

Press Release

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The Money is not Enough: Even employee shareholders in Cadbury won't be happy in the long-run

LONDON (20 January 2010) – Even those Cadbury employees who will make money from their shares in the company will not necessarily find themselves better off as a result of this merger, according to leading change management consultancy, Able and How.

“Only 1/3rd of all change programmes succeed. But even if you like those odds, Cadbury and Kraft face some sizable hurdles in their merger that may be insurmountable for employees,” said Managing Director David Ferrabee.

“There are a number of factors weighing heavily against Kraft and Cadbury’s employees in this deal,” he said. “It’s very unlikely that the business will be in any position to address them. And the hidden costs could be catastrophic for the UK chocolatier.”

The key factors include:

- **DIFFERENT CULTURAL BACKGROUNDS**
Whereas Kraft is part of America’s long-standing commercial engine, Cadbury is a pillar of Britain’s social history. Kraft have already faced difficulties with their Suchard and Danone acquisitions in Europe. Cadbury will be harder.
- **PAY DOES NOT ENGAGE EMPLOYEES**
Pay and other cash-based rewards are well down the list of what really motivates employees. Even a windfall payment, like some employee shareholders may see, has been shown not to motivate those who receive it, and it will demoralise those who don’t.
- **LOSS OF STRATEGIC FOCUS**
The recent Cadbury story has been about getting the basics right and focusing on fewer, bigger things. Those days will be behind us now as the business takes on everything from cheese to macaroni.
- **MANAGEMENT LEADERSHIP**
All corporate finance stories suffer from a very uneven narrative, but the Kraft/Cadbury one has taken twists and turns that are hard for anyone to reconcile. The leadership on both sides will have a very hard time pointing the way forward from the stories they have told in the past.

“Kraft and Cadbury may have set themselves a rod for their own backs that they cannot put down. The merger runs the risk of being historic for all the wrong reasons,” Ferrabee said.

“Companies that take a measured and strategic response to change and ensure that communication and people sit at the heart of it will always be more successful in the end,” concludes Ferrabee. “It is not difficult to plan, explain and deliver an updated strategy to employees and stakeholders in a way which does not destroy morale and productivity. If businesses can keep their heads, they can keep their people. And the business that keeps its people, its revenues and its clarity of purpose, will lead the charge into better times.”

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