“The Spanish Inquisition”

by **David Greising**

AS HE SAT IN THE PRESIDENT’S OFFICE for the first time, early in the morning of June 2, 1980, Roberto Goizueta took advantage of the quiet moment to mark the occasion with a one-paragraph note to his benefactor, Robert W. Woodruff. “I would be remiss if I did not begin my first day as President of our great Company with a word of deep appreciation to you,” he wrote, typing the letter without assistance of a secretary. “You have honored me beyond all expectations. I will let my performance on the job speak for itself. I pledge to you my total commitment to honor you, and those who made me their choice for the job, by moving our Company ahead to even higher levels of growth and achievement.”

Goizueta was fortunate to have one sparkling instant to savor his accomplishment. In the twenty-six years almost to the day since he had first answered that help-wanted ad in the Havana newspaper, he had overcome long odds, bested Ian Wilson and other worthy rivals, and now was second-in-command of one of the world’s great enterprises and the only company (besides his father’s) that he had ever worked for. He had played an insider’s game at a company obsessed with outside appearances, and won. Without ever selling a case of soda pop or approving an ad, he had laid claim to one of the most coveted jobs in the world — second-in-command and heir apparent at The Coca-Cola Company.

But Goizueta’s peace was quickly shattered. As they absorbed the news of his anointment, Coke’s contentious bottlers mounted a rump effort to derail Goizueta’s climb to the corner office, and put Don Keough on top at Coke. Even Woodruff would stand in his way. Upon receiving Goizueta’s thank-you note, Woodruff had an assistant photocopy it, and placed the original in a scrapbook of important memorabilia. He was quite happy to see the Cuban sitting in the president’s chair. But if Goizueta assumed, as he seemed to, that The Boss was ready to promote him automatically to the chairman’s slot, he was gravely mistaken.

The Boss was not done meddling. After his bitter experience with *[Paul]* Austin *[Goizueta’s immediate supervisor]*, he was leery of letting one executive consolidate enough power to countermand him as the ultimate authority at The Coca-Cola Company. Goizueta could have the titles he would need to keep the company running — president and chief executive officer — but Woodruff wanted to keep running the board. And after half a century of successful boardroom politics at Coke, Woodruff intuitively saw he would lose control of Coke’s affairs if he let his protégé claim the chairman’s slot. If Goizueta ran the board meetings, he would be positioned to dictate to Woodruff’s prized Finance Committee. Woodruff knew that if he lost his hold on Coke’s purse strings, his control of the company would end.

Physically weak and mentally depleted, the 90-year-old Woodruff still was sharp enough not to repeat an earlier mistake he had made. In the mid-1960s, he had let Austin consolidate too much power, because the strong young Harvard Law School graduate and Coca-Cola Export Company star had seemed such a promising leader. Woodruff regarded Goizueta even more highly than he had Austin, but there was no telling where the 49-year-old Cuban would take Woodruff’s company if given unfettered reign. Woodruff wanted a new chairman. And he decided to take the same course he had in other decades, when he chose warmed-over Coke executives to sit as his proxy in the chairman’s slot. Luke Smith, who had worked as a consultant since Austin fired him in 1978, was Woodruff’s candidate. Almost as soon as he had tucked away Goizueta’s thank-you note in the scrapbook, The Boss began quietly promoting Smith for chairman among his cronies on the board.

If Woodruff could conduct the matter just right, Smith might have a chance. Following the May 31 board meeting, directors were shell shocked over the perfunctory and preordained process by which Goizueta was named as Coke’s president and heir apparent. Two board members, driving home together from the meeting, discovered that neither had been warned that they would name a new president at the meeting. “I wish I knew what is going on,” director George Craft told *The Wall Street Journal*. With his close ties to the Atlanta contingent on the

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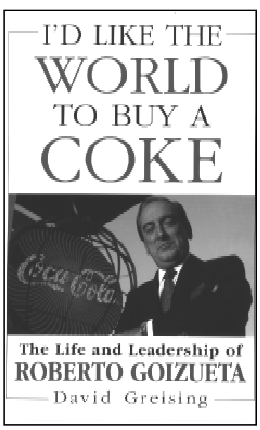
Roberto C. Goizueta, *Connecticut Alpha ’53,* **died in Atlanta, GA, on October 18, 1997.**



board, Woodruff calculated that he might channel the directors' sense of dismay into a vote for a nonexecutive chairman who could be used as a counterweight to Goizueta.

