Pop Star

In an excerpt from *Inside Coca-Cola*, former CEO **Neville Isdell** offers a behind-the-scenes look at how a good company became great again.

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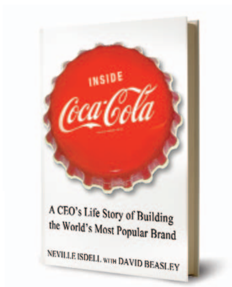
Neville Isdell was playing golf in Barbados when he was coaxed out of retirement in 2004 to head up Coca-Cola. Atlanta's most famous Fortune 500 company—and the world's biggest beverage producer—had hit a rough patch. CEO Roberto Goizueta's death in 1997 rattled the company, and Goizueta's two successors came and went fast. By the time Isdell was named CEO, the company had laid off thousands of workers and its star was fading, as consumers began to turn more toward noncarbonated drinks.

Isdell, a native of Northern Ireland whose first job with Coca-Cola was in South Africa in 1966, spent his first ninety days as CEO traveling the globe. As he recounts in his new memoir, morale at the company had taken a beating. He soon summoned his top officials to a London hotel, where a new "manifesto," as Isdell calls it, would set into motion the resurgence of one of the world's most iconic brands.

AFTER ROBERTO GOIZUETA'S DEATH, Coca-Cola began to falter. For so many years, the company had been blessed with two great leaders: Goizueta and Don Keough. However, Roberto had died and Don had retired. Doug Ivester, the company's first leader in the post–Goizueta-Keough era, did not last long. He resigned as CEO and chairman after only eighteen months. [Douglas] Daft survived for more than four years, although frankly, he probably should have left earlier. I believe he stayed as long as he did, in part, because the board did not want to face the grim reality that two successive choices for the top job had failed to get the company back on track.

In all fairness, Roberto's performance was not sustainable, particularly given the changes in the global economy. He pushed us all to the absolute limit. He would go to Wall Street and say, "We are going to be able to deliver 15 percent growth in earnings per share." Those of us on the front lines thought that 11 or 12 percent was a more realistic number and would attempt to tell Roberto as such. "Fine," Roberto would reply. "Wall Street is expecting 15 percent." A company and its executives can only do that for so long, particularly when world events go against you as they did in the second half of 1998.

Gary Fayard, Coke's current chief financial officer who was then controller, remembers the year well. "In the first half of 1998, the company grew its volume 12 percent. We had a huge analysts meeting in Atlanta in May. The analysts were asking when we were going to take our earnings and growth targets up. I'm sitting in the back of the Goizueta Auditorium reading the *Financial Times* and it says, 'Asian Flu, Russia Devolving, Argentine Meltdown.' The whole world is going to hell except the U.S. Yet our volume was still skyrocketing. We were hiring people left and right. The bottlers were building plants, borrowing money, just growing everywhere."



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It did not take long, however, for the economic turmoil to hit Coca-Cola's bottom line.

"In the second half of 1998, our volume increase went from 12 percent to zero," Gary recalled. "Overnight, the world stopped. Our business stopped. But you've hired so many people; the bottlers have so much debt from building plants and making acquisitions. The bottlers are in a very bad position. The company is bloated with overhead."

Ivester had launched a project in 1999, later executed by Daft, named the Strategic Organizational Alignment, a code word for mass layoffs, which were unheard of at Coke, where a job had almost always meant a job for life. Coke fired more than 5,000 people, deeply shaking the company.

"The layoffs killed us," Gary recalled. "We lost momentum. We lost morale. That is where we really started losing our way."

The company indeed needed to shed costs. Yet the firings were not implemented effectively. It was not a Strategic Organizational Alignment; it was a head-cutting exercise. Many of the heads that were cut were heads that had special skills and | CONTINUED ON PAGE 120

FROM TOP Isdell in front of the Coca-Cola sign in Moscow's Pushkin Square in late 1989, shortly after the Berlin Wall fell and the first McDonald's opened in Russia—it was the first commercial sign in Moscow; greeting Coca-Cola employees at the Atlanta headquarters in May 2004 soon after his appointment as CEO and chairman was announced; Isdell, Muhtar Kent (Isdell's eventual successor), and then CEO and Chairman Roberto Goizueta.