

Human resource management and nestle

[Literature](#), [Russian Literature](#)



Project Report of SHRM On Nestle Topic: Study of SHRM at Nestle Table of Contents 1 S. No. 1. 2. 3. 4. 5. 6. 7. 8. Description Introduction to Company Mission, Vision & Goals of Company SWOT Analysis of the Company SHRM at Nestle Impact of Recession on Nestle Changing role of HR at Nestle VRIO Analysis and 5P's approach HR Strategies that company should follow Page No. 3-5 6-7 8-10 11-21 22-23 24-25 26-29 30

1. Introduction of the company
2 Nestle is the world's leading nutrition, health and wellness company. The company employs more than 280, 000 people and has 456 factories in 84 countries.

Nestle products are sold in almost every country in the world. Founded in 1866 in Vevey, Switzerland, where it is still based, Nestle has often been called "the multinational among multinationals". Only about 1.5 percent of its sales are generated in its home country, and all but 12 of its factories are situated abroad. The CEO is Paul Bulcke, and the General Management includes a Belgian, two Canadians, one Dutch, a Frenchman, a German, a South African/British, three Spaniards, one Swiss, one American and a SwissAmerican.

Nestle is a truly public company with over 250, 000 shareholders of which around one third are Swiss. No single shareholder owns more than 3% of the stock. US investors, who, together, hold over 30% of the capital, can purchase ADRs through a sponsored program. As the world's leading nutrition, health and wellness company, Nestle is the worldwide leader in product categories such as soluble coffee, infant nutrition, bottled water, condensed and evaporated milk, ice cream, as well as chocolate and malt drinks, and culinary. The Group is also a co-leader in pet care.

<https://assignbuster.com/human-resource-management-and-nestle/>

The Company is committed to delivering shareholder value through sustainable, capital efficient and profitable long-term growth. Over the past years it has concentrated on furthering organic growth and performance improvement HISTORY OF NESTLE Nestle was the result of a series of mergers of many small companies. In the mid-1860s, Henri Nestle, merchant, chemist and innovator, experimented with various combinations of cow's milk, wheat flour and sugar. The resulting product was meant to be a source of nutrition for infants, who could not be breast-fed by their mothers.

In 1867, his formula saved the life of a prematurely born infant. Later that year, production of the formula, named Farine Lactee Nestle, began in Vevey and the Nestle Company was formed. Henri Nestle wanted to develop his own brands and decided to avoid the easier route of becoming a private label. Henri also wanted to make his company global. Within a few months of the launch, Henri began to sell his products in many European countries. In the company's initial years, Henri took various steps to facilitate research, improve product quality and develop new products.

Meanwhile in 1866, two Americans, Charles and George Page had founded the Anglo-Swiss Condensed Milk Company. The company launched a milk based infantfood, which competed with Nestle's products. In 1875, Daniel Peter, a friend and neighbor of Henri developed milk chocolate. Peter became the world's leading chocolate maker, and later merged his company with Nestle. The rivalry between Nestle and the Anglo-Swiss Condensed

Milk Company intensified but ended in 1905, when the two companies merged under the Nestle banner.

World War I created a new demand for dairy products. Nestle grew mainly by executing government contracts. The end of the war created a crisis for the company as people started using fresh milk again, instead of condensed and powdered milk. In 1921, Nestle recorded its first loss, which was partly due to the worldwide postwar economic slowdown. Louis Dapples, a Swiss banking expert restructured the company, streamlining its operations and reducing the debt burden. In 1930, the Brazilian Coffee Institute approached Dapples, seeking new products.

After eight years of research Nestle developed a soluble powder that revolutionized coffee drinking around the world. The product was launched under the brand name Nescafe and became an instant success. The onset of World War II speeded up the introduction of Nescafe. The beverage also became a popular drink among American servicemen in Europe and Asia. The end of World War II triggered off a new phase of growth for Nestle. Many new products were added as the company grew through acquisitions. After 1974, Nestle's financial position deteriorated.

Oil prices rose and growth in industrialized nations slowed down. The Swiss franc appreciated and the price of coffee beans and cocoa shot up. This situation was partially offset by Nestle's rapid growth in emerging markets. In 1981, Helmut Maucher took over as CEO. His policies had a significant impact on Nestle's style of functioning. Maucher pursued a two-pronged strategy to improve the company's financial situation: First he embarked on

internal restructuring and divestments; second he decided to continue with strategic acquisitions.

