

EXHIBIT 3
Strategy Report Card

New York Times Co. aims to deliver top-notch journalism in any form, anyplace.

PRINT Instituted a radical plan to take the flagship paper national. For years, it looked like a masterful stroke as new ads and subscribers poured in. In an effort to build a presence in all markets, the *Times* prints at 20 plants across the nation. Lately, though, circulation growth has hit a wall.

GRADE: B+ (was A last semester)

TELEVISION Has pursued several ventures for translating *Times* stories into documentaries. Two years ago the *Times* spent \$100 million for a one-half interest in Discovery Times, a cable channel. Efforts so far have been good for the brand, but not much of a moneymaker.

GRADE: C+

DIGITAL the *Times* was early to see the potential of the Web. Today the *Times* Web site is attracting nearly 18 million visitors each month, and ad sales are growing 30% to 40% a year. The result: a \$100 million business in NYT.com with healthy margins and robust growth.

GRADE: A-

INTERNATIONAL Squeezed out *The Washington Post* in 2002 to gain full ownership of the *International Herald Tribune*. The IHT has more cachet overseas than the *Times*, so it won't carry the flagship brand for now. But it's getting a *Times*-style makeover. Growth prospects are uncertain.

GRADE: INCOMPLETE

the issue of how comfortable are we training a generation of readers to get quality information for free," he says. "That is troubling."

What's a platform agnostic to do? *The New York Times*, like all print publications, faces a quandary. A majority of the paper's readership now views the paper online, but the company still derives 90% of its revenues from newspapering. "The business model that seems to justify the expense of producing quality journalism is the one that isn't growing, and the one that is growing—the Internet—isn't producing enough revenue to produce journalism of the same quality," says John Battelle, a co-founder of *Wired* and other magazines and Web sites.

Today, Sulzberger faces an even bigger challenge than when he took charge of the *Times* in the mid-1990s (Exhibit 3). Can he find a way to rekindle growth while preserving the primacy of the *Times*'s journalism? The answer will go a long way toward determining not only the fate of America's most important newspaper but also whether traditional, reporting-intensive journalism has a central place in the Digital Age.

—With John Rossant in Paris and Lauren Gard in New York

Source: Anthony Bianco, "The Future of the New York Times," *BusinessWeek*, January 17, 2005, 64–72.

Case 1-3

Coca-Cola Co. (A)

When former Coca-Cola co. executive E. Neville Isdell agreed last May to come out of retirement and become chief executive of the beleaguered soda giant, he brimmed with confidence. No Coke newcomer, Isdell had spent 35 years inside the vast Coke system as the Atlanta company built itself into the world's most recognized global brand, retiring in 2001 after a three-year

stint as head of a large European Coke bottler. "The system isn't broken," Isdell told a *BusinessWeek* reporter at the time. "There's still opportunity for both Coca-Cola and the other brands."

All it took was a tour of Coke's operations in India, China, and 14 other key markets this summer for Isdell to see a different reality: Coca-Cola was a troubled company. Things looked so bad that just 100 days into his new job the 61-year-old Irishman interrupted his fact-finding mission to deliver a surprise warning to Wall Street. Coke, which had been struggling since the

death in 1997 of its revered CEO, Roberto C. Goizueta, had made little progress in its efforts to meet the rising challenges of noncarbonated drinks. The soda giant would fall short of the meager 3% growth in earnings that analysts were resigned to for the third and fourth quarters. Moreover, Isdell was clearly prepping Wall Street for perhaps another year—or longer—of underperformance. “We’ve got a long way to go,” a chastened Isdell told analysts. “The last time I checked, there was no silver bullet. That’s not the way this business works.” Coke later announced that third-quarter earnings had fallen 24%, the worst quarterly drop at Coke in recent history.

