In recent years, The Coca-Cola Company (Coca-Cola) has seen a much lower rise in its stock price compared with the exceptional 5,800 per cent rise during the 16-year tenure of its well-known chief executive officer (CEO), Robert Goizueta. After Goizueta’s untimely death from cancer in October 1997, the company witnessed some tumultuous times, and Goizueta’s three immediate successors have not lasted for even half as long as his total tenure (see Exhibit 1). Coca-Cola’s CEO succession process was widely regarded as being ad hoc, and each succession story had its own peculiarities and intrigues. The leadership styles of CEOs at Coca-Cola differed and were often a source of interest in the media and the investment community, where many speculated on the type of leadership that was needed at the helm.

In general, leadership styles can be described as managerial, visionary or strategic. In this categorization, managerial leaders are considered those who are risk averse, reactive and for whom goals are based on the past and on necessities, as opposed to goals arising from desires and dreams. Such leaders relate to people according to their roles in the decision-making process, see themselves as conservators and regulators of the existing order, and involve themselves in situations and contexts characteristic of day-to-day activities. They are concerned with, and are more comfortable in, functional areas of responsibility, ensuring compliance to standard operating procedures. These leaders exhibit linear thinking and are deterministic, i.e., they believe their choices are determined by their internal and external environments.

In contrast, visionary leaders are proactive; they shape ideas, and they change the way people think about what is desirable, possible, and necessary. They are given to risk taking. They bring fresh approaches to long-standing problems, concern themselves with ideas, and relate to people in intuitive and empathetic ways. They feel separate from their environment, working in, but not belonging to, their organizations. Such leaders are concerned with ensuring the future of the organization, especially through development and management of people. They engage in multifunctional and integrative tasks, they know less than their functional area experts, utilize non-linear thinking, and believe in strategic choice i.e. their choices make a difference to their organizations and, through their organizations, to their environment.

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1 This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of The Coca-Cola Company or any of its employees.
Strategic leaders are a synergistic combination of managerial and visionary leadership. They oversee both operating (day-to-day) and strategic (long-term) responsibilities, apply both linear and non-linear thinking, and emphasize ethical behavior and value-based decisions. Strategic leadership is defined as the ability to influence those with whom you work to voluntarily make decisions on a day-to-day basis that enhance both the long-term viability of the organization and the organization’s short-term financial stability.3

GOIZUETA IS IT!4

Background

Robert Goizueta was born in Havana, Cuba, in 1931, a scion of a major sugar industry family in Cuba. Goizueta’s maternal grandfather immigrated to Cuba from Spain, and, despite a lack of education beyond high school, was able to save enough money to buy a sugar refining business and some real estate during the Cuban depression. His grandfather’s focus on the importance of cash made an early impression on Goizueta. After attending a Jesuit school in Cuba, Goizueta moved to a private academy in Connecticut for a year to improve his English. His outstanding performance and connections at the academy helped him gain admission to Yale University, where he majored in chemical engineering with an eye to a possible future in the family business.

When he returned to Cuba, he chose not to join the family business. Instead he answered a blind advertisement in a newspaper that led to a job as an entry-level chemist at The Coca-Cola Company in Havana. “It was going to be a temporary thing for me, $500 a month — my friends thought I was absolutely crazy,” he recalled. However, he soon rose to become chief technical director of five Cuban bottling plants. Then, in 1959, Fidel Castro came to power and Coca-Cola’s Cuban operations came under a strong threat of takeover.

The family escaped to Miami, where Goizueta, his wife, three children, and a nursemaid shared a motel room for a month. Fortunately, Goizueta landed a job with Coca-Cola in a new Miami office. His only possessions of value were 100 shares of Coca-Cola stock in a New York bank and US$40. He later recalled the importance of that experience:

You cannot explain that experience to any person. That was ten times more important than anything else in my life. It was a shocker. All of a sudden you don’t own anything, except the stock. One hundred shares! That’s the only thing I had. It brings a sense of humility. It builds a feeling of not much regard for material things.5

After working in the Miami office, he worked as a chemist in the Bahamas for Coca-Cola’s Caribbean region and later moved back to headquarters in Atlanta, Georgia. At age 35, he was promoted to vice-president, Technical Research and Development, the youngest person to hold this position. He was then promoted to head the Legal and External Affairs department in 1975 and became vice chairman in 1979.

