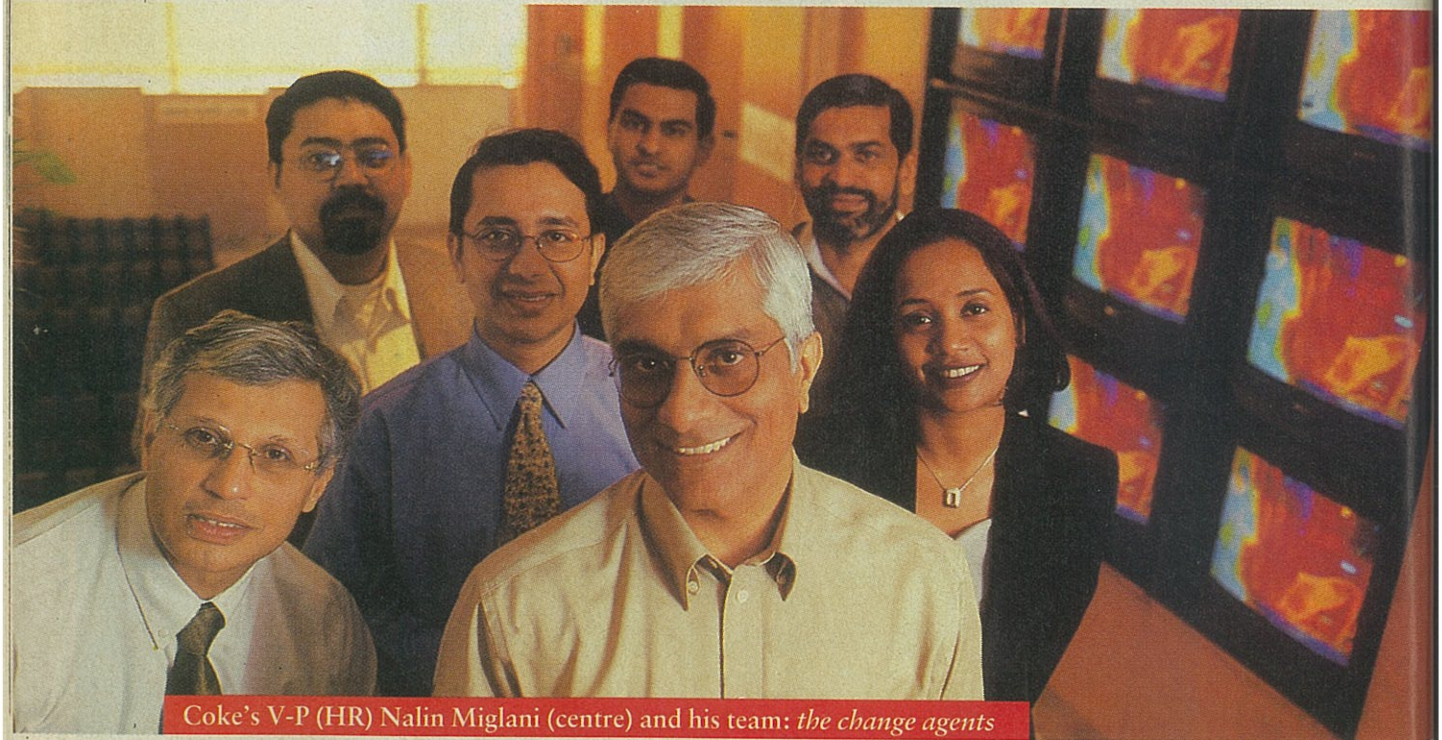
On the rubble of its $400-million write-off, the cola major is rebuilding its Indian operations.

The unbottling of Coke

PAROMA ROY CHOWDHURY

When Coca-Cola India's (Coke) Vice-President (HR) Nalin Miglani made a presentation to a packed house at its headquarters in Gurgaon last month, it was to answer FAQs on corporate restructuring, its impact on people and business, and the shape of things to come. Only it was not a regular paper with graphs and charts. Structured as an imaginary dialogue, it was called *'Main aur meri grapevine'*, *a la* the famous soliloquy *'Main aur meri tanhai'* spouted by cine idol Amitabh Bachhan in one of his former hits. Miglani's Production, too, went down well with the assembled employees. More importantly, it drove home two key facts: the strong localisation drive at Coke and the unlikely role of the HR function as a harbinger of change.