As late as the 1990s, Coca-Cola Co. was one of the most respected companies in America, a master of brand-building and management in the dawning global era. Now the Coke machine is badly out of order. The spectacle of Coke’s struggles has become almost painful to watch: the battles with its own bottlers; the aged, overbearing board; the failed CEOs and failed attempts to recruit a successor; the dearth of new products; the lackluster marketing. “They’ve been their own worst enemy, a casualty of their own success,” says Emanuel Goldman, who has followed Coke as an analyst since the 1970s (see Exhibit 1).

Yet as grave as those problems are, they only hint at the real dimensions of Coke’s woes. The Coca-Cola organization is stuck in a mind-set formed during its heyday in the 1980s and ’90s, when Goizueta made Coke into a growth story that captivated the world. An unwillingness to tamper with the structures and beliefs formed during those glory years has left the company unable to adapt to consumer demands for new kinds of beverages, from New Age teas to gourmet coffees, that have eaten into the cola king’s market share. “The whole Coke model needs to be rethought,” says Tom Pirko, president of BevMark LLC, a Santa Barbara (Calif.) consulting firm. “The carbonated soft-drink model is 30 years old and out of date.”

Of all the problems that can beset a corporation, a dysfunctional culture has to be one of the toughest to fix. How do you get thousands of employees suddenly to change their most basic assumptions about their company? After all, the beliefs and attitudes that make up a culture filter into everything else: decisions on basic strategy, management style, staffing, performance expectations, product development. That’s why the problems at Coke have proven so intractable. A succession of managers has focused on trying to do what Coke has always done, only better. Meanwhile, rival

EXHIBIT 1
Coke’s Challenges

Break-Down

Coke today struggles to do the things that once made it great

MEDDLING BOARD

Coke’s star-studded group of directors, many of whom date back to the Goizueta era, has built a reputation for meddling. Some insiders believe the last CEO, Doug Daft, never recovered after the board unexpectedly vetoed his 2000 deal for Quaker Oats.

MORIBUND MARKETING

Once world-class, critics say that today the soda giant has become too conservative, with Norman Rockwell-like ads that don’t resonate with the teenagers and young adults that make up its most important audience.

LACK OF INNOVATION

In the U.S. market, Coke hasn’t created a best-selling new soda since Diet Coke in 1982. In recent years, Coke has been outbid by rival PepsiCo for faster growing noncarb beverages like SoBe and Gatorade.

FRICTION WITH BOTTLERS

Over the past decade Coke has often made its profit at the expense of bottlers, pushing aggressive price hikes on the concentrate it sells them. But key bottlers are now fighting back with sharp increases in the price of Coke at retail.

INTERNATIONAL WORRIES

Coke desperately needs more international growth to offset its flagging U.S. business, but while some markets like Japan remain lucrative, in the large German market Coke’s had so many problems it’s rebidding all bottling contracts in 2007.

PepsiCo Inc. has a much different view of its mission (hint: it's not just about soda pop)—one that has helped it adapt far more successfully to a changing marketplace. Until Coke can lay the ghost of Goizueta to rest and let go of some long-cherished beliefs, it's unlikely to fix its problems.

Frozen in Time

Is the latest Coke CEO capable of leading Coke out of the valley? It's too early in Isdell's tenure to say for sure, but the early signs are not promising. Although he earned a reputation for bold decision-making as a young executive, Isdell seems to have fallen into lock-step with the reigning Coke orthodoxy. He says the company's salvation lies in simply tuning up the soda operations and capitalizing on existing brands. "We are not talking about radical change in strategy," he told Wall Street analysts in November. "We are talking about a dramatic change in execution."

That was more or less the playbook used by Roberto Goizueta, a charismatic CEO. The Cuban-born executive sold off ancillary businesses and refocused the company on what it did best: selling carbonated soft drinks. At the same time he engaged in some sophisticated reengineering of the company's financial structures. In 1986, Coke spun off a 51% stake in its U.S. bottling operations, a shrewd bit of financial alchemy that let it dump billions of dollars of bottling-related debt off its balance sheet while allowing it to continue pulling the strings at the spin-off. Thanks to near-constant buying and selling of small bottling operations, the deal also helped Coke achieve consistent profit gains, turning the once-stodgy company into—shazam!—a growth stock.