3 Ibid.
Goizueta as CEO of Coca-Cola

Robert Woodruff, widely regarded as Coke's main power broker because he revitalized the company after taking over as CEO in 1923 and served in that position for decades, befriended Goizueta. Aided by a close relationship with Robert Woodruff, Goizueta moved up through the technical operations and became president in 1980 after J. Lucian Smith’s resignation. When the chairman, J. Paul Austin retired in 1981, Goizueta became chairman and CEO. At the time, the transition was seen as messy, because Woodruff (despite being retired), used his position as the company’s 90-year-old patriarch to overrule Austin’s choice for successor, Donald R. Keough. Woodruff’s pick, the chemical engineer from Cuba was regarded as the darkest horse in the succession process. However, Woodruff and others on the board saw Goizueta as the person needed to introduce change and improve performance.

Goizueta generously asked Keough to be his chief operating officer (COO) and president, sending the broader message that

The day of the one-man band is gone. It would be a crime for me to try to lead the bottlers the way Don Keough can. I would look like a phony . . . . My job is to pick the people, then give them the responsibility and authority to get the job done.

Goizueta created a two-page, double-spaced document, “The Job of the Chief Executive Officer,” which delineated what he could and couldn’t delegate. For 12 years, Goizueta and Keough complemented each other. Goizueta was known as the business philosopher, whereas Keough did more of the footwork — traveling to bottlers, meeting customers and ensuring overall operations were in shape.

Goizueta stated that he had viewed Coca-Cola as having become “too conservative” and revealed his desire for major changes: “It took us a little bit longer to change than it should have. The world was changing, and we were not changing with the world.” At a retreat for company executives, he unveiled a “Strategy for the 80’s” and emphasized that “We’re going to take risks.”

When Goizueta took over, the company was in multiple businesses: soft drinks, wine, coffee, tea, plastics, shrimp farming, orange groves, steam generators, industrial boilers, desalting plants, and industrial water treatment. Goizueta subjected each business to a standard financial formula: Is our return on capital greater than our cost of capital? He then divested non-core businesses that did not measure up until the only business left by the late 1980s was the selling of bottled carbonated soft drinks (CSDs) — predominantly Coca-Cola and minor quantities of Sprite and Tab (a diet soft drink) — and one non-CSD beverage (i.e., Minute Maid). He stated his rule of investment: “You borrow money at a certain rate and invest it at a higher rate and pocket the difference. It’s simple.” He was a pioneer in promoting the idea of economic profit (i.e. after-tax operating profits in excess of capital costs) and wrote to Wall Street analysts personally about it. Today, the concept has gained ground as economic value added (EVA), a well-regarded tool for increasing shareholder wealth.

Goizueta’s style was less hands-on and more intellectual. Despite the fact that Coca-Cola earned up to 80 per cent of its profits abroad, Goizueta visited only about a half-dozen countries a year and remained most comfortable defining “the character of the company” from his office at Coca-Cola’s headquarters.

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Goizueta used rewards based on economic profit targets to motivate his management team to perform. A contemporary CEO characterized Goizueta’s style in the following manner: “A lot of executives can intellectualize the process, but [Goizueta] can follow through.”

Although Coca-Cola had never borrowed money, under Goizueta, it borrowed billions and bought out independent bottlers around the world to upgrade its own distribution systems. With Douglas Ivester as chief financial officer (CFO), the “49 per cent solution” was devised. This involved Coca-Cola buying out U.S. bottlers that were not doing well and combining them with its own bottling network. The new creation was called Coca-Cola Enterprises (CCE) and was spun off to the public, with Coca-Cola retaining a strategic 49 per cent of the stock. This arrangement helped Coca-Cola reduce its debt and divest itself of a low-return, capital intensive business.

Looking back at that time, Goizueta later commented during an interview:

We really lost focus on who our customer was. We felt our customer was the bottler as opposed to McDonald’s and Wal-Mart. So consequently, we were being either cheerleaders or critics of our bottlers. But hands off; we didn’t have anything to do with it — that was their job. I think the worst thing we ever had to do was to establish a sense of direction . . . so that they know where they’re going. Then you can let them have a lot of freedom.

During this same interview, Goizueta emphasized the need for leaders to establish a sense of direction, so people both knew where they are going and had a lot of freedom to get there. He added that if people did not know where they were going, you do not want them to get there too fast. Finally, he encouraged people to create what can be, as opposed to what is.

Goizueta emphasized the importance of relationships. He enticed the Cisneroses (Pepsi’s most venerable bottlers in Venezuela) away from Pepsi and signed the deal in the presence of three generations of the Cisneroses at Coca-Cola headquarters. “It was a very family-like gathering, to symbolize that this was to be a long-term relationship,” Gustavo Cisneros recalled. “This is a people-relations business,” Goizueta later said.

