Strategic leadership at coca-cola: the real thing essay sample

Business, Company

The types of leaders are described in the first paragraph of the article. Managerial leaders don’t like to take risks; their goals are based upon the past and necessity. They are involved in day to day activities and people who are involved in the decision making process. Visionary leaders like to change the way people think and they are concerned with the future of the company. Strategic leaders are a combination of the managerial and visionary leader. They are concerned with day to day and long term matters of the company. (Riaz., p. 1-2) Robert Goizueta, born in Cuba, was a self starter. He had humble beginnings and he was a hard worker. He attended Yale and majored in chemical engineering. He responded to an advertisement for an entry level chemist at Coca Cola Company at $500 per month. He stayed in Cuba until Fidel Castro took power. At that time, Goizueta relocated his family to Miami. He had 100 shares of Coca Cola stock. Eventually he was promoted to vice president of technical research and development.

Robert Woodruff, former CEO of Coca Cola became friends with Goizueta and he aided him up the corporate ladder. In 1980 Goizueta became the president of Coca Cola; in 1981, he became the chairman and CEO. Woodruff thought that Goizueta would bring about change and improve performance. Goizueta chose Donald Keough as his chief operation officer and president. (Keough was J. Paul Austin’s choice for successor when he retired in 1981.) Goizueta was a visionary leader. When he took over at Coca Cola, the company was involved in several other industries including soft drinks, shrimp farming, plastics industrial boilers and industrial water treatment. He got rid of the noncore businesses and in 1981, Coca Cola was involved in selling bottled carbonated drinks- Coca-Cola, Tab, and Sprite and one non-carbonated drink-Minute Maid, (Riaz, p. 3) He borrowed billions of dollars to buy out independent bottlers around the world. He believed in the philosophy of what can be and not what is. He felt that he was in a people relations business. (Riaz, p. 4)

Goizueta believed in brand building. He was a risk taker. This is illustrated by his adding the Coca-cola brand to Diet Coke in 1982. Also in that year, he bailed out Columbia Pictures when it went bankrupt and in 1989 he sold it to Sony for a larger profit. When trying to compete with Pepsi, Coca Cola changed its formula to a sweeter formula. This bombed out as the New Coke and the company had to relaunch the Classic Coke. People had an attachment to the original Coca Cola formula. " Coke is it!" (Riaz., p. 5) The Goizueta effect was Coca Cola revenues increasing from "$4. 8 billion to $18. 5 billion, net income from 40. 5 billion to $3. 5 billion, and return on equity from 20 per cent to 60 per cent from 1981 to 1996." (Riaz, p. 5) It is said that Goizueta would be happy if Coca Cola was served at every table in China. (http://www. economist. com/node/104085, retrieved Oct 8, 2014) Gouizueta died of cancer in 1997. His 100 shares he had in Miami was worth $3 million. 99% of his personal wealth was tied into Coca Cola stock. His successor was Douglas Ivester. Gouizueta left 4 people who could fill his position as CEO and ten people who could fill the positions of those 4. Douglas Ivester had a short term as CEO of Coca Cola. He was a workaholic, working 7 days a week, with 14 hour days; he felt that Coca Cola should be sold everywhere.

If it was not carried in a store, he wanted to know why not. He was an accountant and had a knack for finance. He was promoted to CFO under Goizueta. When the Berlin wall came down, Ivester saw Coca Cola taking over Eastern Europe. Pepsi had previously dominated that area. He was interested in keeping Coca Cola as a non alcoholic beverage business. As CEO, Ivester cancelled Don Keough’s consulting contract and hence his seat at the Board meetings. He also demoted a senior vice president, Carl Ware. It has been said that Ivester micromanaged the company. He was interested in the customers. He was the CEO when some Belgium children got sick from drinking Coca Cola; 65 million cans had to recalled because of the incident. (Riaz, p 8) Ivester took credit for the improved bottler system. When people had complaints about Ivester, they complained to Keough. During Ivester’s two years at CEO, Coca Cola’s market value did not change much; it went from $147 billion to $148 billion.

In 1999, Ivester was told that Coca Cola had lost faith in his leadership and that it was time for change. When his forced retirement was announced, Coca Cola stock went down 12% in two days. (Riaz., p. 9) During Ivester’s reign, stock price dropped 12. 3 %. Ivester was a managerial leader, being involved in the day to day activities of the business. He saw himself as a regulator of the existing order of Coca Cola. The company did not prosper under his leadership and the leadership of the company forced him into retirement. It has been said that Ivester was a “ bad leader”. He was a one man show and he did not have a second in command.

They say that Ivester was so wrapped up in data and information technology that he lost sight of the big picture. The Belgium situation with the children getting carbon dioxide poisoning was a crisis which Ivester had under estimated. Also Carl Ware was a leading African American within Coca Cola and after some change in management instead of reporting directly to Ivester, Carl Ware reported to Daft. When Coca Cola was faced with a discrimination lawsuit, Ivester had named Carl Ware to head his diversity council. When Carl Ware’s status changed, he complained. This crisis involving Ware caused problems with Coca cola’s marketability.

Don Keough had tried to warn Ivester about the problems in his leadership but Ivester did not heed his advice. Ivester tried to be a one man show but the complexity of the company required a number 2 man as well. Douglas Daft succeeded Ivester. When he was appointed CEO of Coca Cola he was on his way to retiring from 30 years with the company in Asia. He has served as the president of Coca Cola in Japan. He is described as being low keyed and avoiding conflict. (Riaz. P. 10) He favored giving decision making power to field managers. He allowed Don Keough to attend Board meetings. Many people who served under Ivester, were terminated. Daft entered a deal with Warner Brothers and co-marketed the Harry Potter movies around the world. (Riaz, p. 11) during his tenure, Coca Cola stock prices went up 9. 15% (Riaz, p. 11) He was a strategic leader in that he was concerned with day to day operations and long term responsibilities.

He fired Jack L. Stahl as president and Chief Operating Officer and bought in Steve Heyer, formerly of Turner Broadcasting, to replace him. Daft was the

CEO when there was turmoil in Columbia. General counsel Deval Patrick was supposed to investigate the violence there. Four months later information about Patrick's resignation was leaked. Daft retired in February 2004. For two months, the company speculated about who would be the next president and CEO. Keough wanted Isdell to be the CEO when Ivester was chosen. Coca cola's next successor was Edward Isdell. He obtained his B. A. from Capetown South Africa, majoring in social science.

In 1972, he was the general manager of a bottler located in Johannesburg. In 1980, he was regional manager in Australia and in 1981 he went to the Phillipines. He was an international manager. He worked in Germany and he became president of the Northeast Europe/Africa group in 1989. (Riaz., p. 11) There was expansion into new markets in " India, Middle East, Eastern Europe and the Soviet Union." (Riaz, p. 11) When Coca-cola merged with Hellenic Bottling company, Isdell was at the helm. In 2001, he left Coca-cola and went into business in Barbardos. International profits rose under Isdell's reign.

Coca-Cola was fortunate to have a mixture of leaders as their CEO. They had all type of leaders including the visionary, managerial and strategic leader. Because of the enormity of the operation and the field of qualified candidates, Coca-Cola would always have a qualified CEO. There was a wealth of talent at Coca-Cola. Succession of CEO was not an issue for the company. The perfect CEO for the company would have the characteristics of a manager, strategic leader and a visionary. Executive planning is imperative for the company. This company can not function without effective leadership, the profits would fall and the image of Coca Cola would fade. The brand is know internationally.

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