

Company overview and study of cadbury management essay



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Cadbury is world's leading confectionery brand . Providing varieties of chocolates, gums and candies to different age groups of consumers. They employ more than 46, 000 workers across 60 countries. History tells us that Cadburys was owned by British company . In 1824 it was founded by John Cadbury and opened its first outlet in Birmingham. His values and traditions can be seen in his company as well. His true belief in alcohol increasing poverty rate forced him to introduce chocolates, cocoa, tea at his shop as an option for people. Around 1842, John's brother collaborated to form Cadburys Brothers Of Birmingham but after six years they separated because of John's ill health and his wife passed away . In 1889, John died and left his company to his two sons George and Richard . After few years George and Richard started gaining profits and expanded their business . Their chocolates showed increment on every step. In 2010 February, American Kraft Company acquired Cadburys in spite of numerous protests.

Source: Google image.

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Kraft is an American Company started in 1903 in Chicago as a wholesale cheese manufacturer . In 2007, Kraft became autonomous. As per Kraft CEO-Rosenfeld, the reason for fusion of Kraft and Cadburys is that ,” If Cadbury will standalone then opportunities for Cadburys value creation will be less and Cadburys would earn profit from Kraft's world's network”. On the other side Kraft would also earn profit from Cadburys Indian and Mexican markets. And once both fused together they will form a giant organization in confectionery market owning 40 confectionery brands.

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ORGANISATIONAL MODEL OF CADBURYS:

Cadburys success lies in their management . They use different type of management in order to get best out of their labor and achieve goals successfully. As per Christopher and Sumantra, " Todays operating environment in many worldwide businesses demands more than efficient central management and flexible operations". Cadburys organizational style lies between hierarchical and flat structure but more of democratic . They does not have many layers in flat structure. So decision making is very fast and clear. In hierarchical , decisions are made from top and passed on to the lower staff. According to cadburys, " instructions from manager are passed on to the clerical support assistants". Below they are disussed in detail :

Autocratic management

Democratic management

Consultative management

Paternalistic management

a) AUTOCRATIC MANAGEMENT:

In this management decision is made by bureaucratic or a manager without consulting any subordinates. Decision making is fast because no other staff is involved to give new ideas or suggestions and well managed business is an outcome . As per Peter (2006), " Oxford english dictionary call Autocracy as absolute government by one person". Centralization management is their

trait in this . They control the rights and duties of other divisions and departments. Figure 2 shows autocratic style of management :

Managing Director

Manager

Staff

Staff

Staff

Staff

b) DEMOCRATIC MANAGEMENT:

In democratic, staff work in a team. Workers give different idea and suggestions . This management is beneficial for cadburys because it helps them to get more from their workers by motivating them. Employees manufacture but work in this management is bit slow in comparison to autocratic because time is wasted in collecting idea.

Figure 3: Shows slow process under democratic management.

Democratic management can be decribed through Mckenzie's 7s model :

STYLE

SKILLS

STAFF

SHARED VALUES

STRUCTURE

SYSTEMS

STRATEGY

Figure 4: McKenzie's 7-s model (Pascale & Athos, 1981; Peters & Waterman, 1982)

McKenzie's 7-s model is created in 1980s. This figure 4 shows how organization work by sharing values among their staff. An Organization (Cadburys) plan to achieve success by working in a team . According to the external environment they change in order to face competition or to meet consumer changing needs. Organization plan for coming tomorrows, they look where they are now and what they have to do to get success in future (Ansof, I . 1965).

Cadburys employees do know companies goals, strategies and have common beliefs which avoid employee's turnover percentage and internal conflicts. They welcome new ideas and different cultures. Honesty and genuine way is found in their business all the

Way. Hardworking and competition level is high in their strategy but they do it fairly. Staffs keep changing in order to get best skilled labor. Cadburys quality assurance is guaranteed. HR keeps a check on employees, training of

new workers and plans ahead . The most significant is incentives and rewards for staff which impel them to work harder and to hamper their rivals according to Rafaella (2009). And managers use simple and easy ways to communicate with their labor force -email, telephone, video conferencing, file transfer etc.

c) CONSULTATIVE MANAGEMENT:

Consultative management is a mixture of both autocratic and democratic management. Head of organization take ideas from there working force and eventually take decision by their own. By applying this kind of management both staff and managers are satisfied because both given equal importance.