Woodruff was not the only one who had problems with Goizueta. The bottlers wanted his head. The attempt to generate warm feelings at the Great Get Together rally in San Francisco the prior summer had washed away quickly, and resentments stemming from the contract amendment and Coke's poor domestic performance bubbled to the surface again. John T. Lupton, the system's biggest bottler and the only one with a seat on Coke's board, began lobbying immediately for an alternative to Goizueta. His choice for chairman: Charles W. Duncan Jr., whom Austin had ousted and who had become Secretary of Energy in the Carter Administration. Lupton at least had a passing acquaintance with Goizueta, unlike virtually everyone else among Coke's more than 500 bottlers nationwide, next to none of whom actually had met the man.

Goizueta's rise shocked the bottlers, in part because they had convinced themselves almost from the start that Keough was a shoo-in for the job. The stocky midwestern back slapper seemed the perfect antidote to Austin's aloof internationalism. He was a back-to-the-basics manager who understood their business and would refocus attention on the U.S. market, where, in their view, Coke belonged. Many of the bottlers had not updated their views of the succession battle since early press reports had simplistically and wrongly guessed that Keough would get the job. Nothing the bottlers had heard from Coke's new corporate tower — in this time of strained relations, they did not hear much at all — had led them to think otherwise.

The bottlers nevertheless sensed the succession game was still afoot, and they were right. Goizueta, after all, had only been named president. Austin still held the CEO slot and the chairmanship. It was not inconceivable, they figured, for Keough to leapfrog Goizueta, and set their world right. Bottlers moved quickly. Immediately after the announcement of Goizueta's promotion, bottlers from Iowa, Texas, Florida, Alabama, and other states called or wrote Woodruff and pleaded with him to intervene and promote Keough. Goizueta, with his foreign name and Cuban birthright, sounded to them like another Austin, only worse. Austin, at least, had Georgia roots before Harvard scrambled his brain.

Keough believed to his bones that the game was up. The day of the board's vote, he had swallowed his disappointment and phoned Goizueta with congratulations. Goizueta's response: "We've got a lot of work to do." To Keough, it was a tacit confirmation that Goizueta planned to stick by his commitment to make him Coke's number two man. Even so, Keough did nothing to stop the bottlers' rump effort to topple Goizueta. He breezily granted approval when bottlers sought his OK before contacting Woodruff. Keough asked only that they say he had not instigated the nomination drive.

Bobby Wilkinson, a bottler from Huntsville, Alabama, took the most jingoistic stance against Goizueta, whom he had never met. "This is an American company manufacturing an American product in an American way," he wrote in a letter requesting that Woodruff make Keough Coke's next chief executive. Coke needs Don Keough, Wilkinson concluded, "a dynamic American salesman . . . to lead your renowned Company to even further magnificent success."

While a renewed power skirmish was carried on around him, Goizueta conducted himself in the only way that made sense — as if the board's designation of him as president meant that he ultimately would succeed Austin. Despite Woodruff's ongoing back-room dealing, Goizueta had reason for confidence. Unlike Austin, he had never fought with the old man. And the years of doting on him, in the end, seemed destined to pay off.