These moves were also in line with Goizueta’s overall approach of developing senior managers’ intimate strategic knowledge of, and engagement in, the core business. Whereas CCE and other bottlers carried out the operational details on the ground, Goizueta focused his own role and that of other senior managers on brand building, making deals, and selling concentrate. Coca-Cola did not rotate its successful managers through jobs rapidly, in contrast to its main rival Pepsi. “If you do that, you can never see how good the people really are,” Goizueta explained.

Goizueta encouraged calculated risk-taking, epitomized by his decision to put the Coca-Cola trademark on a new product, Diet Coke, in 1982, which turned into the most successful product launch of the 1980s. Traditionally, the company had never put the Coca-Cola trademark on other products. Goizueta invested outside the core business only on one occasion, to buy Columbia Pictures in 1982, after it went bust. He

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later sold it to Sony in 1989 for a large profit. He stated that this investment was not to hedge his bets, but to pile up earnings until he could sort out issues with the soft drinks business.

The new moves included launching New Coke. Based on a sweeter formula, it was a departure from the traditional Coke formula and was developed to counter Pepsi, which was doing better on taste tests. In Goizueta’s words, the launch of New Coke was “the boldest single marketing move in the history of the consumer goods business.” However, when New Coke bombed in 1985 and loyal customers demanded a return of the old formula, the old Coke was re-launched as “Classic Coke,” and over time “New Coke” was allowed to die out. Coca-Cola learned a valuable lesson: its brand and marketing, not the taste of the sugar water, was its asset, and Coca-Cola marketing was consequently overhauled. “I realized what I should have before,” he recalled. “That this was a most unique company with a most unique product. We have a product that people have an unusual attachment to. I had never felt so bullish about it.”

Goizueta encouraged speedier decision-making and kept encouraging risk-taking. At a worldwide gathering of Coca-Cola’s quality assurance staff, in response to a concern about all the changes taking place, Goizueta said:

Don’t wrap the flag of Coca-Cola around you to prevent change from taking place. It is extremely important that you show some insensitivity to your past in order to show the proper respect for the future.

During Goizueta’s reign, the company expanded both domestically and internationally, backed by the new slogan, “Coke Is It!” Goizueta turned Coca-Cola around financially, organizationally and culturally, making it America’s most admired company, against all expectations. Coca-Cola’s stock price increased 5829 percent during Goizueta’s tenure (see Exhibits 1 and 2). Its market value grew 34 times, from $4.3 billion to $147 billion during Goizueta’s 16-year tenure. In addition, in a *Fortune* story on Goizueta in October, 1997 describing “The Goizueta Effect” it was reported that revenues had increased from $4.8 billion to $18.5 billion, net income from $0.5 billion to $3.5 billion, and return on equity from 20 per cent to 60 per cent from 1981 to 1996 (see Exhibit 3).

When asked what he looked for in a future successor, Goizueta agreed with his fellow interviewee, Jack Welch, General Electric’s CEO, that his successor needed incredible energy, the ability to excite others, a defined vision, the capacity to find change fun, and the facility to be as comfortable in New Delhi as in Denver. Goizueta added that while energy is the number-one quality, two other qualities were also important — integrity and the intellectual courage to take a risk, a leap of faith, whether the leap was big or small.

Roberto Goizueta died of cancer at the age of 65 in October 1997. The 100 shares he had when he arrived in Miami were worth more than $3 million. He was a billionaire by 1997 and his belief in Coca-Cola was evidenced by the fact that in 1995 more than 99 per cent of his personal wealth was tied up in Coca-Cola stock. He was replaced by heir apparent Douglas Ivester. Some said that Goizueta’s strategic planning showed in his leaving behind a solid management team. Herbert Allen, a director at Coca-Cola since 1982 stated, “Roberto has filled in behind him so well. He established at least four people who can run the company . . . and behind them are ten more people who could fill their jobs.”

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14 Ibid.
15 Ibid.
ALWAYS DOUGLAS IVESTER

Background

In a few ways, Ivester was comparable to Goizueta. He had his own rags-to-riches story and was regarded as a dark horse who came from corporate backwaters. Ivester was the only child of conservative Southern Baptist factory workers raised with discipline and rigidity in the Georgia mill village of New Holland, 60 miles north of Atlanta. He described his parents as “strong savers, [with] very strong religious values,” partly due to their being children of the Depression. They had very high expectations of him. When he got an A in school, his father would remark, “They give A-pluses, don’t they?” As a child, Ivester worked after school doing odd jobs. He hardly had time for any extra-curricular activities or team sports.