Between 1980 and 1984, he divested a number of non-strategic or unprofitable businesses, amounting to nearly SFr8 bn. The divestments included certain food products that were not consistent with Nestle's emphasis on high value added segments. To improve the company's financial situation, he embarked on a cost-cutting exercise. While the employee strength was reduced significantly, the inventory and outstanding debt were brought down. In 1990, Nestle formed a joint venture with General Mills called Cereal Partners Worldwide to promote Nestle breakfast cereals.

It covered 70 countries accounting for about 75 per cent of the breakfast cereal consumption outside the US and Canada. Nestle also formed a joint venture with Coca-Cola, called the Coca-Cola Nestle Refreshment Company, to market tea and coffee-based ready-to-drink beverages under the Nestea and Nescafe brands. In 1996, Nestle decided to end its 50-50 Clinic Nutrition joint venture with Baxter Healthcare and established Nestle Clinical Nutrition to provide orally consumed nutrition products to hospitals and nursing homes.

Nestle opened the 20th century by merging with the Anglo-Swiss Condensed Milk Company to broaden its product range and widen its geographical scope. In the new millennium, Nestle is the undisputed leader in the food industry, with more than 470 factories around the world. Nestle 4 launched a Group-wide initiative called GLOBE (Global Business Excellence), aimed at harmonizing and simplifying business process architecture; enabling Nestle to realize the advantages of a global leader while minimizing the drawbacks

of size. The Company's strategy will continue to be guided by several fundamental principles.

Nestle's existing products will grow through innovation and renovation while maintaining a balance in geographic activities and product lines. Long-term potential will never be sacrificed for shortterm performance. The Company's priority will be to bring the best and most relevant products to people, wherever they are, whatever their needs, throughout their lives.

2. Mission, Vision and Goals of Nestle

VISION OF NESTLE " Nestle's aim is to meet the various needs of the consumer everyday by marketing and selling foods of a consistently high quality. "

MISSION OF NESTLE 5 We strive to bring consumers foods that are safe, of high quality and provide optimal nutrient to meet physiological needs. Nestle helps provide selections for all individual taste and lifestyle preferences. "

BUSINESS OBJECTIVES OF NESTLE• Nestle's business objective is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for shareholders, employees, consumers, and business partners. • Nestle does not favor short-term profit at the expense of successful long-term business development. Nestle recognizes that its consumers have a sincere and legitimate interest in the behavior, beliefs and actions of the Company behind brands in which they place their trust and that without its consumers the Company would not exist. • Nestle believes that, as a general rule, legislation is the most effective safeguard of responsible conduct, although in certain areas, additional guidance to staff in the form of voluntary business principles is beneficial in order to ensure that the highest standards are met throughout the organization. Nestle is conscious of the fact that the

success of a corporation is a reflection of the professionalism, conduct and the responsible attitude of its management and employees. Therefore recruitment of the right people and ongoing training and development are crucial.

- CORE VALUES
- A prerequisite for dealing with people is respect and trust.
- Transparency and honesty in dealing with people are a sine qua non for efficient communication. This is complemented by open dialogue with the purpose of sharing competencies and boosting creativity.
- To communicate is not only to inform; it is also to listen and to engage in dialogue.

The willingness to cooperate, to help others and to learn is a required basis for advancement and promotion within our company.

3. SWOT Analysis

STRENGTHS

- Parent support - Nestle India has a strong support from its parent company, which is the world's largest processed food and beverage company, with a presence in almost every 6 country. The company has access to the parent's hugely successful global folio of products and brands.
- Brand strength - In India, Nestle has some very strong brands like Nescafe, Maggi and Cerelac.

These brands are almost generic to their product categories.

Product innovation - The Company has been continuously introducing new products for its Indian patrons on a frequent basis, thus expanding its product offerings. Operated factories in 77 countries (all six continents), a truly global company. Considered the innovation leader in the global food and nutrition sector (3500 scientist in company R&D network) Low cost operators (beat the

competition by producing low cost products, edging ahead with low operating costs) Offering thousands of local products.

Have a great CEO, Peter Brabeck, and a very strong workforce. • • • • •

WEAKNESSES • Exports – The company's exports stood at Rs 2, 571 m at the end of 2003 (11% of revenues) and continue to grow at a decent pace. But a major portion of this comprises of Coffee (around 67% of the exports were that of Nescafe instant to Russia). This constitutes a big chunk of the total exports to a single location. Historically, Russia has been a very volatile market for Nestle, and its overall performance takes a hit often due to this factor.

Supply chain - The Company has a complex supply chain management and the main issue for Nestle India is traceability. The food industry requires high standards of hygiene, quality of edible inputs and personnel. The fragmented nature of the Indian market place complicates things more. Some of their product were positioned as too scientific, and consumers didn't quite understand (i. e. LC-1 was a food and not a drug) • • **OPPORTUNITIES 7** • • • • •

• • Expansion - The Company has the potential to expand to smaller towns and other geographies.