At least one potential rival, Ian Wilson, was completely done for. A few days after the board meeting, NBC-TV news got wind of a grand jury investigation into allegations that Wilson had attempted to bribe an immigration official in an abortive effort to obtain U.S. citizenship, which he desperately needed during the succession battle, when he feared his credentials as a South African citizen could turn the contest against him. When it was time for the world to find out about Wilson's immigration troubles, Goizueta did nothing to soften the blow. As head of Coke's public relations effort, Goizueta played an active role in defending Coke's image around the world. But when reporters called about the Wilson allegations on June 9, Coke's vaunted public relations machine went almost mute. "Since this Washington matter is before a grand jury, we feel like we shouldn't comment on it," was the concise statement. Wilson never was charged in the incident, but his already debilitated Coke career was over. Goizueta was less than generous in his postmortem of Wilson. When asked later whether Wilson had been his chief rival for the top job, Goizueta bitingly dismissed his erstwhile rival. It was Keough, not Wilson, whom he had worried about, Goizueta said.

FOR THE FIRST TIME IN HIS LIFE, GOIZUETA WAS a figure of public interest, and the normally reserved and discreet Coca-Cola aristocrat seemed to relish the attention. In press interviews in the days after his election, dressed neatly as always but unusually expansive with reporters, Goizueta showed self-confidence bordering on arrogance when he described his management philosophies. He displayed a penchant that popped up often through the years: He recounted history in a way that fit his current business agenda. And he set out a series of goals, some of which he would never reach. Carried away by exuberance of the moment, he broke one of his most basic tenets by making forecasts he could not fulfill.

His first objective in the interviews was to portray himself as full of vigor and bright ideas, and totally comfortable at the helm of Coke. Consciously hewing to Woodruff's belief that successful people need a sense of humor, especially regarding themselves, Goizueta told jokes at his own expense while, nevertheless, making a point about his company or himself. He showed reporters lead coasters he had mistakenly purchased from a con artist in Mexico, who had persuaded them they were made of silver, underlining a message that appearances can be deceiving. He pointed to a sign on his desk that read, "Plan is a four-letter word," a strange choice of furnishings for a man who placed such high emphasis on careful and accurate planning. He even joked that his area of oversight — Coke's administrative, legal, and technical divisions, management training, and AquaChem — was "the smallest profit center in the company."

Despite the efforts at self-effacing humor, Goizueta's ego still showed through. He bristled at notions that he was a rushed, compromise choice, railroaded through the board as part of Woodruff's effort to undermine Austin. He rejected any suggestion that he was appointed to the job as Woodruff's toady, to do The Boss' bidding. "I've always taken a great deal of pride in being my own man," Goizueta declared. "I've gotten to this position by being my own man. And I expect to be my own man from now on."

The fresh-faced Cuban executive declared that his managerial approach would be to "be in the midst of a crowd, but to have the independence of solitude." He'd get along fine with Austin, he declared, because his training as a chemical engineer and Austin's legal background were complementary. And, characteristically circling his hand in the air to delineate his objectives one by one, he explained that he intended to go beyond his technical origins to focus on four key areas: "Financing, technical, marketing, and team spirit."

When explaining his background to the curious reporters, Goizueta explained that he left his father's business in Cuba because he was disenchanted with stringent government regulations. It was the first and perhaps the only time he publicly placed that interpretation on the monumental decision to move out on his own. But the statement fit the antigovernment mood that later that year would sweep Ronald Reagan into the presidency. And it very conveniently provided Goizueta an opportunity to indirectly take a lick at the regulators whom Coke recently had trounced in two crucial bureaucratic battles: the Federal Trade Commission's futile effort to declare Coke's exclusive bottling territories a violation of antitrust laws, and the Food and Drug Administration's reluctant approval of saccharine as a safe substitute for sugar.

Goizueta spoke out about heightened political tensions around the globe. He cited "the strong trend of nationalism sweeping the world" as a threat to his company's growth, unless Coke became part of the economic fabric of the countries where it did business. "Why shouldn't each country have its own national aspirations?" he asked. "I think they should. But I also think that we can support them and their local economies better than any of our competitors."

