

# Example of essay on transnational corporation analysis: nestl s.a

[Business](#), [Company](#)



## Nestlé S. A

This essay analyses Nestlé S. A, as a transnational corporation, based on its political and global operations. It will also discuss some of the strategies the company pursues such as outsourcing and form of integration. Kondratyev (2011) defines Transnational Corporations (TNCs) as companies based in one country with additional companies in other countries. The author further asserts that with the advent of globalization, TNCs continue to enjoy historically unmatched advantages. For instance, they exist as some of the most influential corporate players on the global socio-economic front (Kondratyev, 2011).

Nestlé S. A is a transnational snack food, health, and nutritional consumer Products Corporation based in Vevey, Switzerland. The company is the largest of its kind in the world based on annual revenues. It is famous for producing bottled water, baby food, pet food, ice-cream, snacks, breakfast cereals, confectionery, coffee, and dairy products. Currently, twenty-nine of the company's brands, such as Nescafé, Maggi, Vittel, Smarties, and Nespresso, contribute an approximately USD 1. 1billion to the company's annual revenues. Additionally, the company not only boasts of employing about 328, 000 people, but also having over 450 production plants spread across 86 countries worldwide (About Us: History and Strategy, 2013).

The company traces its roots to 1905 following a merger between Farine Lactee Henri Nestlé and Anglo-Swiss Milk companies. The resulting corporation grew through an expansion process that saw it go beyond its traditional baby food and condensed milk product line. Nestlé S. A also made additional significant corporate acquisitions such as Crosse and Blackwell

(1950), Findus (1963), Libby's (1971), Mackintosh (1988), and Gerber (2007) among others. It is currently headed by an executive board of directors consisting of Peter Brabeck (Chairman), Paul Bulcke (CEO), and Werner Bauer (Executive Vice President: ICTs, Innovations, and R&D) among a host of vice presidents across departmental and regional fronts (About Us: History and Strategy, 2013).

The company has, over the years, been involved various socio-economic and political wars in its countries of operation. For instance, in 2007, the Canadian Competition Bureau investigated Nestlé Canada concerning chocolate price fixing. The Bureau alleged that the company had colluded with other Canadian manufacturers to inflate chocolate prices. This incident cost the company close to USD9 million worth of courtroom settlement. Similar instances of class action against the company continue rising in countries such as the US (About Us: History and Strategy, 2013).

Second, Nestlé S. A has recently come under extensive criticism of violation of labor laws and child labor practices. Indeed, since TNCs are more influential than most of their country of operation, they tend to manipulate governments into bending labor policies in their favor. For instance, in March 2010, Paul Kenyon, an investigative reporter with the BBC, found massive flaws in Nestlé's supply chain caused by cases of child labor and human trafficking. The reporter noted that cocoa farmers in Burkina Faso, Ghana and Ivory Coast used child slaves as young as 12 years old as unpaid cocoa pickers. Upon contact, Nestlé termed the issues of child labor and modern day slavery as both sensitive and unavoidable in developing countries. They further claimed that West African farmers and families relied on child

workers as sources of cheap labor and income respectively (Kenyon, 2010). However, Nestlé S A has developed an array of strategies to ensure increased productivity and reclaim its tarnished reputation. The year 2000, for instance, saw Nestlé S A and other similar producers form the “ World Cocoa Foundation” (WCF). Through this foundation, the corporations aim at tackling issues and concerns facing cocoa farmers. These include poor agricultural practices and inefficient environmental management. The corporation has also come up with the “ Sustainable Agricultural Initiative”, a social and environmental initiative aimed at promoting sustainable farming in host nations. The program also aims at addressing the safety and quality issues within the company’s supply chain. Such strategies are essential as they help foster productivity and consumer confidence (About Us: History and Strategy, 2013).

It is also important to note that Nestlé S A invests in strategies aimed at stimulating sustainable competitiveness. For instance, Nestlé’s renovation, innovation and R&D capabilities show its commitment towards meeting consumers’ needs. Second, the company’s global availability shows its strategic moves aimed at customizing products for local markets. Other competitive strategies include efficiency and cost-effectiveness in operations, improved communication for better branding and pricing (About Us: History and Strategy, 2013).

Furthermore, the company follows a diversified form of integration. It has not only located its manufacturing plants in different nations, but also diversified its product lines. As earlier stated, Nestlé SA is renowned for producing bottled water, baby food, pet food, ice-cream, snacks, breakfast cereals,

confectionery, coffee, and dairy products. Currently, the corporation boasts of being an influential entity in the food, health, nutrition, and wellness sectors. This best explains the genesis of the ambitious phrase “ Good Food, Good Life.” Therefore, the company banks on this strategy through extensive divestment and acquisition to attain a balanced business structure and position (About Us: History and Strategy, 2013).

Lastly, the company outsources most of its operational processes for cost-effectiveness and profit maximization. This implies that Nestlé S A sets up manufacturing plants in regions that are famous for offering cheap labor. It also relies on a network of foreign suppliers for the provision of raw materials, such as cocoa, used in the manufacture of its products. In doing so, Nestlé S A offers employment opportunities for residents from host nations. Consequently, such countries deliberately lower their labor costs to facilitate further investment. Countries and regions that have benefited from this strategy include West Africa, India, Brazil, Thailand, Malaysia, and Singapore among others (Croitoru & Cumpănasu, 2009).

The corporation’s strategies are broadly associated with foreign direct investments. The fact that Nestlé S A competes on a global front implies that it has to heavily rely on outsourcing and suppliers to attain a competitive edge. Thus, it attempts to balance its global influence in both high risk and low risk markets. For instance, when investing in low risk developed markets, Nestlé S A concentrates on growing and gaining its scale economies through direct investments in large corporations. Contrarily, when operating in high risk developing markets, Nestlé S A grows through brand customization. Indeed, the company produces an array of products for each country in the

Asia-Pacific region. These include the Thai coffee creamers, Malaysian candy, Philippine cereal, and Indonesian soy milk among others. This process not only keeps the company's stakeholders happy, but also ensures that it maintains a steady growth (About Us: History and Strategy, 2013).

In conclusion, the above discussion shows that Nestle S. A's hyper mobility has given it more power dimensions than its traditionally multinational counterparts. These power dimensions are both blessings and curses to host nations. For instance, Nestlé S A's growing influence tends to manipulate West African and Asian governments into bending labor policies in their favor. On the other hand, through foreign direct investment, Nestlé has become a source of employment and revenue opportunities for residents and governments from host nations. Indeed, TNCs have grown into becoming some of the most influential corporate players on the global socio-economic front.

## References

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