

CHALLENGE CASE

Coke's New CEO Battles a Changing Market

This chapter focuses on a number of introductory management topics, but one key concept is that of management employability skills (communication, critical thinking, creativity, collaboration, knowledge application, and ethics and social responsibility). The new CEO of Coca-Cola is a great example of all six of these management employability skills. Coca-Cola is a brand that has been around for over 130 years. The iconic logo script, contoured shape of the bottle, and bubbly taste have made Coke one of the most recognizable brands in the world. The beverage giant has enjoyed a worldwide popularity envied by most consumer companies. However, the last 10 years have been tough on Coke and on the carbonated beverage industry in general. Bottled water has supplanted soda as the most commonly purchased drink in the United States, and cities have begun taxing carbonated beverages heavily in hopes of raising funds and curbing obesity and diabetes.

In this current turbulent climate, James Quincey took the reins as CEO of the soda giant in 2017. Beginning his career with Coke in 1996, he oversaw operations in Latin America and Europe and worked his way up to chief operating officer, learning along the way the employability skill of knowledge application. Each position he filled in his career with the company taught him something new that he could utilize in subsequent positions. The former CEO, Muhtar Kent, had held the position for 8 years and groomed Quincey to take over the helm upon his departure.

Quincey has a number of challenges ahead of him requiring critical thinking skills. Currently the firm's soda sales account for 70 percent of global revenue.¹ And though that number is impressive, it is also a daunting figure because sales of carbonated beverages are steeply declining. In addition, the company is downsizing its number of employees as it tries to enter new beverage markets. These are major trials for the 52-year-old Quincey. The critical thinking skills needed to tackle these issues showcase Quincey's ability to use purposeful, goal-directed thinking to define and solve these problems.

"We are moving quickly to structure our organization for faster growth and to ensure we can respond to the fast-changing needs of our consumers," Quincey said.² The restructuring has meant cutting 1,200 jobs at the corporate office on top of the nearly 100,000 jobs lost as Coke has



Pascal Le Segretain/Getty Images

James Quincey, new CEO of The Coca-Cola Company, will need his broad-based knowledge to face current competitive challenges.

sold off bottling operations since 2012. This is important as the company refocuses its efforts on products such as sports drinks, tea, plant-based beverages, bottled water, and flavored water—a major departure from the tried-and-true carbonated namesake of the firm.

Quincey understands that if Coke is to continue to compete with Pepsi and Dr. Pepper Snapple, he has to create new revenue streams while significantly cutting costs. This means making tough decisions about reducing staff and taking risks with the introduction of new products. As consumers seek out healthier options, the beverages of 20 years ago are no longer the top sellers. People want less sugar and fewer calories, and they want to feel good about what they are consuming. This embodies the employability skill of ethics and social responsibility. Coke's voluntary decision to manufacture a beverage that helps contribute to the reduction of diabetes and the number of obese consumers demonstrates the company's commitment to implementing strong ethical and socially responsible choices. It will be crucial for Quincey to communicate with his team about this trend. This is a critical management employability skill that is highly desirable by organizations, and Quincey's ability to convey the information effectively to his associates will be critical for Coke's success.

Coke, under Quincey, is entering a new era where deliberate management initiatives will maintain the strong market position the company has enjoyed. However, changes to a company built on a single carbonated beverage product

are a necessity. In addition, Quincey is effectively demonstrating the six management employability skills that are discussed in this chapter. According to Quincey, “The brand Coca-Cola will always be the heart and soul of The Coca-Cola Company, but the company has outgrown its core brand. The company needs to be bigger than our core brand. We’ve been very clear that for us to drive sustainable, profitable growth of our brands, we also need to encourage and enable our consumers to control added sugar consumption.”³

THE MODERN MANAGEMENT CHALLENGE

The Challenge Case illustrates a few of the ways that James Quincey will need his personal management skills at Coke. After studying chapter concepts, read the Challenge Case Summary at the end of the chapter to help you to relate chapter content to developing management skills to inspire innovation.

A Manager’s Task

Managers influence all phases of modern organizations. Plant managers run manufacturing operations that produce the clothes we wear, the food we eat, and the automobiles we drive. Sales managers maintain a sales force that markets goods. Personnel managers provide organizations with a competent and productive workforce. The “jobs available” section in the classified advertisements of any major newspaper describes many different types of management activities and confirms the importance of management.

Managers are also important because they serve a very special purpose in our lives. They are the catalysts for new and exciting products of all kinds that keep our economy and standard of living moving forward. One such new product of today is the Transportable Exam Station (TES), which brings the doctor to you. Other such products include Apple’s new head-mounted iPhone, Microsoft’s new tablet called Surface, and Chevrolet’s new electric car called Volt.

In addition to understanding the significance to managers and society of managerial work and its related benefits, prospective managers need to know what the management task entails. The sections that follow introduce the basics of the management task through discussions of the roles and definitions of management, the management process as it pertains to management functions and organizational goal attainment, and the need to manage organizational resources effectively and efficiently.

Our society could neither exist as we know it today nor improve without a steady stream of managers to guide its organizations. Peter Drucker emphasized this point when he stated that effective management is probably the main resource of developed countries and the most needed resource of developing ones.⁴ In short, all societies desperately need good managers.

Management is important to society as a whole as well as vital to many individuals who earn their livings as managers. Government statistics show that management positions have increased from approximately 10 to 18 percent of all jobs since 1950. Managers come from varying backgrounds and have diverse educational specialties. Many people who originally train to be accountants, teachers, financiers, or even writers eventually make their livelihoods as managers. Although in the short term, the demand for managers varies somewhat, in the long term, managerial positions can yield high salaries, status, interesting work, personal growth, and feelings of accomplishment.

The Associated Press has recently ranked total compensation paid to top managers in the United States. Based on the 2016 ranking, **Table 1.1** shows the names of the 10 most highly paid chief executives, the company they worked for, and how much they earned.

An inspection of the list of highest-paid executives in Table 1.1 reveals that the overwhelming majority of the top-paid executives are men. Based on the results of a recent survey at the *Wall Street Journal*, **Figure 1.1** illustrates a broad salary gap between men and women. Whereas women and men make up roughly the same proportion of the workforce, men hold a disproportionate number of higher-paying jobs according to the figure.

In addition, a notable study by the American Association of University Women indicated that the discrepancy between the pay of men versus the pay of women is a national phenomenon

1-1 An understanding of a manager’s task