Existing markets are not fully tapped and the company can increase presence by penetrating further. With India's demographic profile changing in favor of the consuming class, the per capita consumption of most FMCG products is likely to grow. Nestle will have the inherent advantage of this trend. Product offerings - The Company has the option to expand its product

folio by introducing more brands which its parents are famed for like breakfast cereals, Smarties Chocolates, Carnation, etc.

Global hub - Since manufacturing of some products is cheaper in India than in other South East Asian countries, Nestle India could become an export hub for the parent in certain product categories. Health-based products are becoming more popular in the world, including in the United States

Unaffected by current economic conditions (its share of the UK confectionery market rise to 15. 6 per cent with a 0. 5 per cent growth this year) THREATS

• • • • • Competition - The Company faces immense competition from the organized as well as the unorganized sectors.

Off late, to liberalize its trade and investment policies to enable the country to better function in the globalised economy, the Indian Government has reduced the import duty of food segments thus intensifying the battle.

Changing consumer trends - Trend of increased consumer spends on consumer durables resulting in lower spending on FMCG products. In the past 2-3 years, the performance of the FMCG sector has been lackluster, despite the economy growing at a decent pace. Although, off late the situation has been improving, the dependence on monsoon is very high.

Sectoral woes - Rising prices of raw materials and fuels, and inturn, increasing packaging and manufacturing costs. But the companies' may not be able to pass on the full burden of these onto the customers. Some markets they are entering are already mature Global competitors. There are intense competitions in the United States, especially yogurt market (General Mills) 4. SHRM at Nestle NESTLE – A HUMAN COMPANY 8 Nestle is a human

Company providing a response to individual human needs throughout the world with specific concern for the well-being of both its consumers and its employees.

This is reflected in its attitude and its sense of responsibility towards people. Nestle aims to increase sales and profits but, at the same time, to raise the standard of living everywhere it is active and the quality of life for everyone. Nestle is also convinced that it is the people who form the strength of the Company and that nothing can be achieved without their commitment and their energy, which makes people its most important asset. Involvement of people at all levels starts with appropriate information on the Company's activities and on the specific aspects of their work.

Through open communication and active co-operation, everyone is invited to contribute to improvements enhancing Company results and personal development. Therefore, we can conclude that the models that Nestle follows are: - High Performance, - High Involvement & - High Commitment. NESTLE'S SPIRIT " Making Big Investments in People" At Nestle India we make big investment in people, they are our top priority. For us, our people are the key drivers for our success. Nestle India provides its employees a dynamic professional environment bound by one spirit, ' The Nestle Spirit' and that makes Nestle India a great place to work.

Nestle India is a vibrant company enhancing the quality of life of its consumers by offering them world class food products driven by Nutrition, Health and Wellness. At Nestle India your integrity, professional skills and performance is what matters. We trust our people and believe in giving early

responsibilities and encourage them to actively contribute to the long term sustainable growth of the business. At Nestle India we believe in building leaders who can take on challenges, innovate and write success stories. Nurturing starts from day one on the job.

Business dynamics and need directed training programs offer employees with opportunities to acquire and develop desired functional, people management and decision making skills enabling success at work. 9 As we achieve milestone after milestones we invite you to be part of this exciting journey and assure you that the exposure and experience would be unparalleled. NESTLE'S CORPORATE LEVEL STRATEGIES • Product's growth through innovation and renovation (while maintaining a balance in geographic activities and product lines). Long-term potential Build business based on sound human values and principles.

Long-term commitment to the health and well being of people in every country in the scope of their operations. Business should be conducted by adhering to the values and management principles of the organization. • • •

- BUSINESS LEVEL STRATEGIES • Low cost - less price transparency is followed. Differentiation - to reduce the risk of complexity of supply chain and lower attractiveness for discounters. • COMPETITIVE ADVANTAGE • • • •

Research and development (R&D), Its product range Global reach and 280,000-strong workforce FOUR GROWTH PLATFORMS • • • Nutrition Emerging consumers Premium goods and 10 • “ Out-of-home” goods.