“One thing I learned in Gainesville was to never let my memories be greater than my dreams,” Ivester recalled. He graduated from the University of Georgia with an accounting major and worked as an accountant at Ernst & Whinney. Ivester headed the audit team for Coca-Cola and was recruited by Coca-Cola as assistant controller in 1979. Six years later, CEO Goizueta, impressed with Ivester’s solutions to complex financial problems that helped maximize returns on investment, made him CFO.18

As CFO, Ivester was the brains behind getting Coca-Cola’s low-return bottling operations and its debt off the company’s books. Under Goizueta’s leadership, Ivester helped create a separate bottling company, Coca-Cola Enterprises (CCE), and spun it off to shareholders while keeping 49 per cent equity for Coca-Cola to control the business. Goizueta groomed Ivester and provided opportunities for varied experiences in marketing and international operations. Ivester’s first operations job was as president of Coca-Cola’s European operations in mid-1989. When the Berlin Wall came down later that year, Ivester cut deals with bottling plants across Eastern Europe, and his opportunism saw Coca-Cola seizing control of the region that had long been dominated by Pepsi.

As president of Coca-Cola in 1990, Ivester visited overseas markets and sent out a new message. Instead of setting goals in the traditional style, he asked executives to think about what kind of growth would be possible in a market, and to figure out how to knock down the barriers to attain that growth. He also stated that, like Goizueta, he would remain focused on one business — non-alcoholic beverages. During his time as president of Coca-Cola USA, he spent every Saturday morning for a year learning marketing from Sergio Zyman, who went on to become Coca-Cola’s global marketing boss. He added the position of chief learning officer and encouraged its first incumbent, Judith A. Rosenblum, to turn the company into “a learning organization.” His goal was to capture all of the growth in Coca-Cola’s markets.

Upon Goizueta’s unexpected death due to cancer in 1997, Doug Ivester was the heir apparent and became CEO. However, it was rumored that his appointment was not supported by Don Keough.19

Douglas Ivester as CEO of Coca-Cola

As CEO, Ivester made some important changes in positions. His competitor for the CEO position, E. Neville Isdell, was moved to head a bottler in Britain. Carl Ware, a senior vice-president was demoted. Don Keough, who, after his retirement, had continued attending Coca-Cola board meetings as Goizueta’s consultant, lost his consulting contract and his place at the boardroom table.

Ivester’s personality, like Goizueta’s was seen as reserved on the surface. Yet, despite wide recognition for being brilliant, Ivester seemed to lack some of Goizueta’s characteristics. Ivester was known for an obsession with a rational and orderly way of operating. He was considered arrogant and insecure, blind to his own weaknesses and not forthcoming in soliciting advice. He placed less emphasis on Goizueta’s tradition of having almost daily chats with directors. During his reign, Coca-Cola alienated European regulators and several executives at major customers, such as Disney and Wal-Mart. Some major bottlers, including Coca-Cola Enterprises, were also alienated. In time, he became more and more obsessed with controlling the most minor details of every operation. To make matters worse, the Asian currency crisis occurred during his reign and affected Coca-Cola’s business. The U.S. dollar, which had remained weak for a long time and had contributed to Coca-Cola’s earnings, strengthened during Ivester’s tenure. 20

As CEO, continuing on in his earlier approach, Douglas Ivester was known for working seven days a week and nearly all the time. On visiting Shanghai as CEO, he was known to have walked out on the streets while the “World of Coca-Cola” traveling multi-media exhibit was going on. Ivester walked into little stores and asked why Coke was not prominently displayed on shelves and noted where fountain machines were turned off. He was known to have done similar walks as president of Coca-Cola USA, going from store to store and even identifying the hairdressing salons and laundromats where Coke couldn’t be found. On one Saturday morning, he drove from Atlanta to Rome, Georgia, with a video crew to identify missed opportunities along the way. 21 He encouraged people to avoid doing things sequentially and pushed for “viral growth.” As an example, he suggested if you opened offices in China, not to open them one at a time but to have each new office assist in opening several more. 22

