

Environment and nestle



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Environmental analysis about Nestle Company Nestle company, whose headquarter is located in Geneva, Switzerland, was set up by Henri Nestle in 1867 and it is the biggest food manufacturer in the world. Chocolate bar and instant coffee, as its star products, are well-known to the world. In this essay, firstly, we analyze two types of environments the Nestle company deals with. Then, its environmental uncertainty and how to manage the environmental uncertainty are stated. Lastly, adaptive and non-adaptive cultures about Nestle company are discussed.

Two types of environments External Environment The external environment comprises of two environments, the Mega and Task environments. The Mega environment is the general external environment in which organizations operate and exerts pressure on the organizations ability to achieve its Vision, Mission and Goals. The Task environment is also comprised of elements from the external environment which can directly affect the operations of the organization. (Business Management student manual, December 2011) Here are external environment that Nestle deal with.

Political environment. Political issues are one of the major concerns for the company to operate in the country. Political status in many countries that Nestle entered is belongs to stability although there are existence of different language groups and cultural regions. With the political stability in the market, Nestle can actually maintain the sales or even boost up the sales, as the stability will actually bring economic growth, therefore, the consumer purchasing power will eventually growth due the improvement of living standard.

For example, Nestle can actually enjoy the tax benefit compare to most countries of the EU and USA and can be enjoy by Nestle is the company can actually deduct the taxes from the income as an expense that relatively lower effective tax rate compare to most other countries where the taxes are not deductible(Colin, M, 2011). Economic environment. Demand for basic food supplies persists even in times of economic downturn. However, the patterns of eating and drinking changes, with full meals more likely to be prepared and consumed at home.

With operations around the globe, Nestle had to make adjustments for variations in demand fluctuations and price sensitivities in different countries and geographic regions. Although Nestle was based in Switzerland and most of its key leaders were from the United States and the European continent, one third of 2007 sales came from the developing world and analysts projected that by 2010, 90% of the world's population would live in developing and emerging countries. Technological environment.

Throughout the industry, technologies are vital to defining recipes, producing food and beverages, locating and purifying water. As the company's own GLOBE initiative demonstrates, internal technologies are vital to coordinating operations. Internal Environment The internal environment refers to the environment inside the organization. It forces acting on the organization from within and take a similar from to those discussed under external forces. (Business Management student manual, December 2011) Here are internal environment that Nestle deal with.

The internal economic element. Nestle has some very strong brands like Nescafe, Meggiand Cerelec. These brands are almost generic to their product

categories and the company has been continuously introducing new products for its Pakistani patterns on frequent basis, thus expanding its product offerings. (Porter, M. E, 2008) The internal technology environment. Nestle not only has Well-developed supply chain, but also good relations with suppliers and farmers. The company also has ability to customize and localize products.

The human environment. Nestle concerned with employee competence productivity. Wherever employees work in Nestle, they'll enjoy a selection of core benefits, including a competitive salary, contributory pension scheme and a range of flexible benefits to choose from. Environmental uncertainty and strategies to manage it Environmental uncertainty is a core concept upon which the organizational design framework is based (Chandler 1962), and stems from factors in an organization's environment.

The concept refers to the degree, or variability, of change that characterizes environmental activities relevant to an organization's operations such as the unpredictability in the actions of the customers, suppliers, competitors and regulatory groups to which probabilities can not be attached because of their constant change (Child 1972; Dess and Beard 1984; Drago 1998). It is stochastic in nature and can not be easily predicted. At the same time, it is also a constraint to which managers must adapt.

For example, in Dongguan, Guangdong province, people were proud of Nestle in the past, but now, most people are thinking it pollute their environment and they even boycott the extension of Nestle. This situation appears because that the area of Nestle factory become residential quarters where is farms twenty years ago and people pay more attention to protect

environment. Besides that, Nestle needs to face many competitors, such as Coca-Cola, Unilever, Mengniu and Yili, so Nestle must keep vigilance and hard-working to reply all kinds of problems which may appear.

Banhegyi, Bates and some other people(2008), in their book ' Fresh Perspectives: Business management: UJ Custom Publication', say that no organization exists in an environment in which it knows exactly what happen from one minute to the next. Every day, opportunities and challenges present themselves. The way in which managers use opportunities and prevent problems will decide how effectively the organization deals with uncertainty. The strategies to deal with uncertainty include internal and external strategies.

For internal strategies, managers use internal strategies to make changes to their organization and its operations, allowing it to cope with uncertainty. These strategies include such actions as recruitment, buffering, smoothing, rationing and geographic dispersion. In 1997, Nestle discovered the management of it was so chaotic that there were 29 prices when all the factories got vanillas from the same supplier because that every factory did not communicate each other. Then, Nestle carried out the ERP Project to make the whole company unify.