Meanwhile, Coke was able to ride the global boom like few other companies, rushing into once-closed economies such as China, East Germany, and the Soviet Union and sating their pent-up demand for a taste of America. The result: Coke stock soared 3,500% during Goizueta's 16-year reign, helping to make him one of the first supercompensated CEOs and the first professional manager to break the \$1 billion pay barrier. After his death from lung cancer in October, 1997, Goizueta was all but deified, his financial structures, his colacentric philosophy, and even his board of directors frozen in place ever since.

The ensuing years have seen a long and painful descent. After generating average annual earnings growth of 18% between 1990 and 1997, Coke's net income in recent years has grown an average of just

4%. Shares have fallen hard, currently trading at less than half their 1998 peak as more and more investors conclude that Coke's best days may be behind it. "At Coke," says Brian Holland, research director at Boyd Watterson Asset Management LLC, a Cleveland money manager that has cut its Coke holdings by 84% since last December, "there's a lot to fix, and there's no short-term solution."

In the absence of a clear vision, Coke's desire to cling to its past is not hard to understand. After all, in Coke Classic, the company is blessed with a flagship product that remains, for all of the management missteps of the past decade, one of the most powerful brands in the world. And despite the company's problems, it is still a cash cow. Helped by the dollar's decline against other major currencies, Coke is expected to generate roughly \$5 billion in operating profits this year, far beyond such companies as Nike, Colgate-Palmolive, and McDonald's that have similar global ambitions. Indeed, part of Coke's paralysis is a fear that nothing else the company enters will ever match the extraordinary margins of soda concentrate.

"Smoke and Mirrors"

Goizueta's most ingenious contribution to Coke, the ingredient that added rocket fuel to the stock price, was a bit of creative though perfectly legal balance-sheet rejiggering that in some ways prefigured the Enron Corp. machinations. Known inside the company as the "49% solution," it was the brainchild of then-Chief Financial Officer M. Douglas Ivester. It worked like this: Coke spun off its U.S. bottling operations in late 1986 into a new company known as Coca-Cola Enterprises Inc., retaining a 49% stake for itself. That was enough to exert de facto control but a hair below the 50% threshold that requires companies to consolidate results of subsidiaries in their financials. At a stroke, Coke erased \$2.4 billion of debt from its balance sheet. Just as important, it was able to command six board seats at CCE, which it packed with current or former Coke executives, including then-Coke President Donald R. Keough. With effective control, Coke for years could ensure that CCE was run to Coke's benefit. "Coke was creating a special-purpose entity, like Chewbacca from Enron," marvels one Wall Street analyst, referring to Enron's Chewco Investments limited partnership. Coke disputes any comparison to Enron and says the spin-off was simply a way "to leverage substantial efficiencies and adapt more rapidly to the changing trade landscape in the U.S."

Its behind-the-scenes control of CCE allowed Coke to extract a series of advantages, from pricing to deciding how many vending machines CCE purchased. Coke had tacit control over how much its largest customer—CCE—paid for the concentrate Coke sold it, as well as how much CCE charged retailers for the actual soda. Thus the escalating price wars between Coke and Pepsi came much more out of CCE's margins than Coke's, especially since Coke also required CCE to shoulder a growing portion of its brands' marketing costs.

But that was just one aspect of this unusual relationship. In the '80s and '90s a generation that ran small, family-owned bottlers was looking to retire. Coke had been snapping up these operations as a way to assure quality and to keep them from falling into the hands of leveraged-buyout artists, who would likely bleed them for their cash flow. In CCE it had another so-called anchor bottler, one of roughly a dozen around the world, from which it could exact ever-higher profits as it resold these smaller bottlers to the anchors. There were so many such deals that Coke was able to convince analysts the resulting profits should be considered part of normal operations and not extraordinary income.