ALIGNMENT OF BUSINESS STRATEGIES AND HR PRACTICES Nestle is a company whose HR strategies or practices are developed by keeping in mind

the Business objectives of the company and the strategies devised to run the business. The HR strategies are always in alignment with the business goals. Nestle is unique in the sense that it has been able to successfully inculcate its business objective as well as its core values, consistently in its employees day-to-day activities starting from recruitment till continuous performance appraisals. Product's Growth through innovation and renovation To increase the product growth i. . productivity human resource strategies are adopted such as flexible, dynamic employees are attracted, selected and then trained and motivated to be more productive than the competition. One case in point is the Kit Kat manufacturing plant in York England, under the managership of Ian Jobson and, ultimately, Nestle CEO Peter Brabeck. In 1998, Time magazine reports, it took 38 man-hours to produce a ton of chocolate. This year, using a combination of robotics, automated packaging, and production-line improvements, the forecast production time is 23 hours. This decrease in production time was feasible because of process innovation.

Adherence to the values and management principles of the organization •

Respect for other cultures and traditions Nestle embraces cultural and social diversity and does not discriminate on the basis of origin, nationality, religion, race, gender or age. Furthermore, Nestle believes that its activities can only be of long-term benefit to the Company if they are at the same time beneficial to the local community. In short, global thinking and strategies can best be expressed through local action and commitment. Diversity From creating hundreds of the world's leading brands to offering an amazing variety of career options to our employees, it's clear that Nestle's businesses are exceptionally diverse. So it should come as no surprise that Nestle values

diversity in the people working them just as much as they have diversity in their products. 11 It's Nestle's policy to provide an environment where respect is shown to all individual employees and where employees are valued, recognised and rewarded on the basis of their talent and their contribution rather than any consideration of age, gender, race, sexuality, religion or disability.

As an organisation, Nestle is opposed to any form of unfair discrimination and believe that an inclusive approach will be of maximum benefit to all our employees as well as our wider business goals and the society in which we live. This ethos can be summed up in the following statement: We believe that to succeed we must recruit and retain talented individuals and value and respect the differences each of those individuals brings with them. In addition, we have a strong ongoing commitment to developing policies, procedures and practices that will actively promote equality of opportunity and optimise the abilities of our workforce.

Decisions relating to the recruitment, employment, training, progression, assessment and retention of our people will always be supported by these principles of equality of opportunity. • Nestle's Culture Nestle is committed to a number of cultural values. These values come partly from its Swiss roots and have been developed during its history. They are also evolving so as to support the permanent reshaping of the Company. They can be described as follows:

- o Commitment to a strong work ethic, integrity, honesty and quality.
- o Personal relations based on trust and mutual respect.

This implies a sociable attitude towards others, combined with an ability to communicate openly and frankly. o A personalized and direct way of dealing with each other. This implies a high level of tolerance for other ideas and opinions, as well as a relentless commitment to co-operate proactively with others. Openness and curiosity for dynamic and future trends in technology, changes in consumer habits, new business ideas and opportunities, while maintaining respect for basic human values, attitudes and behavior. o Like, open and flexible culture is ensured by way of providing training programs to employees at all the levels. 2 TRAINING From the factory floor to the top management, training at Nestle is continuous. And because it is mainly given by Nestle people, it is always relevant to the professional life. Throughout the world, each country runs its own training programmes (e-Learning, classroom courses, and external courses). Nestle provides the following o Literacy training-to upgrade essential literacy skills, especially for workers who operate new equipment. o Nestle Apprenticeship Programmes. o Local Training Programmes-on issues ranging from technical, leadership, and communication and business economics.

This kind of culture is also supported by decentralized structure of Nestle: Nestle is as decentralized as possible, within the framework imposed by fundamental policy and strategy decisions requiring increasing flexibility. Operational efficiencies, as well as the group-wide need for alignment and people development, may also set limits to decentralization.

Decentralization: Nestle recognizes that its consumers have a sincere and legitimate interest in the behaviour, beliefs and actions of the Company behind brands in which they place their trust and that without its consumers

the Company would not exist. Nestle believes that, as a general rule, legislation is the most effective safeguard of responsible conduct, although in certain areas, additional guidance to staff in the form of voluntary business principles is beneficial in order to ensure that the highest standards are met throughout the organization.

- o Nestle is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and the responsible attitude of its management and employees. Therefore recruitment of the right people and ongoing training and development are crucial. Nestle continues to maintain its commitment to follow and respect all applicable local laws in each of its

Transparent performance appraisal systems and the freedom given to them to question their seniors benefit not only the employees but even the organization as a whole.

13 PERFORMANCE MANAGEMENT

- o Formal assessment by Line Managers and HR once in a year with feedback.
- o Subordinate can question an unfair evaluation.
- o Specific Key Performance Indicators have been enlisted by the HR department.
- o One of the important key performance indicators is achievement following the Nestle management and leadership principles. Remuneration structure and promotion criteria take into account individual performance. Emphasis on individual achievement Nestle's emphasis on individual achievement is evident from the kind of pay structure HR has designed for its employees and the company also incorporates practices like Job Enrichment and Job Enlargement, to motivate employees and to break the monotony of their job tasks. The correspondent herself works in both sales and brand management departments, which is an example of job enlargement.