Advisory Board

General Manager Marketing Department

Research and Development Department

Finance Department

Production Department

Figure 5: Explains consultative management.

d) PATERNALISTIC MANAGEMENT:

In this management, internal environment of the organizational is kept very fatherly . Staff work as if they all are a big family. Management looks after employee's free health and recreation. There needs are fulfilled without

giving them any rights . Paternalistic management neutralize autocratic management style.

PROFIT & PROGRESS

Employee 1st Employee 2nd Employee 3rd Official

Figure 6: Shows teamwork leads to boom in an organization.

ISSUES AND CONCERN:

Though being a giant organization in confectionery market and well know-how of their vision, mission and strategy, Cadburys faced numerous problems as well.

Problems Of Past:

They went through a problem in there HR department because of unskilled employees, competition from externals and workers turnover percent was rising, but somehow Cadburys dealt with this problem by giving them incentives, pay leaves and benefits. Their staffs idea and suggestions were also listened in order to make them feel that they are a family.

Cadburys entry into French market was another big problem due to behavior of French consumer . According to BBC news (March, 2000) Cadbury asked Kraft to take over there French gums and sweets products in order to gain French market. As per chief executive John Sunderland, “ Kraft’s foods give us entry into French sweets and gums market “.

Cadburys journey from 1824 till date showed a number of ups and downs, today it is world’s number one chocolate producing company. After gaining

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good profit and image their products reached a maturity level but before their product show decline in a graph they introduced Cadburys celebration pack and bandhan (Indian market) in order to again get a growth stage.

S Introduction Growth Maturity Decline

A

L

E

S

T I M E

Figure 7: Product Life Cycle (PLC)

CURRENT PROBLEMS:

The working class want and hunger makes them keep working hard for a better life. Over 200 years' machines replacing men and still growing.

Cadburys employ more than 46, 000 workers all over the globe. Each

Cadburys factories have one HR in order to provide training, incentives and to solve staffs grievances. But recently Cadburys replaced their workers by effective machines which lead to unemployment . Poverty, pauperism and misery increased all over. HR also facing problem in finding skilled labor which led to skill-gap. Even competition from other organization creates a shortage of skilled workforce.

As per Margaret Heffernan in March 2010, trust is the driving force for everything, two months back when negotiation was going on between Cadburys and Kraft then Kraft promised that they won't close Cadburys production unit having 400 workforces. But after a takeover, Kraft broke their promise which leads to protest from Cadburys staff all over UK". In spite of facing opposition during acquisition, Kraft failed to gain confidence in consumer's eye and declined in reputation. Kraft's forget to give importance to the culture . To overcome this complication Kraft should gain trust and respect by breaking no more promise otherwise this will leads to failure of Kraft's business in UK.

Apart from this, Cadburys started facing problem in terms of health problem. People are more towards eating healthy snacks. Obesity in kids and trend towards the healthy life, creating a problem in the industry.

Figure 10: Obese Children (Estimated) Number of children between 2-15 ("000"s)

Source: National Centre for Social Health /Department of Health

Previously all snacks were asked to carry clear warnings of calories on their packaging . As per David Hinchliffe (MP, Chairman, Health Select Committee), reported by BBC news (27 November, 2003) that " consumer should know, how much they have to burn after intake of so much calories".

FUTURE THREATS:

Changing behavior of consumers is also a big threat to their organization .

People getting more into healthy food. “ If you are healthy then you are wealthy “ is what they believe in now.

COMPANY STRENGTHS

-Giant brands earn a good respect from their consumers.