Still, in striving to appear thoroughly prepared and widely familiar with Coke's various business objectives, Goizueta uncharacteristically overreached when stating his long-term objectives. Foreshadowing years of frustratingly unrealistic optimism about Coke's foods business, Goizueta related a desire to "clone the foods division around the world." He expressed particular pride in his role in developing Minute Maid lemonade crystals, describing them as "a real breakthrough." Perhaps that was so. But the consequence of such a highly technical development was lost on a public looking for a broader gauge of leadership from Coke's new chief-in-waiting, especially one who had seemed such a noncontender just days earlier.

He dramatically underestimated Coke's future capital needs, perhaps betraying his weak background in corporate finance. Goizueta declared Coke would not need to borrow any more than the $100 million note offering that was announced just three days before his election as president — Coke's first debt offering since Woodruff had paid off the company's bills and avoided bankruptcy before the Great Depression. When Austin first proposed the offering, Woodruff had declared angrily, "You must be broke. You have to borrow money." But Goizueta and Jack Stahl, a bright young financial analyst in Coke's treasury department, helped persuade Woodruff that Coke needed the funds to avert a cash shortfall threatened by Austin's spending $126 million to build and furnish Coke's new headquarters tower, $65 million to purchase the Atlanta Coca-Cola Bottling Co., $15 million to acquire nearly 10 percent of Coke's New York bottler, and substantial outlays for Coke's money-guzzling wine business. Goizueta's "no new borrowings" pledge would barely last through summer.

Goizueta's greatest early faux pas came when he declared a long-term objective of building domestic earnings to the point that they equaled Coke's returns from its overseas operations. It was his first public break with Austin's legacy of expansive international growth. Coke had huge growth prospects overseas. Japan's soft drinks operation, alone, had topped Coke's domestic results in 1979 for the first time ever — as Wilson had announced in his disastrous final presentation to the board. In the hotly competitive U.S. market, Coke was losing, not gaining, share, and Pepsi-Cola was picking up most of what Coke lost. Domestic profits were under assault. Add it up, and the domestic parity with Coke's international results was a risky and virtually unattainable goal. If Goizueta were serious, he would have to do something dramatic, and probably very costly.

There, however, was a clear political payoff to declaring a drive for domestic parity. Predicting a 50/50 split appealed to Coca-Cola's disgruntled domestic bottlers. Not by accident, that was the very group Goizueta needed if he wanted to prevail ultimately in the struggle to become Coke's new chairman. Conveniently ignoring lingering hard feelings from Coke's effort to force a new contract on the bottlers, Goizueta blamed inflation and an incipient recession as the chief source of bottlers' woes. "The future of the bottlers and the future of the company are inexorably tied to each other," he declared, promising management cooperation and financial backing. His efforts on behalf of bottlers "are not just because I'm a nice guy, but because it makes good business sense."

GOIZUETA KNEW HE HAD TO PLEASE THE BOTTLERS above all others, if he hoped to reach Coke's very top rung. It was the bottlers who were shouting in Woodruff's ears with their complaints about the business, their advocacy for Keough, their unfamiliarity with Coke's new Cuban-born president. Even the few bottlers who spoke in favor of Goizueta's promotion did not do him much good. "I'm tickled to death that they finally named somebody president," said bottler Sam Woodson of Fort Worth, Texas. "As far as I am concerned, they could have named anybody president just so somebody was it. You can't have five or six guys wandering around in the Atlanta office wondering which one of them is really in charge." It was hardly a ringing endorsement.

The best way to woo the bottlers, Goizueta figured, was to give them a big bear hug and invite them onto his team. He set out to do just that by inviting Coke's top bottlers to a daylong Atlanta meeting. In a deft political move, he employed Keough to do much of the heavy lifting, using the day's agenda to make it clear who was boss, and who was number two. On July 10, 1980, Goizueta hosted, at Coca-Cola headquarters, a daylong meeting of fifteen of Coke's top domestic bottlers. He chose the list well: Several of the invitees, in letters to Woodruff after Goizueta's promotion, had urged that Keough become Coke's next chief executive.

