CONFIDENTIAL

PRELIMINARY REPORT TO DOUG IVESTER

DISCUSSION PAPER

FOR A

DIVERSITY MANAGEMENT STRATEGY

BACKGROUND

The Coca-Cola Company has for years acknowledged the need for a diverse workforce. It has undertaken to educate its employees about the value of diversity and to place diversity management as a top priority. Still, there is an opportunity to further raise the bar and set a "gold standard."

As a result of discussions between Doug Ivester and Carl Ware, a group of African American employees were asked to participate in a discussion group (Discussion Group). The purpose of the Discussion Group was to discuss/review the Company's opportunities in managing diversity.

The Discussion Group agreed wholeheartedly that for The Coca-Cola Company effective diversity management is a business issue not a social or legal issue. The Company's global presence, its worldwide multicultural workforce and consumer base required that we demonstrate extraordinary skill in managing diversity. Effective diversity management is a competitive advantage for The Coca-Cola Company.

The Discussion Group decided to address at least one of the more challenging elements of diversity at the Company--the inclusion of African Americans as full participants and beneficiaries of the Company experience. While acknowledging the broadest definition of diversity, the Discussion Group chose to focus their interests on the opportunities to improve the success quotient of African Americans.

The Discussion Group consist of the following:

        Carl Ware, President, Africa Group
        Ingrid Saunders Jones, Vice President, Corporate External
         Affairs
        Juan Johnson, Vice President, Human Resource Development
        Thom Peters, Assistant Vice President, Treasury
        Paul Graves, Director, Human Resources, Africa Group

The firm of J. O. Rodgers and Associates, Inc. Management Consultants was retained to work with the Group.

The Discussion Group established as its operating premise that effective diversity management can translate into improved business results. In order to better understand what would be required to raise the bar in this area, it is important to make some distinctions between managing diversity and what we now call affirmative action:

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Affirmative Action	Managing Diversity
Focuses on individual/group	Focuses on the organization/all employees
Creates deficit thinking	Assumes members of all groups have potential
Reacts to problems	Is proactive--responds based on good business decisions
No change in mindset required	Requires change in: -Management philosophy -Leadership skills -Employee/Customer Relations

Affirmative action is primarily focused on acquisition and recordkeeping and is a very incomplete way to insure better business results. Managing diversity, on the other hand, focuses on creating a culture that values and effectively manages the differences found in its people and the marketplace to enhance the goals of the enterprise.

THEMES

The Discussion Group generated specific themes that could drive raising the bar. If embraced, these themes would produce visible evidence that change is occurring:

• Communicating the connection between diversity management and business results.

A focus on managing diversity would become a part of the way the Company does business. Customers and consumers are paying more attention to business practices and images as a way to choose their loyalties. There is a growing body of evidence that linking a well thoughtout diversity management dimension to business strategies can impact business results.

• Managing diversity as a key component of employee development

It is important that diversity management be viewed as an integrated part of the Company's overall learning and development architecture. It should be one of the underlying principles as we build our management models, development philosophy, our definition of what leadership is and establish roles and responsibilities.

- A by-product of effective diversity management is the opportunity to create the future

In order to create the future one must be willing to "disturb the present" (Goizueta). Creating a Company culture that naturally produces exceptional people of all kinds is a legacy worthy of the best leaders. "One advantage when you are number 1 or 2 in an industry, is that you can have a lot of say in what the future's going to be by what you do." (Goizueta).

SUCCESS ENABLERS

The Discussion Group members considers the following factor as key contributors to their growth and development as employees of the Company.

- Mentoring

Each member of the Group had significant mentor(s) who facilitated their growth and development. The mentor-mentee relationship was characterized by a close working arrangement that developed out of a natural affinity and mutual respect for the value of each.

- Assumed Competence

Some African Americans are viewed inappropriately as lacking the skills and intelligence to succeed in certain areas. This can create a difficult working environment which hinders (rather than facilitates) growth and development.

Several Discussion Group members attribute their early successes to the opportunity to demonstrate their mastery of their craft. These opportunities were usually made possible by sponsorship from a respected key player.

- Pride in a respected Company

All of the Group members have had opportunities to represent the Company to the community and through this experience develop a strong identity with the Company. This has had mutually beneficial results in that both the Company and the individual grew by stature in the community.

- Emotional Maturity

Diplomacy, resourcefulness, and the ability to depersonalize prejudicial behavior were noted as common experiences among the Group members. Instances were mentioned where members had been humiliated, ignored, overlooked, or unacknowledged. The ability to successfully manage these "events" is emotional intelligence.

