

# Impact of cultural diversity: cadbury and kraft.



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Cultural diversity has great influence in the business organization when it is being seen globally. When business is no more limited to its normal geographical boundary it becomes necessary to involve local people in the workforce along with parent countries, so it becomes very necessary to develop a common culture within the organization to meet the requirements of business objectives. So from other point of view cultural diversity becomes the need for the organizations going globally. Contribution of Cultural Diversity towards development and expansion of any business organization and with special reference to the merger of Cadbury and Kraft is the basic focus of this essay. As per the requirement of the essay topic author has structured this essay in the flow starting with explaining the meaning and definition of “ culture”, “ Cultural Diversity”, “ Significance of cultural diversity” and pros and cons of merger of Cadbury & Kraft from view point of cultural diversity”. Further author is explaining theory of cultural Diversity and discussion on how cultural Diversity will be significant to the development of global business. After this author analyzing the subject- Impact of cultural diversity on merger of Cadbury & Kraft. Then finally author giving overall evaluation of the subject area concerned- Impact of cultural diversity on merger: Cadbury & Kraft has been evaluated.

Culture: Culture is something that is being carry forwarded from past, and it is related to behavior patterns, beliefs etc.

The same can be understood by referring dictionary meaning of the same. “ The totality of socially transmitted behavior patterns, arts, beliefs, institutions, and all other products of human work and thought.”

<http://dictionary.reference.com/browse/culture>

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Adler (2002) explained the pressure of cultural diversity on multinationals and global firms, stating that now a days it becomes very obvious that national cultural differences are significant impact but on the other hand alder said that comparative impact depend on the stage of the growth of firm, industry and world economy.

So to understand the importance of cultural diversity at work place it is very important to understand the organizational culture first.

#### Organisational Culture:

Organisational culture is not different from normal culture what we mean in our day to day life. It is basically a common set of rules, values, beliefs held by organizational members to follow while act within and outside of the organization. It represents a common perception held by the organisation's members. It is similar to the culture of a family and particular community- that dictate how each members of the family or community will behave and act to each other and with outside of the home or community. Business organizations have also cultures that govern how each employees will behave keeping in mind values of the organization, rituals, practices etc.

#### **Cultural Diversity:**

Ethnic, gender, racial, and socioeconomic variety in a situation, institution, or group; the coexistence of different ethnic, gender, racial, and socioeconomic groups within one social unit. <http://dictionary.reference.com/browse/cultural+diversity>. Based on the above meaning of cultural

diversity it can be understood in a way that it is the mixture of gender, ethnic people, different racial people, variety of thinking, beliefs etc. if we <https://assignbuster.com/impact-of-cultural-diversity-cadbury-and-kraft/>

talk from the view point of cultural diversity in an organization then it would refer to an organization where people (workforce) of different background, gender, race, ethics beliefs are working for the common objective of the organization.

### **Significance of Cultural Diversity in the workplace:**

“ Workplace diversity means new opportunities for both employees and employers. As organizations such as yours, move into the 21st century, it is imperative to capitalize on the talents of employees from diverse backgrounds because it is their “ differences that enrich, expand, and provide the competitive edge” They enable organizations to tap new markets while increasing effectiveness and productivity.

Cultural diversity affects organizations in several ways including the recruitment/retention of staff, management styles and decision- making processes, and relationships within organizations. Organizations become more inclusive by altering aspects of their culture within each of these categories.

Culturally diverse staff often are isolated in an otherwise homogeneous organizations. Limited informal interaction with co-workers can lead to exclusion from key committees and decision-making groups potentially resulting in reduced productivity and effectiveness. Such isolation can lead to employee dissatisfaction and higher turnover among staff from under-represented groups. Staff from varied cultures reflect different learning styles and bring different preferred working styles to their jobs. Sometimes managers consider such differences wrong or problematic-it seems the

person exhibiting them just doesn't fit in. But, recognizing, valuing and supporting these and other differences can maximize the productivity of everyone in the workplace.