For a time, this flurry of dealmaking masked the problems building in Coke's international business. But by the end of the '90s, Coke simply ran out of assets to resell, and its largest bottlers began to sink fast under all the debt-financed acquisitions they had made at Coke's behest. The result: Coke's profits stalled, with operating income falling from \$5 billion in 1997 to as low as \$3.69 billion in 2000. "In hindsight, a lot of what Coke was doing was smoke and mirrors, stuff that wouldn't pass the accounting standards of today," notes Douglas C. Lane, a private fund manager who now holds 400,000 Coke shares. "And at the time it created expectations of growth that weren't real." Coke notes that all such transactions were fully disclosed at the time.

The next move was inevitable: Coke imposed a crushing 7.6% price hike on its bottlers in the late '90s as Ivester, now CEO, desperately tried to sustain Goizueta's profit streak. Coke's U.S. bottlers, livid over the price increase, burned up the phone lines to some key Coke board members and succeeded in pushing the already embattled Ivester over the ledge. In late 1999, he resigned.

Ivester's successor, Douglas N. Daft, tried to work with bottlers, but relations have steadily deteriorated since. (Daft serves on the board of The McGraw-Hill

Cos., which publishes *BusinessWeek*.) In a sign of disunity that would have been unthinkable in the Goizueta era, some bottlers are beginning to push back with price hikes that could boost their own profits—at Coke's expense.

While those hikes could dampen sales—and thus reduce the amount of concentrate bottlers need to purchase from Coke—the bottlers are clearly banking on the belief that they will come out ahead, even if Coke doesn't. At the same time, many bottlers have refused to carry some of the company's new noncarbonated niche offerings that Coke acquired, such as Mad River teas and Planet Java coffee, forcing the company to bury both products last year. While CCE executives maintain that relations have improved under Isdell, Trevor Messinger, a Coke bottler in Rapid City, S.D., readily admits relations between Coke and some bottlers are contentious. "I don't think everybody is on the same page of the playbook," he says.

If the friction between Coke and its bottlers worsens, some analysts believe that Isdell will have no choice but to resort to radical measures to defend Coke's interests—such as reacquiring the 62% of CCE it doesn't own. (Coke's stake has declined to 38% because of dilution.) If CCE continues to raise prices, then reabsorbing the bottler could be the only means left for Coke to ensure that it maintains its share of the pie, reasons Morgan Stanley analyst William P. Pecoriello.

Another scenario swirling inside the Coke system would have Isdell reacquiring CCE and then breaking up its assets and territories for resale to smaller bottlers or even major U.S. beer distributors—which as private companies may be content to work on lower margins than publicly traded CCE. But for now, Coke shows little willingness to tamper with this vestige of the Goizueta era. "I think that there are a number of things that we can do together without having to consider changing the model," Isdell said in an interview.

Nowhere is the Goizueta orthodoxy more apparent than in the company's unwavering focus on its aging group of soda-pop brands, especially the hallowed four: Coca-Cola, Diet Coke, Sprite, and Fanta. Goizueta was fond of discussing Coke's market share in terms of "share of stomach," as though, with the right marketing, people could be induced to give up coffee, milk, and even water in favor of Coke. Seven years after his death, the company remains fixated on making its flagship Coke brand the universal beverage from Stockholm to Sydney. Coke's sodas constitute 82% of its worldwide beverage sales, far more than at Pepsi,

which is gaining on Coke's lead in the U.S. beverage market and numbers Tropicana juice, Gatorade sports drinks, and Aquafina water among its billion-dollar beverage brands.

