business tips

Building a Culture of Ownership: Daniel Schwartz's Leadership at 3G Capital

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Since joining global investment firm 3G Capital in 2005, Daniel Schwartz has helped foster a number of successful business moves — ranging from helping to facilitate deals to strengthening employee relations within companies the firm acquired.

Schwartz, who graduated from Cornell University in 2001, ascended quickly within 3G Capital, being named a partner by 2008, at age 27; and stepping into the CEO role at Burger King in 2013.

Schwartz's impressive work with the burger chain helped earn him a spot on *Fortune's* 40 Under 40 list, which highlights individuals who are helping to shape the business realm, at age 35 — and *Nation's Restaurant News'* Power List of industry members who are determining foodservice trends in 2018.

"[3G] believes in investing in young people and giving them opportunities," he told *Forbes* in a 2019 interview. "I worked hard and proved that I really cared. More so than anything else, I put the business and the firm ahead of myself."

Transforming an Iconic Company into a Sales Success

The Daniel Schwartz Burger King era began in 2010 when the chain and 3G Capital officially joined forces in 2010 via a nearly $4 billion acquisition.

Although the eatery, founded in 1954, was a well-known brand — according to CBS News, it was the second-largest fast food burger chain in the world at the time — Burger King had faced a number of challenges.

Its ownership history included 19 different people holding the CEO role over a 25-year span; although its operations were global, the company's marketing and product development efforts were based locally, complicating its strategy and focus. In Burger King's financial reporting, franchised and company operations were commingled in one income statement, obscuring the value of its franchised business model's value.

3G's leadership, though, believed Burger King had the name recognition and quality level to facilitate more significant growth. Schwartz was eager to enact the firm's owner-operator approach — which involves getting involved first-hand in operations and a commitment to remain involved long-term.

"I wanted to be part of this," he said to *Forbes*. "And I didn't want to just sit in an office and get monthly reports."

After thoroughly examining the organization's talent management, compensation and other and resources, 3G Capital set out to make a series of changes that were designed to reposition the chain for expansion and greater profitability.

Daniel Schwartz, Burger King Evolve and Thrive

In addition to cost reductions and other adjustments, 3G Capital felt refranchising — selling off company-owned restaurants to franchisees, and in turn altering the company's structure — could have a profound effect. The business would then be driven by royalty streams from franchisees, potentially furthering unit growth; and 3G believed, coupled with a modest fixed-cost infrastructure in a capex-light model, the model could supply strong free cash flow deployment.

To encourage an ownership culture within the chain, 3G Capital implemented processes to review results and began sharing objectives with everyone in the organization. The firm also allowed Burger King's corporate employees to reinvest money they'd made as public shareholders into the newly privatized company's equity, and 3G matched the investments.

Employees could also invest part of their annual bonus in equity in the form of options, and 3G would match it. With stock ownership distributed across the employee base, the arrangement reportedly resulted in hundreds of Burger King managers becoming millionaires.

In June 2012, the firm was able to take Burger King public again; in the 18 months that followed, Burger King's stock doubled, according to *Forbes*.

The following year, in 2013, 3G Capital acquired Canadian coffee chain Tim Hortons — and also established Restaurant Brands International, which Burger King and Tim Hortons operate independently under, positioning both chains to take advantage of the collective shared best practice and other benefits.

"Over the past four years, we have transformed Burger King into one of the fastest-growing and most profitable QSR businesses in the world, through successful international growth, a consistent focus on brand revitalization and strong commitment to our franchisees," Schwartz said in a press release about RBI's creation. "We are excited to build on this progress as we continue to expand Burger King around the world and look forward to working with and learning from Tim Hortons."

In 2017, 3G Capital added another restaurant to its roster, Popeyes Louisiana Kitchen, known for its fried chicken, which launched in 1972 in New Orleans, in a $1.8 billion deal; and in 2021 acquired Firehouse Subs, which was founded in Florida in 1994 by two brothers and currently has more than 1,200 locations throughout the U.S.

With more than $35 billion in annual system-wide sales and upwards of 29,000 restaurants in more than 100 countries, Restaurant Brands International Inc. has become one of the world's largest quick service restaurant companies.

Burger King's reach has swelled to more than 18,700 locations in more than 100 countries and U.S. territories. Nearly 100% are owned and operated by independent franchisees; numerous restaurants are family-owned.

The Burger King acquisition and subsequent revitalization has earned 3G Capital considerable attention within the industry. As investment expert Ted Seides, who hosts the Capital Allocators podcast, recently noted when he was a guest on the Invest Like the Best Podcast, 3G eschewed the chance to sell the chain multiple times, instead opting for continued involvement.

“It’s a great story because there’s a combination of this operating model that 3G has, and this vision, ability to take risk, but also a very different private equity structure,” he said. “It’s [been] 14 years, and they find ways to get some people some liquidity if they want, but most people are like, ‘No, no, no, keep doing what you’re doing. It’s working really well.’”

According to Daniel Schwartz’s conversation with *Forbes,* it sounds like that may have been 3G Capital’s plan all along.

“Most traditional investment firms, if they were in our shoes, probably would have sold [RBI] many years ago,” Schwartz said. “Not only did we not sell, we bought more brands along the way. We are building this into a big company with a long-term mindset.”