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CONTENTS

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Editorial Note

In the last two decades India has experienced number of changes in the business and industrial environment. The New Reforms of 1991 has been able to provide a dynamic business environment that was lacking in the first five decades after independents. Accordingly new and hitherto unobserved business opportunities have emerged for budding entrepreneurs. The traditional and conventional business lines have taken a back seat. Sum of these emerging areas of business are outsourcing, consultancy, hospitality, tourism and others.

The Food Technology, Management and Food Services Sector also are under this important emerging area. Late Prof. Dr. A. D. Shinde, The Founder Director of CSIBER Trust, realized the importance of this field way back in early eighties. To realize his dream he started the College of Non-Conventional and Vocational Courses for Women (CNCVCW) at Kolhapur. He introduced innovative courses especially for women. These courses are skill oriented and help the women to find suitable placement in Food, Fashion and Interior Designing fields. At the same time they are equipped and trained to start their own business and become a source of employment for others in the society.

As a part of the academic responsibility and make the stakeholders aware about the recent trends in the three sectors, the college regularly conducts seminars, workshops and conferences. This year the college conducted a National level conference on the Recent Trends in Food Technology and Management on 28th and 29th March 2014. The conference received overwhelming response. There were almost 35 participants from different parts of the country presenting their research papers on different sub themes of the conference. In the poster presentation category there were almost 15 participants displaying their ideas and innovations in the area of Food and Management.

The topics covered in the papers submitted for the conference dealt with innovations in Food Processing industry, Bio technological aspects, Legal environment for food industry and the management trends in the sector. The national conference was able to attract good research papers on different themes from participants hailing from various states of our country. In the present issue we publish selected research papers of the conference. These papers will serve as an academic input for all those scholars interested in this specialized and emerging area.

Dr. T. V. G. Sarma
Editor

International Business Operations with Reference to Cadbury Bournvita's Case

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1.0 INTRODUCTION

Due to the emergence of the concept of 'global village' by erasing the national political boundaries for the purpose of business, one cannot escape from the buying excitement derived from products like Italian Shoes, Japanese Car, Brazil Coffee, Keniyan Tea, Indian Garments, American Pizza and Chinese Toys as the entire globe is knitted through wires and satellite.

The concept of global village resulted in exchange of cultures across the globe, location of manufacturing centers in various countries by treating the entire globe as a single country, producing the product in one country and market the product in the another country. The customer by staying in his home country can buy the products from any country. Thus, the scope of international trade and international marketing is enlarged to international business.

The business across the borders of the countries had been carried on since times immemorial. But the business had been limited to the international trade until the recent past. The post-world war II period witnessed an unexpected expansion of national companies into international or multinational companies. The post 1990's period has given greater fillip to international business.

In fact the term international business was not in existence before two decades. The term international business has emerged from the term international marketing which in turn, emerged from the term 'export marketing'.

The multinational companies which were producing the product in their home countries and marketing them in various foreign countries before 1980's, started locating their plants in foreign or host countries. Later they started producing in one foreign country. For example, unilever established its subsidiary company in India, i.e. Hindustan Lever Limited (HLL). HLL produces its products in India and markets them in Bangladesh, Sri Lanka, Nepal, Etc.

International business encompasses any business transaction that involves parties from more than one country. These transactions can take various forms and can involve companies, group of companies and government agencies. International Business can differ from domestic business because of difference in currency, legal systems, cultures and resource availability. An international business is one that engages in commercial transactions with on individual's private firm, and public sector organizations that cross national boundaries.

International business has several forms such as imports, exports, international investments such as licensing, franchising and management contracts. Among all these forms, management contract is the form which is adopted by "Cadbury's Bournvita" at its Indian plant in warna. Under this particular form of international business a firm in one country agrees to operate facilities or provide other management services to a firm in another country for an agreed upon fee.

Even though the evidence of international business activity can be traced back thousands of years, it has grown dramatically in recent years because of market expansion, resource acquisition, competitive force, technological changes, social changes and changes in government trade and investment policies.

Thus for the joint venture of "Cadbury's Bournvita", it is necessary to consider certain aspects like which firm manufactured the product? In which county is that firm based? Why it is manufactured there? What are the objectives behind this tie-up, what are the benefits for England's Bournvita as well as the strengths and weaknesses of Warna Unit of Maharashtra.

