BNET

Irene Rosenfeld's Crafty Pursuit of Cadbury

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published on BNET.com 10/01/2009

Kraft CEO Irene Rosenfeld

Everyone in business is selling something to someone, at least part of the time. The only difference: Some sell bigger and more publicly than the rest of us.

The Big Sell, at the moment, is a full-time job for **Kraft Foods'** CEO Irene Rosenfeld, who in late August made an unsolicited $16.7 billion bid to take over Britain's iconic chocolate maker, **Cadbury Schweppes Plc.** A longtime Kraft exec who also helped steer **PepsiCo**'s Frito-Lay division, Rosenfeld was tapped in 2006 to kick-start the sluggish U.S. foods conglomerate. She is known as a driven and decisive leader, and her acquisition experience includes Kraft's $7.2 billion acquisition of Danone's LU biscuits division two years ago. Snagging Cadbury would be a crowning achievement.

At Rosenfeld's side is big-shot dealmaker Bruce Wasserstein, who runs the famed high-finance firm, Lazard, Ltd. Wasserstein is better known for his brass knuckles approach to M&A than for his interpersonal skills. Nevertheless, he never loses sight of the human factor, says Bruce Patton, whose Vantage Partners advises companies through mergers. He pushes clients like Kraft to build consensus by keenly understanding all the major stakeholders and their motivations, especially any who might block a deal. And in the case of Cadbury, such potential spoilers are legion: the board, the shareholders, British regulators, partners, customers and employees.

One of the biggest hurdles Rosenfeld faces to winning them over is that Cadbury isn't considered a broken company, says Alexandra R. Lajoux, chief knowledge officer at the National Association of Corporate Directors and the author of several M&A textbooks. That makes it harder for Rosenfeld to argue that Cadbury needs to be rescued by Kraft. To finesse that weakness, Rosenfeld has stressed that, however well-run Cadbury is today, its future growth is limited as a standalone company.

Rosenfeld first laid out her proposal with Cadbury Chairman Roger Carr during a late August meeting in London. Later that day, Rosenfeld followed with a carefully crafted private letter, spelling

out the deal points. When Carr replied with a no thanks, Rosenfeld wrote back that she was taking the whole thing public and released her correspondence to the press.

In a sense, Rosenfeld had no choice once Cadbury rejected the initial offer. She could have come back privately with a higher offer, but that would have limited her maneuverability had Cadbury also rejected the sweetened bid. Or she could have dropped the whole thing, which was unlikely. Only by taking the offer public could she exert external pressure on Cadbury to negotiate.

That's why the letters to Carr were, in effect, written to everyone that could affect the deal. They explained that Kraft was offering a 31 percent premium over Cadbury's stock price (Are you listening, shareholders?); that Kraft would provide Cadbury's brands with greater "scale and scope" (Got that Cadbury board members?); that "our extensive global business network would create opportunities for talented Cadbury employees and managers" (Hear that management?); and that U.K. factories could keep humming along (Music to the ears of both U.K. politicians and Cadbury line workers).

Rosenfeld's opening embrace quickly gave her control of the debate on many levels. "Kraft's strategy has been aimed at analysts, shareholders and the public, as much as it has been aimed at Cadbury's board, which is very sensible," says Patton. "A good first impression can be difficult to overcome."

The Cadbury team did try to overcome it, however. Almost immediately, the company began a broad emotional defense, playing the nationalism card, pointing to its long and storied history and lining up support for its go-it-alone strategy among major British shareholders.

But Rosenfeld was ready. In a nod to the British government, for example, she wrote that Kraft "would be in a position to continue to operate" one U.K. factory that Cadbury had planned to close, and could invest in another, "thereby preserving U.K. manufacturing jobs." In short, she anticipated her opponents' responses long before they had a chance to make them.

Some of Cadbury's strategies have even backfired. Cadbury CEO Todd Stitzer angered the British regulator, The Panel on Takeovers and Mergers,, by reportedly appearing to countenance a deal with Kraft while meeting privately with analysts, even as he opposed it in public. Cadbury has worked to try to smooth over the situation, and the Panel did just agree to set a six-week deadline for Kraft to make a formal offer.

Rosenfeld, meantime, has kept notably on point, staying measured and calm even while landing subtle jabs. Asked recently to respond to Stitzer's claim that Cadbury could generate superior returns alone, Rosenfeld said only that her opponent hadn't done "the math quite accurately."

It remains unclear whether Rosenfeld could sell a potentially messy and expensive hostile takeover to the shareholders of either Kraft or Cadbury were things to deteriorate into a tender offer or combative proxy fight. That question could be further complicated if another suitor were to emerge. (**Nestlé S.A.** and **Hershey Foods Corp.**, as joint bidders are named most often.)

While Rosenfeld waits to see what's next, M&A lawyer Glenn Burlingame, of Zeichner Ellman & Krause, says her best course is the one she has been following # keeping it as civil as possible.

“Hostile transactions,” he points out, are much less likely to get consummated. “And if they do,” he adds, “they generally require a much higher price.”

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