

LEADERSHIP IN THE FIELD: Interviews With Global Leaders

By Russell Reynolds Associates
with Roger O. Crockett

Neville Isdell offers insight on developing a pipeline of competent successors, reinventing corporate strategy, and staying ahead of the competition.

Coca-Cola's Former CEO Neville Isdell On Strategy and Reinvention

An Edited Transcript

CHAPTER 1 - Successful succession is all about the pipeline.

Roger Crockett: Neville, when you were asked to come back to Coke in 2004, what were the circumstances that brought you back as CEO?

Neville Isdell: Well, they weren't good. That's why they did something very unusual and went and fished an old guy like me out of retirement. Because I was sitting in Barbados, actually drinking a Coke, looking over the Caribbean, when the phone rang. And the issues were multiple. But the main issue was to get growth back into [the company]. And of course, behind all that was to get people to believe in the future of the company again.

Roger Crockett: The need to bring you back, what did that teach the board about succession planning?

Neville Isdell: They didn't have anyone else internal. Now, they put in a very good process. Having recognized there was no one internal, they then put in a committee to do a proper search. And they cast the net far and wide. I mean, no one phoned me and said, "The job is yours." I was only asked to throw my hat in the ring. And I went through a process. I was interviewed by all the directors, just like some of the other candidates. And then they decided that they wanted someone who knew the inside of the company, and they also knew me as well. So out of retirement I came. But they did do a very diligent search process, and I think there's credit to them for that.

Roger Crockett: Right. Does that say something about developing a strong pipeline of talent internally?

Neville Isdell: Well, it is difficult. Certainly, in the succession process that I put in place for my successor, I had the advantage of there was a date certain when I was going to leave. I had come back with an agreement with the board that I was going to do a maximum of five years. That was a deal I had with the [corporate] board. And it was a deal I had with my board at home, called my wife, as well.

But actually that certainty meant that there was very good planning that could take place because the date was known. We could bring someone along and that's exactly what we did. But you have to keep refreshing that succession plan. Really good leaders who are sitting as number two, don't sit as number two for five, six, seven, eight years. They go somewhere else.

They're in demand. And very often, the very good number twos, don't step up to be good number ones, because what's needed in terms of leadership and the loneliness of sitting at the top, they haven't been exposed to. And it's difficult for boards to identify that, because the individuals are succeeding, let's say as the chief operating officer, the president. They seem to have all the qualities but there's just one thing missing. And that is they've always had to report to someone. You've got to go back and see whether they have led organizations in the business on their own and how they've managed to do that.

Roger Crockett: **How do you keep that pipeline warm? How do you keep it rich with five or six younger candidates who can grow into that role?**

Neville Isdell: Identifying candidates and having that pool is actually the easier part, and boards do a reasonable job of that. The problem is the name in the envelope and renewing that name. Because you start with a person that is right at that point in time, but one of the things you'll keep hearing me say is, "Everything is situational and situations change." So the type of leader you need is going to change depending on both the internal and external dynamic. And I think that matching of skill sets, against the real needs of the business, is what is not done particularly well.

Chapter 2 - Understanding - and meeting - The Board's expectations.

Roger Crockett: **When you came back to Coke, to run it as CEO, you faced a kind of turnaround situation. How would you advise other CEOs who are coming into a similar situation?**

Neville Isdell: I think every situation is different and I think it also has to be matched with your own individual skill set and personality. You shouldn't advise people to try to be something that they're not. Because people see through you, we all have our strengths and we all have our weaknesses. So, 'know thyself' is probably part of it, know what you bring to the equation. Then of course, it really does depend on what the situation is. I came back to a company that had very strong cash flows, a good balance sheet, but wasn't growing. It had, in a way, a belief and a morale problem. So I had time. I also had time in terms of the expectations of the board. That's one commonality I would actually point to. You as the incoming Chairman and CEO, or just CEO, need to have a very clear understanding with the board as to what they expect from you.

Chapter 3 - Catharsis first, then comes the turnaround.

Roger Crockett: **Now, is this what you called, at the time, your "Manifesto for Growth?"**

Neville Isdell: This is what became the "Manifesto for Growth." This was the beginning of it. But the first stage was the catharsis. And the beginning of day two was, "Well, what are we going to do about it? It's our company, we're going to fix it."