Coke loyalists still believe in the the mantra first coined by legendary Coke Chairman Robert W. Woodruff and often repeated by Goizueta, of putting a Coke within an "arm's reach of desire" of consumers around the globe. But increasingly, consumers are reaching for anything but a soda. The mass market that Coke was so adept at exploiting has splintered. Consumer tastes have shifted from sodas to an array of sports drinks, vitamin-fortified waters, energy drinks, herbal teas, coffee, and other noncarbonated products, some of which are growing as much as nine times faster than cola. After rising steadily during the '80s and '90s, per capita soda consumption in the U.S. has declined every year since 1998. Yet when Daft tried to push Coke to become a "total beverage company," he met with resistance from Coke's board.

In an interview early in the Daft years, investment banker and director Herbert A. Allen dismissed Daft's efforts, declaring: "That's all fine and good, but I still believe that getting the four core [soda] brands right is 85% of the equation." That attitude still seems to dominate. One director, speaking on the condition he not be named, recently dismissed bottled water as "something I guess we have to carry. But the fact is we're still the kings of carbonation—always have been, always will be."

Coke's cultural resistance to diversification has become an enormous liability. South Beach Beverage Co., for example, negotiated with Coke for two years before the soda giant decided against acquiring the New Age juice company. It took Pepsi just two weeks to make an offer. Is SoBe a huge brand? No, but it gives Pepsi access and insight into a market that its soda pop completely bypasses. If you think of yourself as a beverage-and-snack company, as Pepsi does, that's valuable. If you think of yourself as a soda company, as Coke does, it's not.

Pepsi Generation

Its portfolio of beverages and its faster-growing snack foods give Pepsi enormous clout with retailers (see Exhibit 2). Pepsi boasts that it has become the second-largest generator of revenues, after Kraft Foods Inc., for its largest grocer customers. Pepsi isn't shy about using that clout to try to wrest shelf space from Coke and other rivals. "If we were only playing in carbonated soft

EXHIBIT 2 Coke vs. Pepsi

Pepsi never quite caught Coke in the cola wars, but its portfolio strategy has made it the long-term winner	
COKE	PEPSI
Sales \$21 BILLION	Sales \$27 BILLION
Sales Growth* 2%	Sales Growth* 4%
Earnings \$4.3 BILLION	Earnings \$3.6 BILLION
Earnings Growth* 4%	Earnings Growth* 12%
Stock** -40%	Stock** 38%
Business Breakdown 100% BEVERAGE	Business Breakdown 37% BEVERAGE 58% FRITO-LAY SNACKS 5% QUAKER CEREAL
* Five-year average ** Five-years ended 12/3/04	
Data: Bloomberg Financial Markets	

drinks, competitively we would be disadvantaged in many ways," says PepsiCo CEO Steven S. Reinemund. "Being outside carbonated [soft drinks] makes sure we're growing in the areas where there is growth."

Isdell has said he'll explore new beverage categories. If so, he'll be starting well behind Pepsi. Pepsi got a two-year jump on Coke in bottled water and later outmaneuvered Big Red to acquire both SoBe and Gatorade. As a result, Coke's Powerade has just a 17% share of the fast-growing sports-drink segment in the U.S., vs. 81% for PepsiCo's Gatorade brand. And after garnering just a 2.8% share of the popular energy-drink category—vs. 58.5% for independent rival Red Bull—Coke plans to try again with a second energy drink, Full Throttle, in January.

But in reaching into new categories, Coke may have to figure out how to get these beverages to market using food brokers, since its dedicated bottlers have been loath to handle new products that don't approach the high volumes of soda. Here, too, Pepsi has a head start. Gatorade is already distributed through a well-established system of brokers. Coke also may have to reduce its profit expectations, since the margins on noncarbonated drinks are generally lower. "Even with premium price, they cannot achieve those [soda] margins in the New Age category," warns Lance Collins, founder of New Jersey-based Fuze Beverage LLC, whose products include a diet pomegranate white tea.