Ivester was known to be a CEO who communicated with people at all levels and ignored hierarchy. He wanted employees to think of themselves as knowledge workers, to think of their office as the information they carried with them, supported by technology that would allow them to work anywhere. With Ivester, business planning was not done annually, but became an ongoing discussion involving top executives. Ivester focused on getting lots of information, aided by technology, which he believed was necessary for real-time decision-making. Although past CEOs had focused on letting executives find their own solutions, Ivester involve himself in finding solutions for them. Ivester explained his involvement by stating that in such a fast and complicated world, a CEO could not run a business by sitting in an office. To many, this approach sounded like micromanaging. 23

Jack Stahl, senior vice-president and president of Coca-Cola’s North America group, reported that he often got six or seven notes a day from Ivester. And Ivester expected prompt replies to all his communications, including his voice mails. Ivester went without a number-two person for about a year, working instead with a flat structure that had 14 senior vice-presidents, including six operating heads, reporting to him directly. Ivester took less naturally to the ceremonial nature of his job, remarking to the mayor of Shanghai, “Nice place you have here,” on visiting the mayor’s opulent meeting room. While he delivered a message to all officials about helping China, he was known to enjoy his time most with his troops in the trenches. 24

Ivester’s thirst for information was rarely satiated and he continued delving into every little detail of the company’s worldwide operations. When an executive from Coca-Cola’s biggest Mexican bottler talked about tens of thousands of mom-and-pop stores, Ivester jumped in and asked, “So which are they — moms

20 Ibid.
22 Ibid.
23 Ibid.
24 Ibid.
or pops?” The bottler’s COO could only muster a weak response, “I think it’s more moms than pops, Doug, but I’m not sure.”

The downturn in overseas markets, where Coca-Cola derived about three-quarters of its profits, was met head on as an opportunity to buy bottlers, distribution, and rival brands at bargain prices. Ivester was betting that the investments would help fuel growth in the future. Whereas Goizueta had handled international operations from a distance, Ivester worked 14-hour days and stayed in contact with executives worldwide through email, voicemail, and pagers even as the business grew in size and complexity around the world.

Under Ivester, the era of exclusive contracts in the soft drink industry became very aggressive. Coca-Cola and Pepsi pursued such contracts not only in restaurant chains but in other locations, such as schools and convenience stores. A marketing consultant for Cadbury Schweppes remarked, “Coke is the No. 1 icon in the world; it has to be a good corporate citizen. They are not in a situation where they can create shareholder value by being a bully.”

Whereas Goizueta had focused on stockholders, Ivester spent his energies on customers, “If you focus on the customer, the business will prosper, and if the business prospers, the stock will eventually be priced right.” However, when dozens of Belgian school children fell sick after drinking Coca-Cola products, Ivester maintained silence for a week before going to Belgium to apologize. Coca-Cola ultimately recalled 65 million cans due to this incident. When he failed to promote Carl Ware, senior vice-president for African operations and Coca-Cola’s top African-American executive, the doors opened for four past and current employees to sue Coca-Cola for racial discrimination.

Ivester took much of the credit for improvements in the bottler system, including the creation of CCE and technological improvements across the company. Some of these claims served to isolate Don Keough, Goizueta’s erstwhile president and COO, who was also connected to two powerful Coca-Cola board members, Herbert Allen and Warren Buffet. Keough became the person all constituents, including customers, bottlers and employees, gradually started complaining to.

Commenting on his earlier successes under Goizueta, Ivester had stated, “I look at the business like a chessboard. You always need to be seeing three, four, five moves ahead. Otherwise, your first move can prove fatal.” His methodical approach extended to all areas, “I learned that marketing is not a black box,” he stated, “Marketing can be even more logical than finance. If you ask enough questions and listen closely, you find that people are very logical.” He was also reported to have once said, “I know how all the levers work, and I could generate so much cash I could make everybody’s head spin.” However, after Ivester’s more than two years as CEO, Coca-Cola’s market value remained stuck at $148 billion compared with the $147 billion market value when Goizueta had left the helm.

In early December 1999, Ivester flew to Chicago for a regular meeting with McDonald’s executives and during the same trip also had a private meeting with Coca-Cola’s two most powerful directors, Warren Buffet and Herbert Allen. The two directors informed Ivester that they had lost faith in his leadership, and it was time for a change. Don Keough, who had been Goizueta’s number-two person for 12 years as COO and president was said to have played a role in this meeting. Upon retirement in 1993, Keough had

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26 Ibid.
remained involved in Coca-Cola as a consultant and later rejoined as a director when Coca-Cola abolished its 74-year age limit for board membership. Keough was chairman at Allen & Co., Herbert Allen’s small investment firm housed in Coca-Cola’s building in New York.