For several of them, Goizueta's opening remarks offered a first encounter with Coke's new chief. The bottlers spent the rest of the day with far more familiar countenances: Keough and Coke-USA president Brian Dyson, who had hosted the Great Get Together in San Francisco a year earlier. Keough and Dyson laid out the broad strokes of Goizueta's plan. The two had starred in a campy in-house movie depicting top Coca-Cola officers gunning down the "Big Blue Gang" from Pepsi and were good with rev-'em-up rhetoric at bottlers' rallies. But these bottlers had not come for a pep talk; they wanted to talk turkey. Keough delivered, apologizing that in the past Coke executives had given the impression that "they were in one continuous meeting that cannot be interrupted by anyone, particularly a bottler or customer." He promised that Coke, under Roberto Goizueta, would do much better.

Dyson claimed that he expected improved results from a decision, made earlier in the year, to deploy in the field more of Coke's corporate ground troops. Goizueta viewed information from the field as a key ingredient of competitive intelligence, and he intended to use the field agents to increase both information flow and Coke's response to bottlers' needs. Dyson also promised to increase Coke's financial support for bottlers' advertising, an initiative first launched in 1989 to assuage the bottlers' outrage after the contract dispute.

Goizueta batted cleanup, hosting a dinner at one of Atlanta's most exclusive private facilities, the Capital City Club downtown. To avoid dinging anyone's ego with the seating arrangement, Goizueta prescribed that the bottlers pick their seating assignments by lot from tags placed in a silver bowl. This tickled Crawford Rainwater, a bottler from Pensacola, Florida, who drew the seat next to Goizueta. Over a dinner of Georgia crabmeat and beef florentine, washed down by fine wine from Coke-owned Sterling Vineyards in California's Napa Valley, Goizueta gave the elite bottlers a first glimpse of his management style, the mixture of cheerleader and task master, detail maven and grand visionary, that would characterize Goizueta's approach throughout his chairmanship.

The approach, Goizueta explained, would be one of shared responsibility and shared opportunity. Both sides, the Atlanta crowd and the bottlers, would have to work hard to improve their relationship and their businesses. He promised a more aggressive, focused, and responsive approach from Atlanta, but demanded that the bottlers get tougher, leaner, and more competitive. "If your sales decline for a single week, we want to know why," he said.

Then Goizueta unloaded his most dramatic and far-reaching news. It was time to "refranchise" the Coca-Cola bottling system, he said. The parent company intended to weed out weak bottlers. The purchase of Coke's Atlanta bottler and investment in Coke's New York bottler were just the start of a broader program of investment. Third-generation Coke bottlers looking for an exit strategy would find a ready buyer in Corporate Coke. The parent company intended to refurbish weak franchises and put them back out for sale to the stronger members of the Coca-Cola system. Those strong bottlers could do a more aggressive job of selling Coca-Cola and the company's other soft drinks. The value of every franchise would climb if fewer weak bottlers were for sale and the system over all got stronger.

The meeting had its intended effect. It introduced Goizueta and showed him fully in charge. Charlie Millard, the longtime New York bottler who had just sold part of his business to Goizueta, wrote a letter praising the meeting. "The bottler meeting was a most auspicious start to your presidency," Millard wrote. "You would have been proud — to hear Don and Brian position the company under your leadership. . . . The meeting and dinner with you was an outstanding ending to a memorable day." Politically, Goizueta's tactic had worked. By having Keough and Dyson present his bottlers' strategy, he had presented himself to the group as their clear boss, taking the teeth out of any potential Keough rivalry.

To add a personal touch to the relationship, Goizueta sent porcelain boxes from Tiffany's to the wives of the bottler attendees at the all-male meeting. In a note to Woodruff, he boasted about the meeting's success, dropped the names of some of Woodruff's longtime bottler friends who had attended, and explained his decision to send the porcelain gifts. "It never does any harm to get on the good side of the wives of our main bottlers," Goizueta wrote, adding a sexist twist to one of Woodruff's most frequent bromides about the need to maintain strong ties to bottlers.