In the process of recruiting, selecting and supporting a more diverse staff, you are also creating a new culture to become more inclusive. in order to reach new and varied audiences and enrich your workforce for higher productivity and shareholder value". [http://www. diversityworking. com/employerZone/diversityManagement/? id= 3](http://www.diversityworking.com/employerZone/diversityManagement/?id=3)

## **Merger of Cadbury & Kraft:**

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After months of fiercely resisting any deal, Cadbury agreed on Tuesday to an improved takeover offer from Kraft Foods, worth about \$19 billion. A protester outside a Cadbury plant in Bourne ville, Britain. Kraft said it would be a " net importer" of jobs into the country. For Kraft, the deal offers a chance to expand its footprint in emerging markets and in higher-growth sectors like gum and candy. " It transforms the portfolio, accelerates long-term growth and delivers highly attractive returns," Irene B. Rosenfeld, Kraft's chairwoman and chief executive, said in a statement. Cadbury for its part will benefit from the supply chain of a larger company, said Jon Cox, a food and beverage analyst at Kepler Capital Management in Zurich.

But the prospect of a takeover of Cadbury, the 186-year-old British company, especially by an American multinational like Kraft, sent shudders throughout Britain and prompted a wave of public protests. The Mail on Sunday, one of the biggest-selling British newspapers, ran a " Keep Cadbury British"

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campaign. "It's sad to see another British company bought up by a multinational," Mr. Cox said, "but that's finance." Prime Minister Gordon Brown said Tuesday that his government was "determined that the levels of investment that take place in Cadbury in the United Kingdom are maintained," and that "at a time when people are worried about their jobs, that jobs in Cadbury can be secure." During a conference call Tuesday, Kraft executives reiterated that the company would keep a strong presence in Britain and would be a "net importer" of jobs in the country. The move will also continue the consolidation that has dominated the food business over the last decade. While mergers involving food companies dipped somewhat last year - preliminary data from the Food Institute, a trade organization, showed 58 acquisitions in 2009, versus 130 in 2008 - analysts expect deal-making to pick up again as companies seek greater scale and presence in developing countries. "We're in the middle of a little wave of deal activity," Greg Pearlman, the head of the food and consumer group at BMO Capital Markets, said. "Will they all be as big and global and transforming as this? No. But I do think there's some pent-up demand for strategic acquisitions."

That may present challenges for companies like Hershey that lack an international presence to pursue global competitors. Hershey, based in Pennsylvania, had been readying a potential bid for Cadbury, according to people briefed on the matter. Yet with Cadbury's board recommending the new Kraft bid, a counteroffer from Hershey seems unlikely. The agreement between Kraft and Cadbury came together over the weekend, after weeks of sometimes blistering volleys. Cadbury in particular fought fiercely. Its

chairman, Roger Carr, derided Kraft as showing “contempt” for the well-known brand and dismissed its hostile bidder as a low-growth conglomerate.

On Tuesday, Mr. Carr softened his language, saying in a joint statement that the new offer “represents good value for Cadbury shareholders.” “For Cadbury shareholders, it’s the best possible deal, given they were dealt a bum hand, because there were no counterbidders,” Mr. Cox said. “The clear winner is Kraft.” Kraft’s original, unsolicited offer, made in September, was worth about \$16.7 billion. The new offer is about a 5 percent premium over Cadbury’s closing share price of 807.5 pence on Monday and a 14 percent improvement over Kraft’s first offer in September.

Under the terms, Kraft will pay 500 pence in cash and offer 0.1874 new Kraft shares for each share of Cadbury. That amounts to a payment of 840 pence (\$13.80) for each Cadbury share. Additionally, Cadbury will pay out a special dividend of 10 pence a share. Tuesday was the last day Kraft could raise its offer under British takeover rules. Cadbury shareholders have until 1 p. m. London time on Feb. 2 to decide whether to accept it. While the terms of the offer are final, Kraft reserved the right to raise its bid if a rival offer were made”.

**Michael J. de la Merced and Chris V. Nicholson, “ Kraft to Acquire Cadbury in Deal Worth \$19 Billion” Published: January 19, 2010, available on <http://www.nytimes.com/2010/01/20/business/global/20kraft.html> ACCESSED ON 18/03/2011.**

“ Kraft said the deal would create a “ global confectionery leader”. But there are renewed fears over possible job cuts at Cadbury’s UK operations as a result of the agreed takeover.

“ We believe the offer represents good value for Cadbury shareholders... and will now work with the Kraft Foods’ management to ensure the continued success and growth of the business,” said Cadbury’s chairman Roger Carr. “ I won’t go against the view of Cadbury’s management,” he told the BBC. “ Serious questions need to be asked about Kraft’s intentions,” he said. “ Kraft already has a track record of cutting production and moving production abroad. There’s no guarantee that they’ll keep production in the UK in the long run.”