At only age 52 and after just more than two years as the chairman and CEO, Ivester was pushed to retire from the position. On returning from the meeting in Chicago, Ivester publicly announced his departure from Coca-Cola, “After extensive reflection and thought, I have concluded that it is time for me to move on to the next stage of my life and, therefore, to put into place an orderly transition for this great company.” In reaction to the news, Coca-Cola’s share price, which had already lagged the American stock market by 30 per cent over the previous two years, fell 12 per cent in two days. This drop was quite a contrast for investors who had seen the stock price rise over 5800 per cent during Goizueta’s 16-year tenure. During Ivester’s tenure the stock price had dropped 12.3 per cent (see Exhibits 1 and 2).

DOUGLAS DAFT, ENJOY.

Background

The next CEO of Coca-Cola, Douglas Daft, was born in 1943, in Cessnock, New South Wales, Australia. He received a bachelor of arts degree with a major in mathematics from the University of New England in Armidale, New South Wales. He later received a post-graduate degree in administration from the University of New South Wales.

Daft was a first-generation college student, being the first in his family to attend university. He later recalled that the opportunity had led him to develop a passion for lifelong learning about the world and different cultures. In an interview, he mentioned his profound respect for the differences and similarities of people and his experiences of cultural and intellectual diversity across Singapore, Tokyo, and Beijing, which shaped him for leadership roles at Coca-Cola, one of the most international companies in the world.

Daft started at Coca-Cola as a planning officer in the Sydney (Australia) office in 1969. He progressed through the company, holding positions of increasing responsibility, and became vice-president of Coca-Cola Far East Ltd. in 1982. Daft was named president of the North Pacific Division and president of Coca-Cola (Japan) Co., Ltd. in 1988. In 1991, he moved to Coca-Cola’s Atlanta headquarters as president of the Pacific Group with responsibilities including the Africa Group, the Middle and Far East Group, and the Schweppes Beverage Division. He was elected president and COO in December 1999.

Douglas Daft as CEO of Coca-Cola

Daft was preparing for retirement in Australia when he was brought in to replace Ivester. It was said that Daft neither aspired to, nor was groomed for, the CEO job and was “an accidental CEO.” Daft had spent most of his 30 years with the company in Asia, and had succeeded as president of Coca-Cola in Japan, one of the company’s most difficult and largest markets outside the United States.

Daft’s personality was described as low-key, unassuming, media-shy, and not communication friendly. He was known for a consensus-driven style and for avoiding conflict. He began by making changes that were seen as culturally new, such as removing flags that had traditionally flown at Atlanta headquarters: the American flag, the Georgia flag, the Coca-Cola flag, and a flag to honor the visitor of the day, generally a bottler or customer. He called upon a feng shui consultant to make interior decoration changes and to rearrange telephones so that the cords would not coil in the wrong direction. Life-sized ceramic roosters were installed in the offices of Daft and two senior executives.\(^\text{34}\)

In his first few weeks, Daft started the process of cutting 5,200 jobs to reduce costs. However these cuts were not seen as steering the company in a clear strategic direction. Whereas Ivester’s mantra had been “Think global - act local,” Daft’s vision leaned more toward “Think local - act local.” This mindset reflected his experience away from headquarters where he had developed the idea that bureaucracy at headquarters was a problem. Daft challenged Coca-Cola’s matrix system, which, created and nurtured by Goizueta, had ensured that the finance, marketing, technical, law and quality control departments at headquarters networked with and controlled the corresponding departments in other countries. Daft’s approach was to get rid of corporate bureaucracy and give more decision-making power to the field managers.

Under Daft’s tenure, Don Keough’s advice and attendance at board meetings was again welcomed. Under Daft’s leadership and Keough’s approval, several key executives who had served under Ivester were ousted. Turnover among senior managers during Daft’s tenure was severe. In just more than four years, Coca-Cola had two new marketing heads, two new European operations heads and new management in the company’s human resources departments and in the North America, Asia and Latin America divisions.\(^\text{35}\)

Daft also built the company’s forays into the fast-growing area of non-carbonated drinks, including bottled water and juices,\(^\text{36}\) exemplified by Daft’s attempts to buy Quaker Oats, maker of Gatorade in 2000. Although Quaker Oats broke off talks with Pepsi and Danone, in the end the Coca-Cola board did not pass the deal. Reportedly, directors Warren Buffet and Peter Ueberroth objected, seeing the exchange of Coca-Cola’s 10 per cent stock for Quarter Oats as too risky. A joint venture with Procter & Gamble Co. (P&G) was created to develop synergies between Coca-Cola’s Minute Maid juices and distribution prowess with P&G’s potato chip and juice brands. Ideas included developing a half-size can of P&G’s Pringle’s potato chips for distribution through Coca-Cola’s machines and other channels. A similar deal with Nestlé was crafted to develop tea and coffee drinks using Nestlé’s research and development labs. Historically, Coca-Cola had not succeeded in using its distribution and marketing to develop a presence in the high-margin premium beverage market dominated by Snapple, AriZona, SoBe and Gatorade.

