

# Case study: nestle



The transnational corporation Nestlé was founded in 1867 by German pharmacist Henri Nestlé in Vevey, Switzerland in response to the high level of infant mortality as well as his vision to save lives. He invented a milk-based substitute for babies unable to breastfeed which enabled many to live beyond infancy. With good health and nutrition as their company foundation, the slogan ‘ Good Food, Good Life’ was created, as the company saw that it was fundamental for their continuing global success.

145 years since launching its first product, Nestlé has become the world’s largest food company in the world, employing over 250, 000 people from more than 86 countries with 511 factories operating in almost every country in the world. Henri Nestlé used his surname which means ‘ little nest’ in both the company name and logo with the nest symbolising security, family and nourishment-characteristics the company prides itself as playing a central role in its profile and what it stands for.

When did the company become a TNC? Nestlé first expanded into Norway during 1898, purchasing a factory located on the Cape called Viking Milk factory for the popularity of its coffee cream. Seeing as the consumption of coffee in both Norway and other countries abroad was enormous, the company saw the factory as an investment that held much potential for its future. Also, during those years, majority of coffee drinkers used milk or cream in their beverages; Nestlé understood that by buying the factory, it could become bigger in the market as well as help advertise its products that needed to be in the international limelight.

By 1905, Nestlé had merged with one of its greatest competitor in the industry, the Anglo-Swiss Condensed Milk Company. The merge between

companies led to the expansion and operation of factories in the United States, Britain, Germany and Spain. Soon after, Nestlé was full-scale manufacturing in Australia with warehouses in Singapore, Hong Kong and Bombay however most of the production still took place in Europe.

Company type and products sold Nestlé is a food, beverage and cosmetics company that started out on solely selling baby formulas but great changes have been made since then. Many products have been developed over time and have become very well known internationally as they have come up with many firsts like the first milk powder for babies, the first milk chocolate, the first pre-soup, and the first instant coffee. The company has come a long way since Henri Nestlé's first product and this can be seen through the variety of what they sell. Nestlé offers: breakfast cereals; hot and cold beverages; instant coffee; foods and culinary; snacks; instant food; baby nutrition; healthcare nutrition; sports nutrition; milk; baking ingredients; ice cream; confectionary; pet products; Nespresso coffee machines; and cosmetics with L'Oreal and Maybeline. Location

Nestlé manufactures in over 86 countries but most predominantly in Switzerland, Germany, the United Kingdom, Austria and Ireland. Nestlé has branched out and expanded to over 87 countries making it a huge company. It can be said that the company doesn't have a lone market that it mainly targets its products to. The wide range of variety of also enables it to reach a larger market as it caters for several people for different situations. With numerous products and numerous geographic targets, it's not easy to identify where it is aiming at directly but Nestlé can be described as a

company that produces brands to provide a moment of enjoyment to millions without restriction. Reason for expansion

Nestlé's claims that its priority is to bring the best and most relevant products to people, wherever they are, whatever their needs, throughout their lives however nice that idea may seem, like any other business their reason for further expansion is profit. The company has achieved globalisation through merging as well as taking through vertical integration and horizontal integration. Nestlé has used vertical integration by controlling and owning all stages of production from producing the product to manufacturing it.

This has helped to decrease transportation and production expenses and has given the company more control over costs, quality and delivery times. For example, Nestlé Waters is responsible for producing its own packaging, making its own package reform and blow moulding its own bottles. Through horizontal integration or buying out other similar food and beverage processing businesses, Nestlé has been able to beat out competitors by buying the companies out to eliminate rivalry. In addition, through this strategy, the company was able to further expand in the industry that it was already active in to increase its shares in the market. The Anglo-Swiss Condensed Milk Company had bought Nestlé because it saw its potential in the future as well as its threat to its own prospering company.

Another reason for the company's expansion was to reduce business risk and dependency through diversification. By having a diverse range of products the company will not suffer too greatly when a product does not have any further opportunities for growth as it has another market to focus on. This

particular strategy seeks to increase profit by offering new products and markets to a greater range of people. Nestlé used this by forming an alliance with L’Oreal in 1974, taking a complete turn of direction from simply supplying food and beverages to cosmetics.