Location decisions are also of paramount importance to effective international operations management. Country related considerations include resources availability and costs, infrastructure etc. Product related issues are the Value -to-weight ratio, production technology and the importance of customer feedback. Government factors that must be considered include stability of political process, tariffs and other trade barriers and economic development issues. Finally organizational issues include the firms strategy, its structure and its inventory management policies.

At present, the Indian economy is going through a transition phase where the restructuring of industries and firms takes place in the form of privatization, globalization and liberalization after the implementation of the Structured Adjustment Programmes (SAP) in the Indian economy. With the rapid rate of the integration of Indian economy with the rest of the world and with the ongoing attempts of privatization, globalization and liberalization, the subject matter of International Business has been getting more and more acceptance even in developing countries like India.

The liberalized approach towards foreign direct investment was initiated in India in the first half of the 1990's as part of the structural adjustment programme. This is evident from the policy changes on

a] sectors open to foreign direct investment:
b] level of foreign equity participation; and
c] approval procedures.

Today, as a result of these policy reforms, India is also one among the developing countries that try to attract more foreign direct investment and attempt to increase the volume of foreign trade.

The emergence of the multinational enterprises a s a dominant institution in the world economy has resulted in the importance of understanding not only multinational enterprises themselves but also their business operations like Production, marketing, finance and the people working within these organization. The problem of cross-cultural differences also forms a major issue.

Managing & developing human resources in international setting is increasingly recognized as a central challenge particularly for MNC's face competing pressures for standardizing HRM practices with business strategy and external pressure to the localize HRM practices consistent with the host country environment. Social responsibility issues like safety, environments etc are to be faced in a innovative way so that MNC's can develop a positive image as a responsible corporate citizen.

Outsourcing is adopted by many companies to remain competitive as a way to reduce costs, increase efficiency and refocus critical resources. Outsourcing is an appropriately structured arrangement between an organization and an outsourcing supplier to perform services, which were otherwise conducted in house. It is also important that the contract be effectively negotiated and managed. Outsourcing is not an exception at international level. Researcher has selected such an international outsourcing agreement for to present paper. The outsourcing unit is Cadbury's bournvita of England and outsourcing supplier is a Warna unit of Warna complex situate in Maharashtra State of India.

The researcher has studied an outstanding example of international business i.e. Cadbury's bournvita. In 1991, Warna complex a co-operative society in Kolhapur, Maharashtra commenced producing bournvita in a unique tie-up with Cadbury, which is a MNC. The tie-up is unique in the perspective of joint venture between a co-operative society i.e. Warna and a MNC i.e. Cadbury. Also the process of operations is quite different as the parent company provides the required raw materials to the co-operative producing units which bear the total cost of processing or conversion. The co-operative unit is concerned only with the conversion of raw materials into finished products. Its revenue is generated from cost of conversion as paid by the parent company. It is not involved in marketing.

A study of this joint venture provides enriching insight into valuable modern trends in international business world. These are in the fields of new dimensions of joint ventures. As far as Cadbury Bournvita plant at Warna village is concerned, its uniqueness lies in sharing of technology by a co-operative unit, introduction of MNC ethics, norms and culture into co-operative, setting of co-operative objectives in an emerging international business i.e. production, human resource management and financial management aspects in such a unique joint venture. The lessons learnt from the study will provide future models for joint ventures between our co-operative societies with MNC's.

This will result in greater economic strength of the nation. This can be adopted as an approach for economic growth of our rural areas and ultimately rural development.

Thus the purpose of the paper is to study the opportunities, challenges as well as the problems and difficulties faced by the Indian firms in international business.

2.0 CADBURY'S CASE

Cadbury's Bournvita at Warnanagar is a joint venture two decades years old. It is named as Malted Food Manufacturing organization with a workforce of 425 dealing with products like bournvita, drinking chocolate, Coco powder and bite. Cadbury's products cater to the needs of customers of all age groups but especially the small children, so hygienic conditions are observed very strictly.

This unit came into existence as result of agreement between Cadbury India Ltd. and Warna co-operative society to produce bournvita in 1991 thereafter drinking chocolate in 1994 and bites in 2003.

The objectives behind this joint venture are:

1. Development of rural area.
2. To avail benefit of MNC's advanced technology and generation of employment to village community. Establishment of this joint venture was to reduce the cost of production.

