# Case Study 7.6

This case study is intended to support and be used in conjunction with the Tullis Russell case study as means of highlighting the need for companies to share information with their employees.

## Kraft takeover of Cadbury

*'"We have great respect for Cadbury's brands, heritage and people", she said. "We believe they will thrive as part of Kraft Foods."'*

Irene Rosenfeld, CEO Kraft Foods, as reported by the BBC on 19 January 2010

### The takeover

On the February 2nd 2010, US food group Kraft completed an £11.5bn takeover of Cadbury (purchasing 71.7% of the shares), one of the UKs most iconic confectioners. The deal was originally opposed by Cadbury's board and shareholders, dismissing the initial offer for the company as "derisory". On the afternoon the takeover was completed, CEO Irene Rosenfeld had this to say regarding Kraft's newest members; "I warmly welcome Cadbury employees into the Kraft Foods family." The Labour government's Business Secretary at the time, Peter Mandelson, moved quickly to dissuade the inevitable fear of job losses that accompanies every takeover and opened dialogue with Ms Rosenfeld to discuss Kraft's plans for Cadbury's UK production plants. The results of their communication seemingly bode well for Cadbury's employees, with Kraft assuring Mr Mandelson of Kraft's "respect for Cadbury's heritage and employees". Kraft even went as far as to assure all of those concerned with the takeover that they intended to maintain production in the Somerdale plant near Bristol Somerdale factory near Bristol, which produced some of Cadbury's most recognisable brands such as Dairy Milk, Cream Eggs and the Double Decker, as well as investing in another plant in Bournville.

### The aftermath

Exactly a week later, on 9 February 2010, Kraft announced plans to shut the Somerdale factory by 2011, resulting in the loss of 400 jobs. Kraft cited the fact that Cadbury intended to shut the factory anyway, stating that it would be "unrealistic" to change this plan. In little over a week, Kraft disregarded its initial pledge to protect jobs and decided on a different course of action for the Somerdale plant. Understandably, Cadbury' various stakeholders were upset with Kraft's decision, particularly the employees of the Somerdale plant. In one employee's opinion; "It was obviously a big fat lie. Apparently the plans to move to Poland were too far gone to reverse them, so we're still for the chop." Kraft were accused of withholding information from their stakeholders (Kraft was aware of Cadbury's plans to shut the factory but apparently not how far into the process they were) and the UK government felt compelled to convene a select committee hearing where it subjected senior Kraft employees to a grilling on the company's behaviour. Much to the MPs consternation, Ms Rosenfeld refused three requests to attend the hearing. In May of that year, the UK Takeover Panel, the mergers and acquisitions watchdog, reprimanded Kraft stating "Kraft should not have made the statements in the form in which it did in circumstances where it did not know the details of Cadbury's phased closure of Somerdale."

## Reflection

Kraft, in a legal sense, conducted itself in a proper manner. It paid a premium price for Cadbury, enriching their shareholders. Cadbury became the property of Kraft, who was then free to manage their acquisition as they saw fit. This situation has arisen before and will doubtlessly occur again in the future. Kraft's actions though were seen as immoral and lacking humanity, by apparently deliberately misleading stakeholders in relation to their plans for Cadbury and withholding information from those who had a moral right to know.