For Nestlé, expansion offered good product marketing to a wider audience thus leading to more sales, therefore more profit all while reducing competition. It also secured the company whenever one product was not selling as well as another as the company saw that one closed door lead to many others to open. Nestlé has been able to incorporate its vision to bring the best and most relevant products to people, wherever they are, whatever their needs, throughout their lives all while prospering and earning great profit. Issues

Employment Issues Nestlé is a company that operates in many countries and so the headquarters in Switzerland believe that they should think about their organisation globally but deal with people by interacting with them locally. The company stated that in recent years that one of its biggest social responsibilities on a global basis is job creation. In addition to this, they claim to stick by fair pay, no sweatshops, no child labour and fair working conditions for all their employees. At first, when the company was still in the process of expanding to other countries, they abided by what they claimed. However, since its significant growth and higher demand from the public, control over unjust ways is waived and workers are forced and violated through the deprivation of their workplace rights.

An example of a pressing issue concerning Nestlé in the recent months regarding employment issues is the reported use of child labour in the cocoa

supply used in almost half of their products. A report by the Fair Labour Association says that they discovered multiple serious violations of the company supplier code. These included the use of child labour, safety hazards and the abuse of working hours. Nestlé has been said to be aware of these conditions, even going as far as insisting that their primary suppliers to agree to their code but did not persevere any further than that. The underage workers have been working under tough conditions, receiving gashes at their legs by machetes used to harvest cocoa beans as well as working long hours without pay or rest. Now that this issue has been highlighted, the company is held accountable and is to take direct responsibility for decreasing the risks. Environmental Standards

Nestlé's environmental standards are based upon the United Nations Global Compact's principles on the environment, committing them to: fully comply with environmental legislation and internal requirements which are stringent; continuously improve their environmental performance by integrating environmental principles, programs and practices into each business through their Nestlé Environmental Management System; innovatively eco-design their products and activities; give preference to suppliers who continuously strive towards improving the efficiency and sustainability of their operations and use of resources; conduct independent environmental auditing, verification and certification of practices; provide meaningful and accurate environmental information about their products and activities based on scientific evidence; train and educate employees, business partners and the society about environmental awareness; and to open dialogue with their suppliers, staff, customers, consumers, and the community on products and

activities related to environmental issues. Quite evidently, it can be seen that Nestlé takes its responsibility to the environment very seriously and has taken great measure to enforce its commitment to a sustainable future.

In 2011, the company received the World Environmental Center Gold Medal for International Corporate Achievement in Sustainable Development. Nestlé received the award for its commitment to environmental sustainability across its value chain and throughout multiple levels of company management which in turn contributes to the health and well-being of consumer while improving the economic and social conditions in communities located across Nestlé's entire value chain. Nestlé has shown its commitment by building over 290 water treatment plants in developing countries where national and municipal waste water treatment infrastructure does not yet meet the international environmental standards and has pioneered cogeneration technologies which is more economically and environmentally efficient as opposed to the conventional fossil fuel power plants.

Human Rights and Code of Conduct Human Rights Nestlé has a direct influence over its own employees and some indirect control over the employees in its supply chain. The principles of human and labour rights in both areas are fully endorsed and promoted by Nestlé strongly. The company is also committed to the International Bill of Human Rights, as well as to the core Conventions of the International Labour Organisation, and to further improve its performance, a Nestlé Employee Relations Policy was adopted which worked alongside their new policy on Conditions of Work and Employment which covered areas consisted of temporary employment,

outsourcing, working time and wages. Nestlé has also fully revised its Management and Leadership Principles, changing policies and improving practices.

An Integrity Reporting System has also been made available to all the employees to provide an independent way to raise concerns relating to any of Nestlé's policies and procedures. The reporting system is operated by a third-party that handles both the open and anonymous reports. All of the reports received through the system are sent to the Nestlé Compliance Officer responsible in the respective country of operation. From there, the Compliance Officer evaluates and assesses the received information so that the appropriate course of action can be determined and an investigation can be assigned if warranted.

However, despite their great efforts, experts on Nestlé's business practices have submitted a report to the United Nations Global Compact Office, calling for Nestlé to be expelled as a participant in the voluntary initiative. It is claimed that Nestlé has been boasting about its positive impact on the less fortunate to divert criticism regarding the cause of human rights and the continuation of poor environmental standards can continue. Some of the major issues include: aggressive marketing of baby milks and foods while undermining breastfeeding, a breach of international standards; trade union busting and failing to act on related court decisions; failure to act on child labour and slavery in its cocoa supply chain; exploitation of farmers; and the environmental degradation, particularly of water resources.