PAY STRUCTURE

- o

Nestle strives to offer fair remuneration. Remuneration level is above the average in industry.

The variable component of the salary is comparatively big to reward individual performance. In case of higher management level, the variable part is linked to individual & team target achievements. o o Nestle expertises in Recruitment Services, Talent Management and International HR, Learning and Development, Information and Administration, and Reward and Employee Relations. Nestle is recognized as recognized one of the most advanced HR functions within Nestle globally. Before implementing the HR practices/policies, Nestle get to the crux of the business issue and then find an HR solution.

While practicing the HR policies, Nestle is focused more on people and organization strategies. RECRUITMENT SERVICES The Recruitment Services team in Nestle UK is recognized within Nestle globally as the benchmark in leading recruitment practices. That's because at Nestle they don't just fill jobs. 14 Instead, they work with the business to proactively identify and fill their talent gaps. Nestle Recruitment teams constantly stand back and work out new ways to attract the very best talent and keep ahead of the competition, but it isn't always easy.

The recruitment process at Nestle is clearly defined and is always in synchronization with the changing business needs. o People with qualities like dynamism, realism, pragmatism, hard work, honesty and trustworthiness are looked for. o Match between candidate's values & company's culture are recruited. o Recruitment for management levels take place in the head office

by top management and all others at the branch level. The existing employees are promoted to higher posts as per the requirements. There are no lateral recruitments.

Another source of recruitment is campus placements and human resource consultancies to look for the enthusiastic, motivated and fresh pool of talent. Decision to hire a candidate is finally taken by HR professionals only and no preference is given to external consultant. This is done to finally have the discretion power in the hands of Company.

o People management policies, basic values & principles as elaborated in- Nestle management & leadership principles- The Nestle Management and Leadership Principles describe the management style and the corporate values of the Nestle Group, specifically in the area of interpersonal relations. Nestle human resources policy- This policy encompasses those guidelines which constitute a sound basis for efficient and effective HR Management in the Nestle Group around the world.

- Nestle people development review-this policy throws light on Nestle's culture and core values, different training programs and life of employees after work.

REWARDS AND EMPLOYEE RELATIONS TEAM It consists of two expert sub-teams, each with specific responsibility for business-wide strategic and operational remits.

Employee Relations sub-team provide business-wide advice and guidance to line managers and the HR community on individual employee relations matters and to HR Business 15 Partners on broader employee relations and change management issues, as well as developing and implementing Nestle's policies and procedures in this area and undertaking relevant

project work. EMPLOYEE RELATIONS Nestle provides a very healthy working environment which is one of the reasons why Nestle's employees state their commitment level to be very high. o Employee turnover is less than 5% , which is considered to be very low for a multinational corporation. Nestle has an open culture & upward communication especially in case of grievance redressal is encouraged. o Work/Life balance is given importance, as illustrated in the Nestle Human Resource Policy document. o ' NestleFamily' annual events are organized by their HR department whereby employees along with their families are invited. o Emphasis is laid on safety of employees (Nestle Policy on Health and Safety at Work). CHANGE MANAGEMENT o Nestle has adjusted to the ever-changing external environment for the last 140 years since its inception 1866 without losing its fundamental beliefs and core values.

It manages Change and drives sustainable profitable growth by following the policy of making gradual changes instead of making drastic and risky changes. o ERP implementation- In June 2000, Nestle SA signed a much publicized \$200 million contract with SAP and additional \$80 to install an ERP system for its global enterprise to help centralize a conglomerate that owns 200 operating companies and subsidiaries in 80 countries. While the ERP system was likely to have long-term benefits, the project touched the corporate structure and culture. The structure was decentralized, and it tried to centralize it.

This was initially opposed by employees but with subsequent measures taken by the HR like training etc. , this has been successfully implemented.

Reward sub-team; on the other hand focus on maximizing return on investment to deliver Reward that will motivate the employees to perform at the highest level as well as managing the overall Reward principles and processes including base salary, incentives and Flexible Reward. 16

REWARDS & INCENTIVES o ' Passion to Win' awards- These quarterly awards have been institutionalized to reward those who over-achieve their targets.

Long-service Awards- To recognize employees who have been with the company for more than 30 years. o ' Nestle Idea Award'- It was found from the correspondent that the company institutes Nestle Idea Award every quarter to recognize and award employees who come up with relevant and innovative ideas which have the potential of being implemented at Nestle.