Woodruff again had become Goizueta's favorite pen pal. In one note to Woodruff, he attached a copy of an industry trade publication that spoke favorable of Goizueta's financial acumen. "They now have me pegged as a 'very, very strong financial manager,' " he boasted. Goizueta failed to mention to Woodruff that the *Leisure Beverage Insider* story he stapled to his note included a current assessment of Coke's ongoing executive-office shuffle. It predicted that Keough ultimately would end up in Coke's top spot: "Maybe now, say Big Coke obervers, it is more likely than ever before."

WHILE GOIZUETA PLAYED THE INSIDE GAME, HIS friends at Trust Co. used high-level boardroom politics to warn Woodruff not to meddle with Coke's destiny. In the ether of Atlanta's top companies in the early 1980s, two boardrooms stood as first among equals: those of The Coca-Cola Company and Trust Co. of Georgia, home to Coke's secret formula and bastion of old-money

Atlanta. To hold a seat on both boards was the ultimate in corporate cachet. At the time Goizueta was named Coke's president, Austin was the only Coke executive among the nine Coke board members who also served on Trust Co.'s fifteen-person board. Two of Goizueta's biggest supporters outside the company, Trust Co.'s Jimmy Williams and his fellow bank board member John Sibley, lobbied to get Goizueta onto the Trust Co. board. Woodruff heard the news just a few days before Goizueta hosted the bottlers' meeting and recognized it as a strong statement by Williams and Sibley that it was time to conclude Coke's long-running succession drama.

Woodruff was boxed in. In just more than a month's time, Goizueta had laid down a marker with his expansive strategic comments to the press, raising the level of the company's potential embarrassment if Goizueta did not end up with the top job. He had headed off the incipient bottler uprising with the Atlanta meeting, and knocked Keough out of contention in the process. And Goizueta had secured a signal of support from one of Atlanta's most important companies — the sort of testimony that resonated with the tradition-bound Woodruff.

Then on July 19, in a fortuitous if sad occurrence, Luke Smith died of a heart attack. Woodruff already was backing away from his temptation to scramble the succession picture again, but Smith's death settled the matter. His first choice for the chairman's job was gone. As had happened with Shillinglaw six years earlier, a black flag once again waved Goizueta forward at a crucial point in his career. On August 6, the white smoke puffed above Coke's North Avenue tower. The Coca-Cola board had at last elected Roberto C. Goizueta chairman and chief executive officer, effective March 1, 1981.

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FOR GOIZUETA, THE SAME OLD QUESTIONS ABOUT his preparedness for Coke's top slot cropped up again. This time he had less patience with the line of inquiry. "It is the curse of the engineer that the fellow who drives the locomotive and the fellow who designs it are both called engineers," Goizueta declared. Now it was time to start acting like the chairman of the board of The Coca-Cola Company. It was time for Goizueta to truly put his mark on the company, setting his own agenda, and steering his company on the course he chose. From the start, it was clear he could do so without interference from his predecessor. Austin, already hobbled by the still-undiagnosed Alzheimer's disease that many of his colleagues had attributed to heavy drinking, announced he would quit Coke's board after his March 1 retirement. For Goizueta, that meant he would not have to worry about the problem of second-guessing by Austin.

He still had to reckon with Woodruff, however. On a personal level, Goizueta sought Woodruff's counsel, just as he had once conferred with his grandfather and still routinely sought his father's opinion on major decisions. Goizueta's attachment to Woodruff grew out of the traditional Basque respect for elders. But it also arose from his feeling of obligation to the man who had selected him, as far back as 1974, as a young man of promise. There was little left to gain from Woodruff other than continuing good will, but Goizueta sent him thoughtful notes when he traveled, remembered his birthdays and employment anniversaries, and visited the Tuxedo Road mansion often when the old man was in town.