For external strategies, managers respond to the uncertainty of challenges in the outside environment by using external strategies. The some of the best external strategies include advertising, and so on. In 1987, Nestle set up the first factory in an unknown to public city, Shuangcheng in China while other international companies chose development in prosperous cities. Then, Nestle made many specialists teach local people to look after milk cows and

collect milk. It helped local economic develop and made Nestle have a stabilized milk source.

Due to this strategy, Nestle keep its position in China while Danone, Unilever and some other international companies left China because of the lack of milk sources in 2004. Adaptive and non-adaptive cultures Adaptive and non-adaptive cultures are two different choices for a company. Cultures that facilitated the adaption of strategies and practices to continuously respond to changing markets and new competitive environments were the most likely to sustain high performance over time. These cultures supported the organization's immediate strategy and business context, and were also forward looking and guided positive change.

An organization which has non-adaptive cultures could be successful in the short-run, and some had been highly successful at one point in their histories. However, they were unable to continue that success when markets turned, because they could not respond quickly enough to changing business conditions. The key to a successful organization lies in its ability to move forward with its current endeavors while always maintaining an initiative to innovate without hindering that organization's overall operation.

By definition, an Adaptive Culture is simply a way of operating where change is expected and adapting to those changes is smooth, routine and seamless. With an Adaptive Culture in place, change, growth, and innovation are a "given" part of the business environment. In Europe, most coffee drinks are packed with glass bottles because of the dry climate. Moreover, Europeans like to use coffee machine with coffee beans to make coffee. While in the

Philippines, due to the high Temperature and humidity, most coffee drinks is not to sell with bottled, but a small packet which capacity is only 1.7 grams.

The customer can purchase a small packet of coffee. When Nestle first enter the Philippines market, they did not realized this distinction, so they still sell their coffee as they do in Europe and America, which result in their failure.

The author of the "The survival environment of enterprise" (1995), states that it is important for enterprise to adapts to the change of market environment. After this failure, Nestle started to research the eating habit and spending habit of Philippines. According to this, Nestle start produce more small package of coffee, and plus a little sugar due to local custom.

Through making this change, Philippines gradually accept Nestle coffee and Nestle have opened the market of Philippine successfully. However, because of the policy in Philippine, Nestle company run into obstacles again. In the year of 1996, the government of Philippine introduced new penalties for limiting the imported coffee bean and coffee product, and the raw material of coffee must only from Philippine. This policy made many foreign company got into trouble, so did Nestle. Because the coffee bean that Nestle usually used is come from Latin-America, and the flavor of coffee bean between Latin-America and Philippine exists big differences.

Before the principle roll out, the local customers have already adjusted the unique flavor of Nestle coffee, so it is difficult to change the raw material. Finally, Nestle made a decision: let the customers to make a choice. They held many activities to made customers taste different flavor coffee and choose which one is the best and even let customers made coffee themselves. Through these activities, Nestle have found a way to make sure

both the raw material from Philippine and the flavor that customers like. After 2 years' continuous study, Nestle finally adapt the Philippine market perfectly.

To sum up, environment is a double-edged sword for a company and it is very important for a company to have a better understanding of the environment both external and internal. Nestle company should take advantages of the environmental factors to change dilemma into an opportunity or to make better achievements. What's more, there is no doubt that environmental uncertainty is inevitable. What a company should do is to take effective measures to minimize the risks. In addition, adaptive and non-adaptive cultures of a company bring two completely different outcomes.

As the saying goes " survival of the fittest", only those companies which can always take flexible action to adapt changeable environment, can they be successful in the fierce competition. Generally, all the three aspects of environment can not be ignored and great importance should be attached to it. Word: 1763 Bibliography Book Banhegyi, Bates, Booyen, Bosch, Botha, Botha, Cunningham, de Vries, de Vries, Goodman, Ladzani, Lotz, Musengi, Steward Smith, Visser & Williams, 2008, ' Managing Environmental Uncertainty', Fresh Perspectives: Business management: UJ Custom Publication, vol. 1, no. , pp. 122-125. Castillo, G. 2007. How do enterprise adapt external environment. America: Greenwood Publishing Group, vo2. 1, no. 5, pp. 67-89. Management articles Business Management, student manual, December 2011, page 37 Business Management, student manual, December 2011, page 39 Web-page Black, T, 20 September 2009. Adaptive culture, Bloominstitudes. Available from: [http://www. bloominstitute.](http://www.bloominstitute)

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