For all aspects of Reward Nestle apply the fundamental principles outlined below. Reward Principles • Performance Driven - The level of your Reward is linked to your performance, hence the highest performers will see the greatest Reward.

There is also a direct link between the performance of the business and the Reward we're able to offer Competitive - We benchmark all aspects of Reward to ensure we offer all our employees a competitive Reward package Inclusive - Our Reward programme is designed to reflect the valuable contribution which every employee makes, not just senior managers Flexible - We've made it our top priority to allow you to tailor the Reward you receive to your circumstances, whenever possible or practical • • • BENEFITS The following benefits are provided to all employees, with no discrimination- Leave-Personal & Medical (fixed no. er year) - ChildrenEducationAssistance Scheme - Provident fund - Retirement Gratuity Scheme - Group Insurance &

Accidental Insurance Scheme - Conveyance Reimbursements 17 - Residential Accommodation - Monthly health check-ups & free consultation for self & family etc. Talent Management and International HR Talent Management and International HR Team, on the other hand, focuses on developing the potential and careers of all the employees at Nestle, particularly those with high levels of performance and potential who are likely to be Nestle leaders of the future.

The main task of this talent management program is to develop the framework and processes which will enable the company to identify and develop the potential of employees at Nestle. This program supports individuals with a clear career development plan to go on international assignments out of the respective locations such as Nestle's international headquarters in Vevey, Switzerland, or to other Nestle markets around the globe. Learning and development Learning and Development Team is involved in development of cutting-edge interventions and supporting change through far-reaching development programmes such as our 'Lead2Win' programme.

This team also helps the company to create and implement functional development programmes across the business, covering everything from manufacturing to supply chain. At Nestle Learning and Development means Continuous Improvement and Creativity and Innovation. Learning and Development is carried out by Continuous Improvement that leads directly on to Creativity and Innovation. This process generally involves two stages: i. A team of passionate and professional development experts is formed to

create Core Skill Development Strategies that will enable continuous personal and professional growth across the business.

After that, the strategies are tailored for each business area with the help of HR Business Partners and Business Directors. The next stage is to go online, where the trainees are able to take advantage of our vast learning and development intranet. This resource has been specifically designed to help trainees manage their own learning in an easy to use virtual environment.

Once you're up and running there, you'll be able to focus on picking up new skills particular to your job and career ambitions with the help of our leadership development programmes, designed to create the leaders of tomorrow. i. Differentiation 18 Nestle follows differentiation strategy and to make it a success it has HR strategies aligned accordingly. To support the differentiation strategy, Nestle practices following HR strategies to support differentiation: • • • • • They favour long term performance measures.

Nestle does not favor short-term profit at the expense of successful long-term business development. They believe in extensive trainings of their employees to keep the pace with changing environment and keep them updated with latest innovations At Nestle, equal and fair pay practices are followed.

Nestle's pay structure, rewards & incentives systems are also designed in such a way so as to promote creativity. Recruitment process is also totally based on hiring and recruitment of people who bring in new ideas. Broad career paths are provided to employees by a continuous process of career development and high employee participation prevails in the organization.

19 5. Impact of Recession on Nestle During this phase of recession, Nestle has faced a little bit of tribulations in terms of:

- Shipment growth: It has slowed down as shoppers switch from branded foods to retailers' private labels.

The volume of goods sold: The volume of goods sold rose 2.8 per cent in 2008, but, down from 4.4 per cent in 2007, after Nestle relied on price increases to pass on higher raw-material costs. The whole onus of these two problems could not be bullied upon recession. Since the actual reason behind the second problem was increasing inflation. Even though it has been hurt by the weak dollar and tough competition in the United States. But, if we talk in general, then, Nestle has been labeled as a Recession proof company. Nestle, announced that they had a 69.4 percent profit in the year 2008.

The year 2008 and the beginning of the year 2009 so far are considered as the worst recession the world is facing today. Each company around the world, no matter what they produce or what services they provide was having the greatest downfall on the sales and services. But even during the phase of recession, Nestle has a different story to tell. Nestle announced record breaking profit during the year 2008. The sales of Nestle products jumped up in huge numbers.