Whatever his feelings of loyalty and respect toward Woodruff, Goizueta was not about to let him interfere with his agenda for rejuvenating The Coca-Cola Company. He wanted Woodruff's approval, and recognized the power that backing from The Boss still held among the more senior members of the board of directors. But Goizueta also wanted to make certain that Woodruff could never block his program as he had done to Austin.

AT HIS FIRST BOARD MEETING AS CHAIRMAN-ELECT in early September, Goizueta made a number of moves designed to expand his authority on the board and eliminate other threats to his power. The Coke board reflected the cronyism and almost Victorian sensibilities of the Woodruff era and was a far cry from the modern notions of corporate governance Goizueta had devoted himself to since his days working on special assignment for Paul Austin. As with everything else he did at Coke, Goizueta wanted to make the company's board a thoroughly modern, competitive, and dynamic appendage capable of helping him exercise his will over the company and its prospects for success. This would mean replacing personnel, revamping bylaws, and, significantly, modernizing the way Coke's board handled the company's money.

Goizueta moved early to chop out the dead wood, imposing a series of bylaw changes prohibiting renomination of board members after their seventy- first birthday, an edict designed to flush Woodruff and his cronies off the board at the end of the three-year terms Goizueta instituted in place of open-ended service. Besides bringing new blood onto the board, the moves would prevent Coke's having a board perhaps too old and out of touch with the business to properly understand the complexities of the modern-day Coca-Cola Company. Less noticed at the time was a provision Goizueta inserted into the bylaw changes that prohibited the president and chief executive of the company from sitting on the board of directors after their retirement, regardless of the circumstances. For Austin, that would have eliminated the uncomfortable situation of having Luke Smith remain on the board even after Austin had fired him. For Goizueta, it meant that Keough, or whomever *[sic]* else filled the presidential slot, would never be a threat to his authority by staying on the board if he retired ahead of Goizueta, as he was expected to.

Rejuvenating the board's composition would pay off in the long term. But Goizueta also needed immediate and dramatic change. If Woodruff and everyone else on the board did not understand already that Goizueta was fully in charge, nothing would demonstrate it to them more clearly than seizing control of Coke's purse strings. That meant snatching the purse power from the finance committee, the vehicle Woodruff had used as a nettle, a governor, or a bludgeon, depending on the circumstances, throughout Austin's reign. Goizueta wanted control of Coke's capital. He needed to reduce the finance committee's role as a roadblock to progress. He could not abide the committee's blocking efforts to add debt to Coke's balance sheet. And he did not want it to block a plan he was developing to reduce Coke's imprudently high dividend payments to shareholders.

Again, Coke's new boss wasted no time. Without warning Woodruff in advance, Goizueta, at his first board meeting as chairman-elect, proposed adding to the board's finance committee the company's two top executive officers — himself and Austin (at least until Keough moved in after Austin's retirement). Woodruff missed the September board meeting, and he howled when he heard ten days later that Goizueta had outflanked him. "Not until today did Mr. Woodruff learn about the action taken," Woodruff's assistant Joseph W. Jones wrote to Garth Hamby, corporate secretary. "This is contrary to his concept of the function of the finance committee." But it was too late. The rules were changed for good, and by the spring of 1981, Woodruff would drop off the finance committee.

Just because the old man suddenly had lost the trappings of power did not mean Goizueta considered Woodruff powerless. On this point, even Goizueta's wife reminded him that Woodruff had demonstrated time and again an ability to rise up after hearing one would-be successor or another read his last rites. Olguita did not want to see Roberto mistakenly underestimate The Boss. Without the finance committee at his disposal,Woodruff lacked an obvious platform for a comeback, and he seemed physically incapable of mounting a challenge. But with his coterie still dominating the board and his track record of resiliency, Woodruff did not need structure to exercise power. He remained a potentially destructive force if not handled right.