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- **Timing**

Some members reflected on the benefit of timing: Having the correct skill set to meet the Company's unique needs.

- **Informal network of African American employees**

Even when African Americans were few in number in the organization, an informal network of African Americans was operating to provide sanity checks and a comparison of related experiences with the social realities of the organization. This allowed many of them to retain their psychological health.

PRELIMINARY RECOMMENDATIONS

The discussions above lead to the following preliminary recommendations:

1. Establish a targeted mentoring program designed to give African American employees access to the guidance needed to succeed at the Company.

2. Communicate a commitment to diversity management in the form of a universally distributed Statement of Philosophy developed and endorsed by all executive leaders.

3. Establish specific diversity goals for the succession planning process. Emphasize strict adherence to characteristics that produce effective leaders in the Company and develop skills to see those traits in African Americans.

4. Increase the acquisition of African Americans who desire access to the "right" experiences. Among the "right" experiences which are common to successful managers are executive assistant to senior management and headquarters and field operations.

5. Deliberately and consciously address the issue of why there are so few African Americans in certain areas and levels of the business.

6. Institute executive accountability for improved results with diversity management (recruitment, development, advancement). Use compensation as an incentive to drive development of diversity management skills among managers.

7. Challenge the pattern the Company has fallen into of placing disproportionate African Americans numbers into certain areas.

8. Convene senior officers to develop a clear vision for diversity and a Statement of Philosophy regarding diversity.

PROJECT SUMMARY

Examine and make recommendations regarding KO's diversification effort.

Strategy: Accelerate the achievement of a culturally and racially diverse workforce at all levels of The Coca-Cola Company.

Key Approach: Promote and intensify an awareness at the Senior Management level of the progress or lack of progress The Company is making toward diversifying its workforce and the potential consequences to the business.

Indicated Action:
1. Collect relevant data re: race/sex mix of workforce and business strategy to attract minority consumers.
2. Educate and orient Senior African-American Officers of The Company on the present status of The Company's diversification effort.
3. Develop recommendations necessary to accelerate progress as deemed appropriate.
4. Create an implementation plan to execute recommendations.

Assumptions/Concerns/Constraints:

- Issue: Lack of interest or attention shown toward the subject matter.

  - In recent years, Affirmative Action and diversity efforts are not considered a high priority item by Senior Management. What happen to the Changing Times program? What has happened as a result of the issues raised in the CCUSA Changing Times Programs?

- Issue: Perceived lack of opportunities in certain high visibility areas.

  - The number of African-American new hires appears to be declining, thus reducing the pool of potential candidates for future management opportunities created by business growth. It also appears the reorganization in Corporate Marketing has had a negative impact on African-American opportunities in that high visibility area (e.g. lack of new hires).

  - The number of African-Americans on International assignment is not keeping pace with the growth of International assignments being offered world-wide. This has the impact of greatly limiting the development of African-American "Internationalist".

- Issue: The lack of tolerance by the organization toward those who are different.

  - There is a perception among African-American associates that a number of highly educated and trained African-American (e.g. Grover Jackson, Shirley Dilsworth, Joe Bowers and Dallas Diggs) have received unfavorable treatment thus creating the impression that KO is a high risk environment for hi-potential and aggressive African-Americans. There is also a perception that The Coca-Cola Company is a revolving door experience and not a place to build a long term career. While African-Americans are leaving there does not appear to be an aggressive plan to ensure the pool of hi-potentials is replenished (e.g. GMTA).

- Issue: Leadership

  - There is no evidence that The Company, in the absence of laws requiring affirmative action, has a commitment to achieve further diversification of its workforce (e.g. Lack of: Strong leadership from the top; a clearly communicated Company position and policy which activates the Company's commitment).

- Issues:
  1. Underutilized resources and unfulfilled expectations.
  2. Absence of a communication plan or strategy to effectively communicate with minority employees on their issues or concerns.
  3. Not enough visibility and mentoring of minority role models in the organization.

  ?? - The Company's EEO data indicates there is good representation of minorities and females across the organization at all levels. Yet there exist a strong perception that the Company is not doing all it can to maximize the potential of its minority workforce.

- Issue: Building a Company value that links diversity to business success.

  - The Company has no clearly articulated vision of how diversification of the workforce is linked to business success. One approach may be to have Doug Ivester define the Company's philosophy or approach to diversity and then champion the activation of this approach in the Company's business plans, policies and programs.

  - There are various diversity initiatives in their early stages of development at CCUSA in Operations and Fountain but there appears to be little coordination and synergy between them. In order to build a common value system and set of beliefs Company-wide, it may be necessary at this stage of development to provide centralize management and control at the COO level.

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