- The net profit of Nestle in year 2008 was 15 billion US Dollars. Net income rose to 18 billion Swiss francs in 2008 from 10.5 billion francs. The profit was 69.4 percent jump from the last year

Sales rose 2.2 per cent last year to 109.9 billion francs, and organic revenue increased 8.3 per cent in 2008, the fourth year that Nestle beat its

forecast. Further, Nestle expects to carry on seeing growth in earnings over 2009 despite the global recession, using its strong 2008 results as a springboard for growth. • • Nestle has granted an investment of 300 crore in the Indian market in 2008 and is about to double its investment in 2009. The goal of Nestle further is to achieve organic growth of close to 5 per cent, and to improve the EBIT margin in constant currencies further. Nestle would be able to achieve this goal through company's internal strength. Nestle, which makes Nescafe coffee, Maggi soup and KitKat chocolate bars, also raised its global outlook for the year and its forecast for 2008 organic growth - which is to say from existing businesses - to "about 8 percent" from a previous target of at least 7.4 percent. Nestle shares rallied from a near two-year low, jumping 5.4 per cent. Nestle will spend four billion francs buying back stock this year after purchasing 8. billion (Dh27.16 billion) francs worth in 2008. Nestle also said it will increase its dividend for the year by 15 per cent to 1.40 francs a share. • • • • Reasons behind the strong survival of Nestle even during the Recession Nestle amazingly survived the greatest and disastrous recession period of the world which gives the hope and message to many other companies. Some of the reasons have been pointed out that seems to have worked for Nestle to fight the recession: • Innovation and "renovation of its brands and products" It seems to be a big driver in keeping Nestle afloat.

In 2008 Nestle's investment in research and development for food and beverages was up 15 per cent. Nestle survived recession because it was able to capitalise on "a wide variety of market conditions", and that this gives it a competitive advantage. India is not in a downturn but probably a slowdown.

The liquidity squeeze hasn't affected the demand of consumer goods in the price range that Nestle sells. Therefore, Nestle was able to survive in India. The company survived recession and is now positioned for profitable growth both now and in the long term, because of its "defensive qualities as well as its strong growth credentials. If recession grips the world and despite the war in the Middle East, everyone will continue to need food. This means millions of people will continue to buy Nestle products, which include Nestle infant formula, Taster's Choice coffee and Stouffer frozen foods. • • • • 21 • • " The key to Nestle's short-term performance is the degree to which the markets want to be in a safe haven situation. " Beyond that, over the longer term, there is a pretty positive earnings story in Nestle. Nestle is able to ride out the recession easily than its rivals due to its comprehensive range of products and wide geographical reach.

6. Changing role of HR

The importance of the human resource function has become evident especially with the onset of global competition. Not only do human resource managers have to think more strategically and in step with corporate planning managers, they have had to address real and hard issues about the impact of intense competition on employment stability. It is one thing to think with executives on how the human resource section can support corporate activities.

It is another to actually implement cost-savings policies with regards employment. To guard against the downside of global competition, the human resource managers must be more proactive in recruiting and maintaining a responsive and efficient work force. Planning should start at the early stages so that organizations do not bloat needlessly. Human

resource managers must be able to map out human resource strategies such that flexible, dynamic employees are attracted, selected and then trained and motivated to be more productive than the competition.

Human resource managers are no longer administrators or simply implementers. They should be recognized as strategic partners. Only then can they function well to help top management especially in a climate of economic uncertainty. Although, Nestle being a Human Company itself possess many of the above mentioned qualities that are supposed to be present in the managers of today's time. But, according to the changes in the business patterns, globalization, and diverse business of Nestle and rapidly changing ups and downs in the economy.

There are certain factors on which the role of the HR at Nestle is changing. The HR managers at Nestle along with professional skills, practical experience and result focus must possess the following qualities:

- They should be capable to motivate and to develop people, addressing all those issues that allow others to progress in their work and to develop their capabilities. They should be able to inhibit curiosity and open-mindedness as well as a high level of interest in other cultures and life-styles.

This also includes a commitment to continuous learning and improving, as well as to sharing knowledge and ideas freely with others. 22 • It is responsibility of the HR professionals to create a climate of innovation and to think outside the box. This implies the right to make a mistake but also the readiness to correct it and to learn from it. HR professionals should now be able to inculcate the willingness to accept change and the ability to manage

it. They should provide international experience and understanding of other cultures.

This will prepare the employees to face the challenges in global markets. • •

7. VRIO and 5P's Analysis VRIO ANALYSIS This VRIO framework is the foundation for internal analysis. In order to lead to a sustainable competitive advantage a resource or capability should be Valuable, Rare, Inimitable (including non-substitutable), and Organized. Valuable A resource is valuable if it helps the organization meet an external threat or exploit an opportunity. If a resource helps bring about any one of these four things then it is valuable: Efficiency, Innovation, Quality and Customer responsiveness. Valuable resources of Nestle are: • • Human Resources Brand Name • Research & development processes Rare A resource is rare simply if it is not widely possessed by other competitors. Rare Resource of Nestle is their uniqueness in Infant food products. The processes they use and the ingredients they use are rare. Inimitable A resource is inimitable and non substitutable if it is difficult for another firm to acquire it or a substitute something else in its place.

