

# Strategic audit for nestle



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This paper focuses on the Nestlé's strategic audit. It views the different business strategies adopted by Nestle in its business. It starts with defining the current position of the company Nestle and carries on with its strategic audit. The paper views different financial facts and figures of the company Nestle in order to strengthen its strategic audit. The paper in order to analyze its internal and external environment carries out different analysis like SFAS (Strategic Factor Analysis Strategy), IFAS (Internal Factor Analysis Strategy) and EFAS (External Factor Analysis Strategy). A PESTEL analysis of the environment in which it breathes is carried out to help find out the strategic alternatives that can be applied by the Nestle. Further the paper has come out with the implementation and control measures to help out the company.

### Strategic Audit for Nestle

Nestle a Switzerland based organization is leading the world market in food, health and nutrition industry. It all started in 1867 when Henri Nestle made a milk product for an infant to save his life. From there it had unveiled a vast potential in the foods and beverages industry. Today it manufactures and sales a variety of products under its roof with the assistance of different subsidiaries located in the different countries of the world.

### Current Position of Nestle

Over the years the company has expanded its operations along with the increase in its variety of products. Today it offers products from various segments like dairy, food for babies, chocolates and ice creams,

confectionery, water and foods, beverages and many more. It has been instrumental with its strategies of product innovation and modification.

One of the important current landmarks of Nestle was in the year 2007 when it has acquired three major companies one by one started from Novartis (a health care company), Gerber (Baby food ) and Swiss Water Company, Henniez. These acquisitions gave a new definition to Nestlé's health care, baby food care division. Nestle is guided by the principles and values and hence always try to build its image and products around those to earn a long and uninterrupted association with its stakeholders. It enjoys long term gains that are being created with its commitments and values.

Nestle has been on the forefront in knowing when customers are in need of which product and accordingly shifts its focus on them. Currently it has been focusing on its core business activity of nutrition segment. Further it has made and customized its products to suit to the needs of different geographical locations and culture. It enjoys a healthy competition in its business with different companies in different areas like in USA it has to deal with Dannon and other competitors. (About Nestle, 2009)

#### Financial Position

Nestle has a sales of 52. 3 billions CHF (Swiss Currency) for the first two quarters of 2009 with a profit of 5. 2 billion CHF approx. Its operating cash flow is around 6. 4billion CHF which is up by 3 billions CHF from the first 2 quarters of 2008. Its net profit margin is 9. 7% of sales. (Investors relations, 2009)

## Internal Environment

Internal Environment of the company can be analyzed through SWOT analysis. The two components of SWOT analysis i. e. strengths and weakness are internal to the organization and thus can be studied to know its internal environment.

### Strengths

Nestle has discovered many strengths in its sight that makes it internally very strong. Some of its major strengths are

It is the leader among the food, health and nutrition industry in the world market.

It is operating in different companies through different subsidiaries.

It has an extended product line that offers a variety of products.

It is a low cost operator.

It has an excellent research and development team.

### Weaknesses

It sometimes unable to make people understand that its products are food not drugs.

Some of its products are not known by the market.

Its marketing approach is not quit well.(SWOT Analysis of Nestle, 2009)

## External Environment

External environment of any business is characterized by the opportunities and threats that are around it. Thus it needs to take care of its external environment in order to grasp the potential opportunities and to fight out with its threats.

### Opportunities

Its health care segment has huge potentials to grow as people are now a days getting health conscious.

It can still move into the markets that possess huge potentials.

### Threats

It is entering into the markets that are already matured.

It has to face intense competition in many regions with the national companies. .(SWOT Analysis of Nestle, 2009)

### Environmental Factors

#### Political Factors

Different countries food habits are different and their political environment is different thus companies has to face it.

The government is becoming more attentive with the overall food, beverages and health industry and thus the company has to look in it.

#### Technological Factors

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There is need to bring the latest technology to keep the food and beverages hygiene. It will increase the cost of the company.

In this era technological cost to manufacture the food, its packaging and storage will require the latest technology that will cost more.

#### Socio-cultural Factors

People now days are getting health conscious thus there will be a need of health care products.

Lifestyle of the people are changing thus they are in need of packaged food.

#### Legal Factors

The safety measures in food and beverages industry are tightening so as to keep the safety and quality in its products.

International standards for food and drugs industries are making the standards and norms tougher while keeping in mind the health and hygiene factors.

#### Strategic Alternatives and Recommended strategy for Nestle

Today organizations have to strive more in order to gain something and to make a fight in this competitive environment. Following are some strategic alternatives for Nestle:

#### Renovation and Innovation Strategy

#### Advantages

This strategy will help the organization in continuously upgrading its existing products to the new ones.

This strategy will help it to fight today's competition.

#### Disadvantages

This strategy demands a lot of efforts and cost in continuously upgrading the products and technology.

It can shorten its product life cycle.

#### Growth Strategy

#### Advantages

This strategy will help the organization in approaching the new markets and help it to gain market share.

#### Disadvantages

This strategy can result in company losing focus from the markets in which it is operating.

#### Recommended Strategy for Nestle

From the alternatives the strategy that Nestle should focus is the renovation innovation strategy. As through this it can bring in new light and more improved quality in its products. To support this strategy Nestle has an excellent research and development team. In today's market that is driven

by technology the company will gain a substantial advantage through this strategy.

### Implementation

To implement the renovation innovation strategy, the company needs a strong support from all its departments especially from the research and development department. Further the company has to focus that they should implement it on a regular basis. They should keep in mind that they should not overdo it. Thus if the commitment and needs of its different customers followed and applied through this innovation strategy it will sure bring returns to the company.

### Evaluation and Control

Only implementation of the strategy is not enough, if organization wants to keep itself growing it has to continuously monitor and control the strategy. The drawbacks that are found in the strategy should be eliminated to improve the overall process. Further to bring more life in the strategy it needs a control mechanism to follow. Evaluation and Control is the essence of successful strategic implementation Thus Company will enhance and grow more with the effective evaluation and control of the strategy.