Roger Crockett: **And why was that so important - to have your employees do it themselves, to grab hold of this particular challenge and task?**

Neville Isdell: First of all, I believe that they knew more about the business and about what was wrong and what needed to be fixed. Number two, again, I had time. There was no edict from the mount when we had the strategy in place, because in fact, the top 150 managers had written it. We did electronic, anonymous voting. Nothing went in that didn't get 87.5% support. If people said, "No, I don't like it" then we went back to the drawing board. Now, there were some people who didn't like the process, who didn't think it was right, and they fell by the wayside. That's the way it goes. But when we launched the strategy with the 87.5%, we were off and running. And now, you have a cohesiveness behind the implementation of the strategy.

Chapter 4 - "Challenge your teams - make them happy to be there."

Roger Crockett: **What can you say about the importance of empowering your team, giving them clear information and direction?**

Neville Isdell: You can give support or you can not give support. But what you really have to do is make people make up their own minds to change what they're doing. Getting people enthused to do something which they believe in, rather than giving orders. Now, I can give orders, and I do that, because you have to. We're

running businesses here, and there are times when you've got to step in and that's it. I'm no patsy. But if you can make something meaningful for someone, that's what we tried to do with the Manifesto - when they walk-in in the morning, they're happy to be there. They're challenged. Then you get much, much better performance.

Chapter 5 - Coke vs. The Cell Phone: Understanding the competition.

Roger Crockett: Let's talk about the competition. Today, we are in an intensely competitive marketplace, as you were when you ran Coke. How often did you think about your competitor, Pepsi, and how much did those thoughts and what Pepsi did influence your strategy?

Neville Isdell: Well, you think about them all the time. You have to. You think about the broader environment. And your competitive set sometimes is even broader than you think. I'll give you an example. I remember a session when we were looking at a competitive set in Africa, and we decided that probably our biggest single competitor was the cell phone. Why? We were fighting for a small amount of discretionary income, whether they were going to have a soft drink or buy time for their cell phone. So sometimes your competitive set is actually rather peculiar. It's not just the people who are in your space.

Roger Crockett: You mentioned that you thought about the competition, but does it influence what you do as a company?

Neville Isdell: It has to, but you need to not be deflected everyday just because of something they've done. You've got to think within your strategic frame. You may have to change your strategic frame, if they have done something that's very different. An exercise that I did a few times in my career, which I find great fun and very interesting, was one I used when I felt that we were not taking the competition seriously and maybe we were feeling a little complacent ourselves. The first time we did this was in the Philippines. I got the management team in, and when they walked into the room I was wearing a Pepsi tee-shirt. We had Pepsi on the table and I gave Pepsi tee-shirts to them. We spent the day as the Pepsi management, strategizing how we were going to attack Coca-Cola. Now, it takes a little while for people to get comfortable, but eventually they get into it. You really uncover all your weaknesses. Pepsi didn't know our own weaknesses as well as we did. By acting it out, and becoming them, we realized where some of our gaps were. And then it's a lot easier to get rid of some of the complacency. You inevitably get this complacency in the business, you think 'We're winning, therefore we're not doing anything wrong.' Well, you're sowing the seeds of your own destruction if you believe that!



E. Neville Isdell served as CEO of The Coca-Cola Co. from 2004 to 2008 and as Chairman from 2004 until April 2009. Before returning to the company as CEO, he was an International Consultant to Coca-Cola and head of his Barbados investment company, Collines Investments from 2002 to 2004. As CEO, Isdell implemented a plan of systematic employee engagement to boost morale at the beverage giant, whose once-gilded brand had become tarnished. During his tenure as chief, Coke successfully reinvigorated its strategy and rebounded in the marketplace. In his book, *Inside Coke* (2011), Isdell tells his personal and professional story. He is also a director on the board of General Motors.



Roger O. Crockett is a veteran business writer, thought leader and speaker. He is the former Chicago Deputy Bureau Chief for *BusinessWeek* magazine and a contributor to *Harvard Business Review*. His perspectives on business, leadership and diversity are trusted by many of the world's top executives and entrepreneurs.