Coca-Cola to eliminate 6,000 jobs in worldwide restructuring

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Coca-Cola, the world's largest soft drink maker, announced Wednesday that it would lay off 6,000 employees, or one-fifth of its global workforce, over the next several months. In the US 3,300 jobs will be eliminated, including 2,500 or 40 percent of the work force at the corporation's headquarters in Atlanta. Another 2,700 jobs will be cut throughout Coke's international operations.

Coke has long been considered a symbol of US global marketing success—with operations in 200 nations—and until the last two years it has been highly profitable for its Wall Street investors. The layoff announcement, the largest in the company's history, came as a shock to many workers and middle managers that had believed their jobs were relatively secure. The last time the company carried out a layoff was in 1988, when 200 jobs were eliminated.

A number of employees at the Atlanta headquarters reportedly wept as they were escorted from their offices under heavy security Wednesday. One woman wiped tears from her face as she left, saying, “These are people's lives.”

While job cuts were predicted, particularly after the company announced two consecutive annual losses, they were much deeper than expected. The corporate downsizing was the first act by Coke's newly designated CEO, Douglas N. Daft, who took over the position last month, replacing M. Douglas Ivester, whose brief two-year tenure was marked by falling profits throughout its worldwide operations. Over the last two years Coke has been sharply hit by the economic crisis in Russia and Eastern Europe, as well as its biggest product recall in history after children in Belgium fell ill from the soft drink.

Wall Street investors and analysts have complained that the company has overextended its operations, particularly in emerging markets, and failed to streamline its facilities. Investors had pushed down the company's stock price by 29 percent since it hit a high in July 1998.

According to the *Wall Street Journal* the company's board, including powerful outside directors, entertainment investment banker Herbert Allen and billionaire investor Warren Buffett, pushed Ivester to drastically reduce the workforce last year. Ivester submitted a restructuring plan last October, but many directors said it fell well short of the number of cuts they wanted. Then, in early December, Ivester abruptly announced an early retirement.

After the job cuts were announced Daft and other senior managers discussed the moves in an unprecedented conference call with Wall Street investors and analysts. Daft acknowledged that Coke's growth and earnings targets had been overestimated and said his “realignment” would save the company $300 million a year. Though Coke stock rose early on the company's scheduled earnings report, it fell $2.8125 a share on the day.

One money manager who sold all of his Coca-Cola shares at the end of last year said that the moves might bring some investors back. “It's clear that they are moving the company back in line with economic reality,” said David Garza, an analyst at Roxbury Capital Management in Los Angeles. “It's back to the future. It's the new Coke, and I am starting to like it again.”

The job cuts will be carried out through early retirements, outsourcing and eliminating positions across nearly every job description. Economists in Atlanta say that although the state has seen an expansion of jobs over the recent period it will be difficult, particularly for laid-off middle managers from

Coke, to find comparable paying jobs.

As part of its $45 million fourth-quarter losses, the company announced $813 million in charges that it says will be used to streamline manufacturing facilities in Russia, the Baltics, Japan and other countries. Coke also said it would take an additional $800 million in charges this year to cover restructuring costs.

In addition to Coke, a number of other US companies made layoff announcements yesterday. Ikon Office Solutions, the number two US suppliers of copiers to companies, announced it would cut 1,500 to 2,000 jobs, or about 5 percent of its workforce. The cuts are in addition to the 1,000 sales jobs eliminated by the Valley Forge, Pennsylvania-based company last year. Norfolk Southern, the fourth largest US railroad, said it would offer early retirement to as many as 1,180 managers, a fifth of the total, as its fourth-quarter profits fell 81 percent.