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Coke's Chief Set to Retire at End of 2004

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Abstract (Article Summary)

Under Mr. Daft's leadership, Coke has faced significant legal troubles since last spring. As a result of a lawsuit filed by a former employee in May, the company admitted to committing marketing fraud by rigging the results of a test of Frozen Coke, a slushy drink, at Burger King restaurants. The company is also being investigated by the Federal Bureau of Investigation and the Securities and Exchange Commission for improper practices, including selling excess capacity -- known in the industry as channel stuffing.

Some analysts said that given Mr. Daft's longstanding intent to retire after five years, it was difficult to determine if the board had pressured him to step down. Mr. [James B. Williams] said retirement was Mr. Daft's decision. But other analysts questioned the timing of his announcement.

Mr. Daft became Coke's chairman at a time when strained relationships with bottlers and a racial discrimination lawsuit had tarnished the company. Under Mr. Daft's leadership, Coke improved relationships with its bottlers and made innovation a core part of the company's strategy introducing products like Vanilla Coke and Diet Coke with lemon, analysts said. But the company also had some missteps.

Full Text (1000 words)

After a year of embarrassments, investigations and lackluster earnings, Douglas N. Daft, chairman and chief executive of the Coca-Cola Company, said yesterday that he would retire at the end of the year.

His announcement, which ends months of speculation, is in keeping with what he said were his longstanding plans to retire after five years on the job. The speculation will now turn to who will succeed him in running one of the world's best-known brands.

The company's board plans to hire a search firm and will immediately begin looking both inside and outside the company for a successor, said James B. Williams, a Coke director who is the retired chairman and chief executive of SunTrust Banks. He also said that Steven J. Heyer, Coke's president and chief operating officer, is a "strong internal candidate."

In a separate announcement, Coke said it had elected Donald R. Keough to its board. Mr. Keough, 77, is a longtime -- even legendary -- powerbroker within Coke who served as president and chief operating officer from 1981 to 1993 and as an adviser since 2000. (In October, the company lifted its mandatory retirement age for its directors, who had to step down at 74.)

When Mr. Daft became chief executive in 2000, he told the board that he intended to hold the position for five years and when the board met in October, Mr. Daft, 60, reiterated his desire to step down but did not say when.

Under Mr. Daft's leadership, Coke has faced significant legal troubles since last spring. As a result of a lawsuit filed by a former employee in May, the company admitted to committing marketing fraud by rigging the results of a test of Frozen Coke, a slushy drink, at Burger King restaurants. The company is also being investigated by the Federal Bureau of Investigation and the Securities and Exchange Commission for improper practices, including selling excess capacity -- known in the industry as channel stuffing.

Both agencies declined to comment on the status of the investigation but people close to the investigation have said that the government has been asking questions about Coke's business practices in Japan, specifically during the time that Mr. Daft was leader of the company's Asian business in the late 1990's.

Some analysts said that given Mr. Daft's longstanding intent to retire after five years, it was difficult to determine if the board had pressured him to step down. Mr. Williams said retirement was Mr. Daft's decision. But other analysts questioned the timing of his announcement.

''The plethora of Coke's problems, operational, legal and regulatory, all probably contributed to a difficult environment for Doug Daft,'' said Emanuel Goldman, an independent consultant. ''This is not when you're supposed to leave. You're supposed to leave when things are O.K. If things aren't O.K. you're supposed to be there to make them O.K. The fact that he's not going to be there means that his leaving is probably not by choice.''

Mr. Williams said yesterday that the investigations had ''absolutely nothing'' to do with Mr. Daft's departure.

''We had a meeting yesterday afternoon at which Doug told us 'look I'm really serious about this retirement, and I'm going to put a date on it,''' Mr. Williams said. ''Everybody understood that in his mind this was the time, and he'd prepared us for that.''

In his announcement, Mr. Daft, 60, did not address the issue. He also did not say what he plans to do after he retires, although Mr. Williams said that Mr. Daft mentioned having time for hobbies like fishing.

''Over the past four years, we have accomplished a great deal and repositioned this company for accelerated growth,'' Mr. Daft said yesterday in a statement. ''Today, our brands are stronger and our global production and marketing system has been restored to health. I am proud of what we have accomplished.''

Mr. Daft became Coke's chairman at a time when strained relationships with bottlers and a racial discrimination lawsuit had tarnished the company. Under Mr. Daft's leadership, Coke improved relationships with its bottlers and made innovation a core part of the company's strategy introducing products like Vanilla Coke and Diet Coke with lemon, analysts said. But the company also had some missteps.

In 2000 the board backed away from its deal to acquire Quaker Oats -- a deal that Mr. Daft favored -- and lost the fast-growing Gatorade brand to PepsiCo. The company also had two significant restructurings, laying off thousands of workers in 2000 and again in 2003.

In his statement, Mr. Daft said he was pleased with the company's performance in 2003 and said its prospects for this year were ''very good.''

Since coming to Coke in 2001, Mr. Heyer has been viewed by many as the heir apparent to Mr. Daft. He has risen quickly through the company's upper ranks, becoming president and chief operating officer in December 2002.

Industry analysts said that in years past, when the chairman's post was vacated at Coke, several internal candidates competed for the job and the board did not seriously look outside of the company for a successor. The lack of competition for the position among Coke's top executives signaled weak leadership in the upper ranks of the company, but neither damaged Mr. Heyer's prospects or made him the definite choice for the job, analysts said.

[Photograph]
Steven J. Heyer, Coke's president, is a "strong internal candidate."

[Chart]
"Mixed Legacy"
After rising sharply under Roberto C. Goizueta, Coca-Colas stock price has languished under the briefer tenures of his successors, most recently Douglas N. Daft, right, who will retire at the end of the year.
Roberto C. Goizueta
Chosen to be chief executive Aug. 6, 1980
Took office March 1, 1981
Died (still in office): Oct. 18, 1997
M. Douglas Ivester
Named chief executive Oct. 24, 1997
Announced retirement Dec. 6, 1999
Left office Feb. 17, 2000
Douglas N. Daft
Named chief executive Dec. 9, 1999
Took office Feb. 17, 2000
Announced retirement Yesterday
(Source by Bloomberg Financial Markets)
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