According to agreement the Malted food Factory at Warna is to be involved in production only. The cost of production is also to be borned by Warna unit. The Cadbury India has to provide raw materials required for production and packaging. The Cadbury India has to provide cost of conversion to Warna unit at the agreed rate. This initial agreement of 1991 was concluded for 10years which was subsequently extended further with a span of 5years till today.

What prompted Warna to get in touch with MNC like Cadbury India? There are certain reasons behind this. As far as Cadburys view point is concerned; it was to avail cheap labour at Warna. But from Warna's point of view it was to acquire the latest technology of Cadbury unit.

After the agreement & commencement of operations there were certain challenges perceived by the Warna unit. The first and the most important challenge was to work under the new technology, culture and ethics. Intensive training imparted by parent company in the initial stages facilitated in overcoming this challenge. Inspite of being a co-operative unit the confidence imposed by MNC for a joint venture posed a great on the question of whether they will be able to fulfill the agreement or not. For Warna unit it was a matter of pride and a sense of great achievement to be associated with a MNC.

It is a fair blend of MNC technology and indigenous culture and philosophy of Warna which has ultimately led to the success of such a unique tie-up. This phenomenon has been passed on to other unit of Warna complex like Warna milk dairy and tetra pack unit.

Occasionally certain infringements do occur in stipulated terms and conditions but these are settled in an amicable manner at the earliest through mutual consultation and understanding arrived after a critical analysis of a situation.

As far as production concerned, production norms and target is provided by the MNC. Warna unit has to just convert raw materials provided by MNC into the finished products. As regards finance, it is provided by Warna complex only. Warna unit has nothing to do with marketing; it is totally done by Cadbury India Ltd. itself. To handle the workforce satisfactorily sound HR policies have been adopted at this unit. Its comprehensive labour welfare policy includes various facilities such as providing milk to drink for every worker about 200ml every day. A pair of uniforms and safety shoes also provided once in a year. The preference in admission and concession in fees is given to the children of employees so that they may pursue better education. Even for recruitment, the principle followed is "Son is Soil", without violating the criteria for selection like minimum educational qualification and medical checkup. For most of the jobs, confirmation is given by following a prohibition period of 1 year. The company provides formal induction training followed by on the job training which is of one week duration. This period can be extended further if required. An objective performance appraisal system prevails in the unit, where the appraisal is done by immediate boss. As far as compensation is concerned, the employees are paid competitive wage rates.

According to the demand of Cadbury Indi, expansion and modernization was carried out in the year 2006 at the cost of Rupees 19 crores. This brought about welcome changes in enhancing production capacity in layout, cost reduction and more employment. As per the new production capacity there is daily increase in capacity in production to the extent of 40 to 45 tonnes of bournvita instead of 22 tonnes per day. Another by product of expansion programme is increased revenue.

Further benefits of expansion re 5% increase in labour cost per year. Due compensation for increase in overhead charges there is improvement in quality as total plate count came down to 6000 instead of 15000. Enhanced rate of conversion resulted in increased revenue.

Peaceful relations are between the management and labour exists as strikes and lock-outs are totally absent.

Quality assurance is the prime factor for the success of this joint venture. Quality principles are laid down by parent body in the form of a scientific quality policy disseminated to each and every employee.

3.0 QUALITY POLICY

1. Market high quality products that

consistently meet our specifications and comply with local regulatory requirement.

2. Actively listen and regularly respond to the quality expectation of our consumer at the points of purchase and consumption.
3. Ensure that representation of our company image including our trademark, meet approved standardization and reinforce our commitment to quality.
4. Encourage "a right first time culture' "for which employees appropriately trained and accountable for quality.
5. Operate a <u>waited</u> quality management system.
6. Assign clear management accountability for setting and meeting measurable quality targets.
7. Work with our supply chain and business partner to drive compliance to our quality policy and system.

The products of this company are mostly consumed by infants and children, so the health and hygiene is the prime consideration. To this end they conduct SWAB test to see the presence of any micro organism or bacteria on the palm of any worker.

Very stringent measures are adopted for employees as well as visitors in order to maintain quality and hygiene and to prevent any type of contamination.

Thus to a considerable extent the indigenous unit Warna is able to grab the opportunities by a giant MNC, accept the challenges by overcoming the problems and difficulties faced at the time of inception as well as from time to time.

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