### **Cadbury agrees Kraft takeover bid**

**<http://news.bbc.co.uk/2/hi/8467007.stm> accessed on 18/03/2011**

### **In what ways might the cultural differences decrease the chances of success?**

Though national culture is important but business organisations cannot ignore the importance of national culture. This is because culture differs one country to another. One country has different value, ethics, norms and beliefs etc and other country would different. So considering the fact, of cultural differences, business organisations gives more importance to the <https://assignbuster.com/impact-of-cultural-diversity-cadbury-and-kraft/>



value, beliefs, ethics, and other factors of culture. This is because it is the way that MNC can achieve the business objectives in other countries as well.

The Cadbury and Kraft both the companies are leaders in the field of manufacturing chocolate and cheese respectively. Whether this merger will achieve success or failed is now the matter of debate. This is because the culture of these both the companies are different from each other. There are arguments that this unite will be failed. The reason behind this kind of thinking is -British people are considering this merger as sale of a national heritage. There are some other people-researcher who feels that cultural differences of British and America might be the hurdle in handling the business.

Andrew Bonfield (finance director of Cadbury) states cited in Bowers (2009) “ Cadbury group culture would be diluted if the company swallowed by a large multinational group such as Kraft, we believe Cadbury corporate ethos which are associate with British national culture would be affected if this merger take place”. On the other hand employees of Cadbury feels also feels the same- they feels that company is more attached with the benefits of society and people who are attached with it, but Kraft is profit oriented organization, culture is different and even operating and policies as well-cited in Wearden (2010).

As there are many cultural differences between American and British and the both firms Cadbury and Kraft have different organizational culture as well, these differences could be hurdle a in a successful outcome.

As far as British people are concerned they are very much national culture oriented people and they believe in trust on others and they give priority to trust than monetary objective of an organization. As far as trust is concerned British people gives much importance to it but in the merger with Kraft its lacking. Prior to this deal Kraft promised that none of the manufacturing plant of U. K, will be closed, but just after finalization of this deal Kraft announced to closed Somerdale Plant of U. K.

So here author would like to mention that this kind of decision is one sided decisions and its required thinking based on cultural diversity. Kraft should consider the cultural and other values of the U. K this is the only way cultural diversity will be maintained and organization would be benefitted. Kraft should not change the internal policies of the organization otherwise it will lead to dissatisfaction among British employees, as they were use to of particular kind of internal organizational policies. So here again there is importance of cultural diversity which help maintaining smoothness in the business operation by winning the faith and satisfaction of the employees of other country as well. " UNITE union representative confirms that Kraft is reducing pay package- which includes monetary and non monetary benefits of the Cadbury employees" cited in Crush (2010). By doing this Kraft inviting internal dispute and this is definitely not the honor of cultural diversity. As Kraft trying to distinguish workforce by providing different pay package compared to the parent country employees so it will bring employee dissatisfaction

There is basic differences in these two organizations- one hand Kraft policy is to focus on business- how to maximize profit and reduce cost, this is based

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on the philosophy of Americans who emphasize on individualism. As per Alder (2002) Americans are individualists and they emphasize personal achievement and personal welfare rather group of people or group or community as a whole". But the philosophy of British society is totally different and its focused on group rather individual welfare. British people give importance to communities and fixed the common goals to achieve in a group. As per Lewis (2006, p196) " British people regard themselves as honest, reasonable, caring and considerate" so ultimately the focus of Kraft is differs from focus of Cadbury. One is having essence of cultural diversity in their operation and other is totally individualism. So here one can see the misbalance in the business operation due to absence of cultural diversity.

So above discussion shows that due to cultural difference-which includes difference in thinking, difference in value, difference in ethics, difference in the way one react to the situation etc, business operation will not achieve smoothness. So it will create problem in coordination among the workforce of America and workforce of British, which will lead to disaster in business and business will never able to achieve its pre determined objective effectively and efficiently through its workforce. So this merge of Kraft and Cadbury will be failed due to absence of cultural diversity.

### **In what ways do the cultural differences increase the probability of a successful outcome?**

Cultural diversity will definitely contribute positively towards successfulness of any business. We can take an example as there is behavior difference between Americans and British people.