Yes, times are a'changin at $19.80-billion Coca-Cola Co's India arm. Putting the ignominy of the $400 million asset write-down—almost half of the beverage behemoth's total investments in India—firmly in the past, the company now wants to get back into profitability. Steering the exercise would is its Chennai-born President, Alexander Von Behr, whose effective handling of the South-East Asian meltdown earned him the herculean task. The keystone of his turnaround gameplan: regionalisation of operations through detailed consumer profiling and decentralisation of the organisation to service the regions effectively. His tool: a revamped organisation structure



Coke's V-P (HR) Nalin Miglani (centre) and his team: *the change agents*

RITESH SHARMA

that vests profit and loss accountability at the area level, by rechristening each plant-in-charge as a profit centre head, drawn up by Coke's HR team. Says Von Behr: "We want to be an Indian company in India, based on principles of integrity, localisation, result-orientation, teamwork, and diversity. The way to do it would be through people."

the new structure

The first step was dismantling the old structure, inherited from former chief executives Richard Nicholas and Donald Short, that divided operations into three large areas: North, South and Central. It had the president at the top, with a division comprising marketing, finance, HR and bottling operations, with their heads reporting to him. Bottling operations again were divided into four companies that had a common chief in Steve Heath, who reported to Short. The rest of the division had strategic and brand-building responsibility, but little operational control.

The new strategy hinges on better customer servicing and increased depth of service across 200,000 outlets to shore up both volume growth and marketshare. Accordingly, the country has been divided into six regions from the earlier three, based on consumer preferences, each with separate business heads who have regional functional heads reporting to them. Marketing and brand-building has been made regional to ensure effectiveness. The idea: each region should function like a smaller version of Coke.

The four bottling companies owned by Coke have been integrated and merged with the mother company. Each bottling plant—there are 36 of them, with six on an average falling under each region—has been rechristened business territories, with an Area General Manager (AGM) at the helm of each.

The AGMs are vested with profit-centre responsibility, with functional heads reporting to them. Each AGM again reports to a regional head. The six regional heads report to Vice-President (Operations), Sanjiv Gupta, who himself reports to Von Behr. The heads of marketing, technical, franchisee operations, and HR also report to Von Behr. Says Miglani, "In effect, we have built companies at regional levels and created profit centres with mini-CEOs at area levels."

The Turnaround Tale

- **Regionalisation** *of business through consumer-profiling*
- **Decentralisation** *of structure through the creation of 36 profit centres*
- **Integration** *of bottling operations into the Coca-Cola Company*
- **Empowerment** *down the line by vesting operational responsibilities at area levels*
- **Creation** *of people systems and values to support the new structure*

the new systems

Greater regionalisation meant dilution of several central jobs (1,500 employees have already been retired at bottling plants), some of them senior ones. Coke has six managerial grades from 8 to 14, and the new line of control strengthened entry and middle-level jobs (8 to 12) at regions, while downgrading many at the centre. This, expectedly, ruffled feathers. In the last six months, the company has seen the exits of its Head (Capability Services), Ravi Deol, and Head (Northern Operations), Sunil Sawhney, and 40-odd junior and middle-level managers. If Coke insiders are to be believed, more could follow.

To support the localised structure, Coke is introducing a detailed career planning system for its 530 managers. The system would be individual-based, but led by market and performance. It would be driven regionally with talent development meetings at the regional and functional levels before making recommendations to the HR council, which would approve and implement the process through the central HR team.

the new future

Has the HR-led change initiative worked for the beleaguered company? The Coke brass claims that volume growth is up by 14 per cent and marketshare has climbed by a percentage point (ORG 1999 figures put Coke's share at 61.5 per cent against Pepsi's 36 per cent, although Pepsi, which uses IMRB data, claims a 40 per cent share) as a consequence of the regionalisation drive. (The company, however, refused to part with any figures.) Coke's global CEO Douglas Daft, is also said to have keen interest in the Indian experiment. Market and competitions, however, are not impressed. Counters Mahendra Swarup, Executive Director (HR), at arch-rival PepsiCo India: "Such an initiative should always be led by business with strong ownership of the CEO. This means short-lived glory for HR function and nothing much else."

Indeed, the job is far from finished. Coke is still saddled with a huge workforce. Given the scale of its investments, the climb back into the black is going to be a long and arduous one. bt