The one area at Coke where the thinking has changed since the height of the Goizueta era, though not necessarily for the better, is marketing. At his Atlanta funeral, Goizueta was eulogized to the strains of *I'd Like To Teach the World To Sing* from Coke's syrupy but unforgettable commercials of the '70s. At the height of its powers, the Coke marketing machine could turn even disaster into triumph, as it did when Coke tampered with its historic concentrate formula in 1985. The sweeter new concoction backfired, but Coke seized the opportunity to build intense loyalty for Coca-Cola Classic.

The marketing magic at Coke had begun to fade even before Goizueta's death. In the late '90s, Ivester began shifting resources away from advertising and into blanketing the world with as many vending machines, refrigerated coolers, and delivery trucks as Coke and its bottlers could muster. The goal was simple ubiquity, while the niceties of brand-building were ignored. "There was no vision, no marketing," recalls one former executive. "It was all growth through distribution."

This proved to be a costly shift. For one, vending machines that were put into unconventional locations such as auto-parts stores didn't always pay off. Coke's lackluster advertising didn't help, either. Ivester, who had a deep distrust of Madison Avenue, tended to starve the ad budget, believing that the iconic Coke brand was powerful enough to sell itself. That began to change under Daft, who hired Steven J. Heyer, a former ad exec, and promoted him to president. Then, to evade the stifling Atlanta bureaucracy, he and Heyer pushed decision-making out into the field. But the move went wrong when Coke's local marketers, suddenly unshackled, began producing racy ads, including an Italian spot featuring a couple skinny-dipping. That prompted Coke headquarters to reclaim control and revert to bland Norman Rockwell-type ads. The

result, says one former marketing executive, is an erosion of Coke's perceived value as a brand: "Starbucks can charge \$2 for a cup of coffee, and they can barely sell a 12-pack of Cokes for \$2."

In recent years, Coke showed signs of regaining its footing on the marketing front, thanks in large part to Heyer. But Heyer's departure in June after he was passed over for the top job was viewed as a big loss and is likely to lead to an exodus of the talent he brought to Coke during his three-year tenure. His successor, long-time Coke exec Charles B. "Chuck" Fruit, contends that Coke is producing good ads but has been hurt by a propensity to careen from campaign to campaign. "We've suffered from an impatience that we're going to have to overcome," he says. "When we change campaigns and have 11 different looks to a brand at any one time, we're swimming upstream."

"Simple Little Things"

To really break out, Coke could make a transformative acquisition, as Pepsi did in the 1970s when it bought Frito-Lay Inc. But Isdell is downplaying the notion of a big, audacious fix for Coke's troubles. In fact, he readily admits that during one of his European tours he passed on the chance to acquire Red Bull—the independently owned, market-leading energy drink. Rather than a gaudy acquisition, Isdell maintains that Coke's redemption will come from its ability to better perform the "millions of simple little things" that Coke employees do around the globe each day. And Isdell is adamant that there's still growth in carbonated soft drinks. The reason goes back to the bottom line: He says there just aren't many businesses for sale that produce the lush margins—around 30%, some analysts estimate—that Coke makes from selling its proprietary concentrate to bottlers. In the end, Isdell has come around to the view that there's plenty of growth left in soda pop. "Regardless of what the skeptics may think, I know that carbonated soft drinks can grow," he told analysts in mid-September.

That's a remarkably conservative strategy for a man who made his name as a change agent at the soda giant. During his years of helping Coke crack emerging markets in Africa, Asia, and Eastern Europe—assignments that earned him the reputation as the "Indiana Jones of Coke"—the gregarious former rugby player made his mark as the revolutionary who was always willing to challenge the corporate dogma. As a European executive in the late 1980s, Isdell pushed the company

into bottled water—a full decade before the colacentric managers did the same back in the U.S. “He got an awful lot of grief from headquarters,” recalls Gavin Darby, a former Coke executive.