As per Harris and Moran (2004) British people are very formal in the business meeting but Americans are very informal and friendly as well". So if we analyse this behavioral differences while handling people outside the organization there will be clash if American handling the British customers and not paying formal attention, so its better to handle British customer by the U. K. based workforce to achieve the customer satisfaction. So the wrong impact of this behavioral differences can be minimize by diversity of workforce and having choice of workforce to be deployed as per the requirements.

We can take an another example of behavioral differences, as American use the word bull shit while showing their disagreement on anything, this is their normal behavior but in U. K it would be considered as a abuse. So cultural diversity will facilitate choice of manpower to handle the related people or customers which help in achieving customer satisfaction, rather dissatisfaction in the absence of diversity.

As per Michael Porter cited in Schneider & Barsoux (2003) " nation derive competitive advantages from a set of country level factors such as availability of resources, size and sophistication of the market, Nature of government intervention and the type of strategic linkages or networks etc". Based on the above quotes merger of Kraft and Cadbury can get the competitive advantages by getting benefits of practices of both the different national companies. Both the organizations can adopt the culture of the other to understand consumers and workforce of both the countries.

As far as personal characteristics is concerned American people are very much Independent in taking decisions, but in U. K, British people have different practices-they involve group of persons in decision making this is their normal practice of decision making. So if we see the normal practice of decision making of these two countries it is Kraft (American) it's based on delegation of authority so its quicker than the Cadbury (British organization) where there is involvement of group which is little slower than the American. So merger organization can take the benefits of both the systems by integration of both the systems and maintaining proper coordination as well. Integration of both the system will ensure delegation of authority up to some extent and centralization of authority as well. So there will be benefit of both the practices of decision making. So this will be a boon for the organization as a whole. Which is possible due to diversity only.

According to Thomas (2008) " cross cultural comparison of mergers and acquisition have found cultural differences in preferences of integration processes, control system and management practices by acquiring firm. However cultural differences can also be a source of value creation by providing new and unique capabilities, resources and learning opportunities. There is difference in communication style between American and British, Americans communication style is low context which is quite straight forward and to the point"

Above quote demonstrates the benefits of diversity as benefits of cross culture one can create value for the customers. This is possible due to integration of processes, control system and management practices of different organization and in case of Kraft and Cadbury as well. It is similar to <https://assignbuster.com/impact-of-cultural-diversity-cadbury-and-kraft/>

two good things can form an excellent thing. These cultural differences contain unique capabilities, resources and learning opportunities so cultural differences of Kraft and Cadbury can be used in an integrated format to create value.

According to Hoeklin (1995) "in comparison to high-context cultures low-context cultures orientate on many people of their daily life because they don't differentiate as much as high-context cultures between in- and out-groups, their direction of communication is orientated on personal context and referred to circumstances only. Mostly they converse within their out-groups in a wide and dispersed way. Within communication they exchange information just to the necessary extent so that work can be done and they don't talk about or exchange information continually in their work surroundings and colleagues".

According to Hoekling (1995) quoted above it is the drawback of communication and the way people communicate to each other due to wrong hypothesis or misconception, is wrong and creates limitation of knowledge addition and value as well. People generally communicate with wide range and always try to communicate up to that much which ensures work done. But this is not the way to get the advantages of the others.

If we relate this communication style with the two organizations-Kraft and Cadbury, British communication style is very high context which is less verbally and indirect. In this kind of communication system one has to pay attention to the body language as well to understand the complete meaning of communication. So this kind of communication system can be a hurdle of

communication for the people of different culture. Where low context communication it is full of information and coding is very much clear so its very easy to understand even by the different cultural background people.

Merger companies-Kraft and Cadbury be benefitted with this diversity by involving their workforce in both the types of communication as exchange of the style of communication. American could learn using coding and expressing with body language as well while British people could adopt the American way of communication to integrate the both the way of communication and take the advantage.

## **Conclusion:**

We have discussed the basic concept of culture and cultural diversity and special emphasis has been given on these two questions- In what ways might the cultural differences decrease the chances of success? And In what ways do the cultural differences increase the probability of a successful outcome?

We have seen merger organization Kraft and Cadbury have many differences that may create problem in coordination among workforce of both the organizations and achieving customer satisfaction. So those differences will be hurdle of success till are not addressed properly and are not integrated properly by both the organization to achieve the corporate objectives. Adoption of different culture and implementation of cultural diversity is all about effective integration of good features of both the organization and culture so that value can be created and there will be chance to go with

differentiation strategy by this integration and capture good market share as well.

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