-Management structure

-Successful in chocolates, gums and candies

COMPANY WEAKNESSES

- close of production units

-Contaminated chocolates produced.

-Performance in Asian market was not good enough in

2003.

COMPANY OPPORTUNITIES

- can sell their products

online.

-Now with Kraft, can spread in regions where

they didn't show their presence before.

COMPANY THREATS

-from cereals as they taking over market due to change in consumer trend.

-from companies producing low fat or sugar free chocolates.

- innovating in order to maintain relationship with consumers.

Source: SWOT Analysis, The top ten global leaders in food.

Cadburys have to keep a check on consumers buying trend . Cereals becoming there main threat like Kellogg's and muesli. Unlike cereals, chocolates contain fats, carbohydrates and sugar which are harmful when taken too much. As per there website ([www. cadbury. co. uk](http://www.cadbury.co.uk)) “ we don't specialized in low fat chocolates and we do not produce diabetic bars under the Cadburys label”.

Figure 13: Shows varieties of Kellogg's product

RECOMMENDATION OF ACTION:

Management:

Building relationship with Cadburys

Kraft acquired Cadburys under crucial conditions . Further; closed down of Cadburys production unit leads them to face more criticism. To cope up with this problem, their management should act as a corporate . They should know about a culture of the alien country . Where, how and what they want should be clear to them . As per Robert J. Aiello and Michael D. Watkins,

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reported in Harvard business review (November-December 2000),” That most of M & A fail due to corporate manager’s behavior, they are quick in everything, they want to buy this company then they start searching what it’s worth, offer less and see what they can get it”. There should be a strong team who are responsible for taking decision and responsible for explaining others about the issues and progress. According to Ronald and Suzanne, “ successful companies have an integrating manager which is temporary in some and their job is to show a way out of critical situation”. Whenever there is any problem or another critical situation in Kraft’s future they should be ready with their special integrating managers . He is a personnel who is having a world class experience, having good management skills and deep knowledge of a company. They make a structure and become a social communication between the two companies.

Employment to the labors

As per Jerry E.,” Labor intensive techniques should be appreciated due to less cost in production (cheap labor). And in many industries, labor is plentiful in accordance to the capital. For underdeveloped countries, labor force is the main force for the production”. Company before replacing labor force should look for the cost of labor and machines. It won’t be worthwhile if a little inclusion of labor will cost less. Cadburys replaced labor but numerous labors are needed in order to build machines . It’s not that machinery replaced labor it’s the organization, otherwise labor and machinery can be made to work together effectively . As per Michael,” factory workers are more efficient than homemaker because of more wide use of machinery. But

slow worker can be made efficient and wages increased without new machinery's. Cadburys can skilled labor by increasing wages “.

Health Issue:

Dietary and Sugar Free Products

Cadbury versus Whey

In 2004, World Health Organization reported that obesity touched a peak point on global level. Dietary product showed a tremendous growth. There are few chocolate companies who have launched dietary products like Whey chocolate company (source- [www. wheychocolate. com](http://www.wheychocolate.com)) -“ The biggest breakthrough in chocolate innovation! Your taste buds won't know the difference, but your body will”.

Source: [www. wheychocolate. com](http://www.wheychocolate.com)

It is clear that Cadburys need an innovation otherwise there product life cycle is near to the end. Cadburys have an opportunity that it is already known all over , once they introduce fat free and sugar free products it won't take them long to capture the market.

Figure 16: Shows assumed Cadburys sugar free (future)

Cereals versus Cadburys

As trend is shifting towards more of cereals intake, Cadburys should also introduce there breakfast product line, in order to wipe them or share part of their profit.

As per Mintel report, Kellogg's lead two markets, manufacturing and retail share markets. However there is a decline in some sector of cereals as well but it's not in worst condition though. There are two sectors, children and adult sector which are still growing up. Especially in UK, there is upward trend. And if Cadburys enter into cereals they should be careful about the market. Cadburys should have a strong management and good strategy to overcome them.