This is probably the toughest criteria to examine because given enough time and money almost ANY resource can be imitated. Even patents only last 17 years and can be invented around in even less time. Therefore, one way to think about this is to compare how long you think it will take for competitors to imitate or substitute something else for that resource and compare it to the useful life of the product. Inimitable resources of Nestle are: •

Corporate Culture • Values followed at Nestle • Reputation Organized A resource is organized if the firm is able to actually use it.

Generally, organization is frequently neglected by strategy because it often deals with the inner workings of firm management. But generally, it rarely happens that firms are not organized to exploit their valuable resources.

However, if your analysis does turn up a valuable, rare, and inimitable resource that the firm is not taking advantage of, then the resources of the firm are not said to be organized. 5P's at Nestle

Philosophy on Code of Governance Nestle India Ltd. is a subsidiary of Nestle S. A. of Switzerland and over the years it has followed best practice of Corporate Governance and adhered to practices laid down by the Nestle Group. Nestle India's business objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy. Nestle India is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees. In addition to compliance with regulatory requirements, Nestle India endeavors to ensure that highest standards of ethical and responsible conduct are met throughout the organization. The two most significant documents from the Nestle Group, which define the standard of behavior of Nestle India, are "Nestle Corporate Business Principles" and "Nestle Management and Leadership Principles". **Policy** The Nestle policy is to hire staff with personal attitudes and professional skills enabling them to develop a long-term relationship with the Company.

Therefore the potential for professional development is an essential standard for recruitment. 24 Each new member joining Nestle is to become a participant in developing a sustainable quality culture which implies a commitment to the organization and a sense for continuous improvement leaving no room for complacency. Therefore, and in view of the importance of these Nestle values, special attention will be paid to the matching between a candidate's values and the Company culture.

Processes • Administrative • Training • Recruiting • Development • Labor Relations • Org Development • Compensation and Internal Communication Programs Campus Recruitment Programs Internship Programs For graduate students, Nestle offer a summer internship in brand management for MBA students. Marketing Interns are challenged with leading integral aspects of our brands' marketing plans. This highly competitive program could also give you the opportunity to transition into a full-time position.

Professional Development Programs Adequate training programs are developed at the level of each operating company capitalizing on the availability of local, regional or global resources of the Group. It is the responsibility of HR staff to assist the management in the elaboration of training programs. Following type of programs are conducted at Nestle:

- o Training programs enhancing the language skills of the employees.
- o Training programs aimed at developing and sharing best practices of the various management disciplines practiced in the Group.

They also strive to strengthen corporate cohesion as well as to promote networking throughout the Group.

- o E-learning programs as a complement to

or a substitute for formal training programs. Practices 25 The following HR practices take place at Nestle: • Recruitment and Training Performance Management Rewards and Incentives Benefits Employee Relations Change Management Safety and Health The Nestle Operational Safety, Health and Risk-Management Strategy document illustrates that: - Nestle is dedicated to safe & healthy work environment. Regular safety assessments & audits take place by internal & external bodies. • • • • • 8. Hr strategies that nestle should follow Nestle should practice following HR practices: i. Communication Strategy: Nestle should adopt an effective communication strategy because in today's changing scenario and in a dynamic organization like Nestle employees should be educated and trained about the changes taking place in the organization. This can be done through open house meetings and bulletins etc.

Effective Training and Development: Training and development forms an important part of the practices followed at Nestle. It is an integral part of the corporate strategies. Most of the training programs conducted at Nestle are conducted by In-house trainers, whereas for some specialized training programs external trainers should be called. And employees should also be given the opportunity to attend the training programs abroad so as to give them a feel of global markets.

Entrepreneurship strategy: Every employee needs to be an independent entrepreneur, who can generate ideas and bring them to reality by using the existing resources and support of the organization to create innovative and creative products and services. ii. iii. 26 iv. Recruit purposefully - The

anticipated global shortage of workers has not gone away: it has just been postponed. The reason? Baby boomers are choosing to work a little longer because their retirement savings have been deflated.

Once the market comes back fully, you should expect a mass exodus as the boomers leave the workforce. Companies who make severe staffing cuts and don't keep their HR people connected to potential hires will be caught severely short staffed. Savvy companies have a great opportunity right now to hire talented people who have been down-sized by other organizations.

Cut High HR operation costs Leverage real time information for HR decisions:

This would enhance the decision making process. v. vi. 27