long-term incentives.

One of his biggest decisions was to move the McDonald's headquarters from Oak Brook, a sleepy suburb, to the city's trendy West Loop area. The reason given for the switch was to attract younger workers. According to an investigation this year by The Wall Street Journal, Easterbrook would appear at "happy hour" sessions for staff held in a top-floor bar at the new HQ. Such behaviour was almost unknown among the chief executives of America's biggest corporations.

There were other clashes with the culture at McDonald's, which emphasises values such as integrity, community and family. Intimate relationships "between employees in a direct or indirect reporting relationship" are banned. Such a stipulation is increasingly common in America in the wake of the #MeToo movement.



Easterbrook at a baseball game with ex-girlfriend Denise Paleothodoros

"The US is more explicit and formal about what is acceptable behaviour, which stems from litigiousness [in the culture]. It's an exercise in risk management," said Allyson Stewart-Allen, co-author of the book *Working with Americans*. "If he had done it in Britain, provided it didn't directly impact the company, people generally would have turned a blind eye. It's isn't about imposing morality."

Moral or otherwise, the signs were there about Easterbrook. The board was aware of his relationship with Paleothodoros, who worked for Golin, a PR agency in Chicago used by McDonald's. She said they had disclosed the relationship to their employers and she was moved off the McDonald's account. The burger chain's board decided that no rules had been broken.

The relationship ended in 2018 by mutual agreement, according to Paleothodoros, who said Easterbrook had changed after becoming chief executive. "He had found success in his new position, he started to build a network . . . and he didn't include me in it."

Waizenegger said the board had bungled Easterbrook's departure: "He had prior issues the board was aware of. There should have been some indication there were other skeletons in the closet."

There was never any doubt about Easterbrook's talent for business. When he became the UK boss in 2006, McDonald's was in the doldrums. Documentaries such as *Super Size Me* and *McLibel* had accused it of fuelling obesity, ruining the environment and exploiting workers.

Instead of following the lead of his superiors in Chicago and remaining silent, Easterbrook engaged. He went on *Newsnight* and fought against the use of the word "McJob" to describe low-paid work. The results were impressive and set him on the fast track for a top job.

Easterbrook was able to repeat the trick as chief executive. He brought in the all-day breakfast, introduced the fresh beef quarter pounder and refitted thousands of restaurants. Net profits last year came to \$6bn, compared with \$4.8bn the year before he started.

But that was not enough to save him, even before the new allegations of further relationships surfaced.

"Steve did something that gave the board a decision to make," Paul Pomroy, the McDonald's UK boss who worked closely with Easterbrook, said in January after the sacking but before the new allegations. "They made the decision and he supported it. If you look at our policies internally about relationships . . . in a

nutshell, it's that you can't influence anyone's career that you are having a relationship with."

Much of the sermonising from McDonald's comes with a side of hypocrisy. Campaigners have long complained about bullying and sexual harassment at the chain and other big fast-food operators, where young people often find their first job. According to a report last year, McDonald's workers have filed about 50 complaints with the US Equal Employment Opportunity Commission.

Paula Brantner, principal at PB Work Solutions, which advises clients on discrimination, said: "McDonald's does not have a lot of people who are trained to address the issues. The management on-site are particularly ill-equipped."

In the past two years, training programmes on harassment have been established, as well as a phone line for anonymous complaints. Easterbrook's successor, Chris Kempczinski, told staff soon after taking the job that he needed to be "able to look at every one of my senior leadership team" and believe "they personify the values of our company".

Easterbrook, in the end, did not pass that test.

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