And when Coke was poised to reenter India in 1993 after a 17-year absence, Isdell allowed his local managers to establish a beachhead by purchasing the leading India soda maker, Parle, even though Coke had long frowned on acquiring rival soda makers. Coke’s former India chief, Jay Raja, recalls Isdell telling him to go for it: “We agreed that we would ask for forgiveness instead of permission.” Isdell’s instincts were proven right: At a later board meeting, Goizueta hailed Isdell’s move, which gave Coke 60% of the Indian soda market almost overnight, as “the deal of the decade,” recalls Raja.

Notorious Board

Perhaps the biggest impediment Isdell faces, outsiders say, is Coke’s board. More than anyone else, the directors, especially the powerful triumvirate of Warren E. Buffett, Herbert A. Allen, and Donald Keough, are the keepers of the flame at Coke. Over the years they have strictly enforced obedience to the Goizueta Way. This politburo of the Goizueta era (of 14 directors, 10 date back to the late CEO) has chewed through two CEOs in the past five years. Three directors are over the age of 70, but don’t look for any departures soon. Earlier this year the board waived Coke’s mandatory retirement age, 74, to allow Buffett to remain and Keough to rejoin.

This is a group that believes in getting involved—very involved—in company affairs. Many Coke insiders feel that Daft, Isdell’s predecessor who abruptly announced his retirement last February, never recovered from Buffett’s 11th-hour veto of his attempt to steal Quaker Oats Co. from Pepsi in November, 2000. The deal was quashed when the legendary financier declared at a special board meeting that Quaker and its powerful Gatorade brand weren’t worth giving up 10.5% of the Coca-Cola Co. Daft declined to speak for this article except to say he retired for health reasons. “The board has to challenge management’s plan but should not challenge its authority. The Coke board was micro-managing,” says John M. Nash, a board consultant and former president of the National Association of Corporate Directors.

So notorious is the Coke board that many blame it for the humiliating rejections Coke received from a string of CEO candidates the board courted before anointing Isdell. Even Buffett’s prestige were not enough to persuade James M. “Jim” Kilts, head of Gillette Co., where Buffett was a director for years. Like Robert A. Eckert of Mattel Inc. and Carlos M. Gutierrez of Kellogg Co., Kilts passed on the opportunity to head the world’s most powerful brand. (Indeed, one executive that Coke approached for the job was rankled by the way Coke’s board leaked the names of people it was pursuing. “It was like the search was playing out on CNN,” he says. “One of the greatest legacies that [Isdell] can leave behind is a reshaped board.”)

Board members have made clear their opposition to product diversification, as well as their belief that mergers aren’t what’s needed. At times they’ve even involved themselves in operations. Keough rankled some marketing staffers when earlier this year he personally killed an edgy TV ad—in which a teen wipes a Coke can under his armpit before handing it to an unwitting friend—that he deemed in poor taste. Isdell maintains that he’ll be able to stand his ground with Coke’s board. Sonya H. Soutus, a Coke spokeswoman, says it is “presumptuous and unfair” to criticize Coke’s board members, who she says have substantial stockholdings, bring a wealth of experience, and have taken steps to address Coke’s problems.

Can Isdell return Coke to greatness? In some ways, the clock is working against him. At 61, he may be only a transitional CEO. Still, long-timers can sometimes bring special skills to rejuvenating a tired corporate culture. “A.G. Lafley was a product of Procter & Gamble, and William Johnson was a product of [H.J.] Heinz,” notes Gary M. Stibel, a management guru at Westport (Conn.)-based New England Consulting Group. “They remembered what it was like when their companies were great, and they returned them to that greatness.” There are plenty of other examples, though, such as Eastman Kodak Co., where a succession of CEOs was unable to break from the past and continued to ride outdated models and product lineups nearly into oblivion. As two CEOs have already discovered at Coke, it isn’t easy following in the footsteps of a legend.

Source: Dean Foust, “Gone Flat,” *BusinessWeek*, December 20, 2004, 76–82.