These changes epitomized Daft’s approach as a passionate, idea-a-minute manager, building upon intuitions from his Asia-Pacific experience. His approach contrasted sharply with Ivester’s numbers-based accountant’s approach to decision making. At a retreat in San Francisco, Daft asked for new ideas from two dozen Coca-Cola executives and, on the spot, funded four of the ideas with $250,000 each. Under Daft’s tenure, scientists and marketers united to build new products ranging from calcium-fortified waters to vitamin-enriched drinks bearing Disney characters’ names.

Coca-Cola’s advertising was also overhauled, because the “Always” campaign had “lost people, lost humanity and become clinical,” according to Coca-Cola’s Marketing Director, Stephen C. Jones. In a new move, Coca-Cola began to allow bottlers to customize promotions to local events. Although Ivester had


\(^{35}\) Ibid.

opposed tie-ins with movies, Daft made a deal with Warner Bros. Entertainment Inc. to co-market movies such as the *Harry Potter* series around the world.  

Daft announced another major step in his restructuring when he let go president and COO, Jack L. Stahl. Steve Heyer, formerly president and COO at Turner Broadcasting, was brought in as the new president. Subsequently, Daft used this time to be out in the field to improve relations with bottlers. However, Daft remained known for making quick decisions and sometimes being unsure about them later. Coca-Cola’s bottlers in Colombia had faced violence, and Daft announced at an awards dinner in Washington that he would have general counsel Deval Patrick investigate. However, the decision was abruptly reversed four months later and an announcement about Patrick’s resignation leaked out. At an annual meeting, stockholders were distributed leaflets by demonstrators who shouted, “Coca-Cola, killer Cola, toxic Cola, racist Cola.” None of the directors faced the crowd, and Daft, seemingly losing control, unwittingly urged a child questioner to “Drink Coke, Sam,” later amending the line by saying “That is, if your parents let you.”  

At the same meeting, Keough commented on Coca-Cola’s succession plan saying that the company would find the best candidate for the job. A very public search was launched, which included talks with Jim Kilts, CEO of Gillette, and Jack Welch, the retired CEO of GE. During Daft’s tenure as CEO, Coke’s stock price increased 9.15 per cent (see Exhibits 1 and 2).

**THE ISDELL SIDE OF LIFE**

**Background**

Coca-Cola’s next CEO, Edward Neville Isdell, was born in Downpatrick, Northern Ireland, in 1943. He moved to Zambia in childhood and later completed a bachelor’s degree in social science at the University of Capetown, South Africa. In 1966, Isdell joined Coca-Cola through the local bottling company in Zambia. Moving up on the bottling side of operations, in 1972 he became general manager of the Johannesburg bottler, the largest Coca-Cola bottler in Africa. In 1980, he became the regional manager for Australia, and the following year became the president of the bottling joint venture between Coca-Cola and San Miguel Corporation in the Philippines. Isdell was subsequently credited with turning around and renewing the entire Coca-Cola business in the Philippines.

Isdell’s international career continued with a stint in Germany, starting in 1985 as president of the company’s Central European division. He moved up the ranks of the company in 1989, when he was elected senior vice president, and concurrently became president of the Northeast Europe / Africa Group (later to become the Northeast Europe / Middle East group in 1992). During this phase, Isdell oversaw the company’s expansion into new markets, such as India, Middle East, Eastern Europe and the Soviet Union. He became president of the Greater Europe Group in 1995.

Isdell subsequently moved to Great Britain in 1998 as CEO of Coca-Cola Beverages Plc in Great Britain. Under his watch, that company merged with Hellenic Bottling and resulted in the largest Coca-Cola bottler of that time, Coca-Cola Hellenic Bottling Company (HBC). He left Coca-Cola in 2001 to form his own investment company in Barbados.

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Isdell as CEO of Coca-Cola

Doug Daft’s retirement announcement in February 2004 was followed by two months of speculation regarding his successor. Some wondered whether an outsider such as Gillette’s president and CEO, James M. Kilts, might be the likely candidate. Instead, E. Neville Isdell was named the new chairman and CEO. Interestingly, Isdell had been passed over for the top job in 1997 (in favor of Douglas Ivester), despite having been Keough’s preference at the time.