Goizueta decided he would still seek Woodruff's counsel on big issues and would try to persuade him to endorse his major moves whenever possible. And he chose an eye popper for his first challenge. To execute his program of resuscitating Coke's weaker bottlers, Goizueta discovered he would need $200 million just for starters. The borrowing came on the heels of Austin's $100 million bond issue. And it countermanded Goizueta's own declaration that Coke would not need to go to the credit markets any time soon, so it was a risky move not just regarding Woodruff, but for Wall Street's purposes, too.

The Wall Street analysts could be brought into line. In Austin's last few years, as Coke's results declined, CFO Fil Eisenberg had virtually cut off communication with Wall Street. But Goizueta had reversed Austin's standoffish policy and embraced analysts, inviting them down to Atlanta, and meeting with them in small groups or individually in New York. Bringing Woodruff into the age of modern corporate finance would be another matter, but Goizueta already knew the drill well. As he would do as long as The Boss was engaged with the business, Goizueta began carefully and deliberately selling Woodruff on the notion of increasing Coke's debt during his frequent Tuxedo Road visits.

It helped that Goizueta had a specific need for the money. Already in the midst of being engaged in transactions to strengthen Coke's Detroit and Baltimore bottlers, Goizueta learned that The Coca-Cola Bottling Company of New York was again in play, with an asking price that topped $200 million. Trade rumors had it that Procter & Gamble wanted the bottler, to help lead its aggressive push into the soft-drink business following its mid-1980 acquisition of Crush International. Or perhaps Seven-Up, rumored to be considering a cola entry, might make an offer. Goizueta worried most about another, more likely scenario. A financial buyer could acquire the New York bottler and milk it dry, killing Coke's prospects in the vital New York market. "We can't let that happen," he told Keough.

Goizueta wanted to buy the New York bottler, and then, as quickly as possible, flip the company to a buyout group composed of friendly investors and Coke-New York's current management. But the deal would not fly with Coke's board unless Woodruff agreed to back any borrowing that might be necessary. For Goizueta, that meant approaching Woodruff about borrowing money for the second time in less than a year. He did his best to make Woodruff believe that the strategy was merely a modern adaptation of a Woodruff tactic from long ago. "Mr. Woodruff, you invented debt," he told the old man during a lengthy Tuxedo Road conversation, reminding Woodruff of a recapitalization move back when he ran the company. "Remember, you invented preferred stock. You called it Class A, but it was preferred stock." If Woodruff had used a form of debt known as preferred stock, Goizueta argued, there was no reason to withhold approval from a different, and cheaper, debt, thanks to Coke's triple-A credit rating. Woodruff ultimately backed the borrowing. In November, Goizueta inked the Coke-New York purchase for $215.8 million, his first major capital outlay.

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IT WAS ALL A BUILDUP TO THE BATTERY OF pointed, provocative, and sometimes even malicious questions that rained down on Coke's top worldwide executives during a reign of interlocutory terror that became known as "The Spanish Inquisition." To those who had only heard about, but not yet witnessed, the impatient and sometimes even abusive side of Goizueta, the experience was shocking. It was not easy on anyone involved. But to some who endured the trial, it also was the first concrete sign that Coke's new chief was planning to put a strong personal stamp on affairs at his company. Financial results would count above all else. And people would be held responsible, for good or ill, for whatever happened on their watch.

The Spanish Inquisition started innocently enough. Under Austin, Coke executives from around the world were accustomed to flying into Atlanta each fall for a two-week business review and planning session. There, they discussed their five-year plans, and were handed a list of objectives that corporate managers had drawn up as their next year's budget. In the midst of Austin's global expansion program, much of the time was spent discussing opportunities to open new markets on different continents worldwide. The budget meetings were full of cheerleading sessions, wish lists, and hopeful promises, but there was little hard-nosed planning and almost no accountability.

Goizueta would have none of it. Five-year plans, he felt, were a waste of time. No one could predict with any accuracy what the world would look like in five years. He wanted three-year plans, and he told the executives he would hold them accountable for meeting their three-year targets. He demanded that executives file their plans well in advance of the sessions, so he, Keough, and Collings could dissect them and look for any weaknesses. . . .