On accepting the position, Isdell said:

I am both proud and humbled to be given the opportunity to help write the next chapter in this illustrious company’s history. I appreciate the importance of this position and the trust placed in me by the board of directors. We are all grateful to Doug Daft for his enormous contributions and look forward to building upon the tremendous foundation he and his team have built. I am excited to get started and help shape our future.\(^{40}\)

During Isdell’s CEO tenure, Coca-Cola’s profits rose steadily, in particular from international operations. Right at the start, Isdell had laid out his plans, based on his belief in significant future growth for the Coca-Cola brand. Some growth was expected to come from new markets, such as China and India, while further growth was still possible in the United States and Europe. Keough let his confidence in Isdell be known, mentioning that it was the first time in 119 years that the company would have a CEO who had worked on both sides of the system, referring to Isdell’s experience of being involved both as a bottler and concentrate person and his experience on working on five continents.\(^{41}\) Under Isdell’s leadership Coke’s stock price increased 12.9 percent. Overall, the three CEOs who had served after Goizueta’s untimely death in 1997 had increased Coke’s stock price 11.6 per cent.

EPILOGUE

In December 2007, Isdell announced that he would step down from the CEO position in July 2008 to be replaced by Muhtar Kent, the company’s COO. However, Isdell would remain chairman of the board until the company’s annual meeting in 2009, splitting the position of CEO and chairman at Coca-Cola for the first time. To questions on why Isdell chose this time to announce his departure, he said, “Because it’s the right time. I’ve been working on succession since Day 1”. Although a national search had been launched when Doug Daft left, there would be no doubt as to who the next CEO would be this time.

Commenting on the news, John Sicher, a beverage industry expert remarked, “Kent understands the company and the system literally as well as anybody in the world and better than most.” Deutsche Bank analyst Marc Greenberg said, “Kent has played a formative role in shaping the current course — ‘steady as she goes’ is likely the mantra.” In the position of COO, Kent saw major strategic initiatives undertaken, such as the $4.1 billion acquisition of glaceau in 2007, strengthening Coca-Cola’s position with new brands, such as vitaminwater.

At the time of this announcement, Kent mentioned that he had no immediate plans to change any leadership roles but that some scope was available for fine-tuning management. He pointed out that he knew he faced challenges: “We have confidence the United States has growth left in it,” he said. Regarding


the bottling issues, he added, “We were at each other’s throats with our bottlers a year ago — we are aligned now.” 42

As the plane headed toward Atlanta and Coca-Cola’s corporate headquarters, Kent looked out at the Atlantic ocean and thought about the company’s previous illustrious leaders, their times and strategies, and wondered how he would take charge and lead the company into the future.

Exhibit 1
CEO SUCCESSION TIMELINE AND STOCK PRICE PERFORMANCE AT COCA-COLA

<table>
<thead>
<tr>
<th>CEO</th>
<th>Period of Tenure</th>
<th>Adjusted Monthly Closing Stock Price at Beginning Month of Tenure*</th>
<th>Adjusted Monthly Closing Stock Price at Ending Month of Tenure*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Goizueta</td>
<td>March 1981 to October 1997</td>
<td>$00.78</td>
<td>$46.23</td>
</tr>
<tr>
<td>Douglas Ivester</td>
<td>October 1997 to February 2000</td>
<td>$46.23</td>
<td>$40.54</td>
</tr>
<tr>
<td>Douglas Daft</td>
<td>February 2000 to February 2004</td>
<td>$40.54</td>
<td>$44.25</td>
</tr>
<tr>
<td>E. Neville Isdell</td>
<td>May 2004 to June 2008</td>
<td>$45.71</td>
<td>$51.61**</td>
</tr>
<tr>
<td>Muhtar Kent</td>
<td>July 2008 to Present</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Closing price adjusted for dividends and stock splits
** As of June 30, 2008

Exhibit 2
COCA-COLA (KO) STOCK MARKET PERFORMANCE COMPARED TO THE DOW JONES (DJI) AND STANDARD AND POOR (GSPC) INDICES

Exhibit 3

GRAPHICAL COMPARISON OF NET PROFIT / SALES AND NET PROFIT / EQUITY DURING THE GOIZUETA AND IVESTER TIME-FRAME

CCE: Coca-Cola Enterprise
PBG: Pepsi Bottling Group