

Nestle's international business strategies

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Abstract

Operating in the global business environment takes more than pluck and capital investment. It also entails managerial decision-making and coordination skills, as well as knowledge and business savvy that will allow a firm to function and survive in the global business scenario. For leading food and beverage, health & wellness company, Nestle, continuous innovations and product diversifications have always been a top concern, all geared towards the attainment of its mission statement. With its foray into emerging markets and efficient tailoring of certain product brands to carve niches in those distinct global territories, Nestle has created inroads contributing to its overall success. As with other businesses, though, that have made great strides in international business operation, it can address loopholes.

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Food and beverage giant Nestle carries the company mission statement, as may be gleaned from the company's website, of utilizing "research (that) can help us make better food so that people live a better life." Nestle further expresses in its official website that:

Good Food is the primary source of Good Health throughout life. We strive to bring consumers foods that are safe, of high quality and provide optimal nutrition to meet physiological needs. In addition to nutrition, health and wellness, Nestlé products bring consumers the vital ingredients of taste and pleasure ("Mission Statement," n. d.)

Nestle's mission statement comes to life through the company's global executive team and key officers, led by its Chairman and former CEO Peter Brabeck-Letmath, and current chief executive, Paul Bulcke, who set the company's main thrust of creating value.

Nestle's organizational structure is multi-divisional; its management structure is decentralized. While the executive team in the main corporate headquarters have the strategic responsibility of monitoring global divisions, there are local managers who must assimilate cultures as they are assigned one country to another. Since the 1990s, Nestle has effected:

...a global matrix structure, decentralizing authority to managers in charge of seven global product groups—coffee, candy...this allowed the firm to pursue a transnational strategy, leading to lower costs and improved differentiation. The matrix structure

facilitated sharing information within countries (Hill and Jones, 2004).

Nestle has also set out “to standardize computer systems and business practices around the world” (Hill and Jones, 2004). As such, it is able to respond to crucial business issues as they arise. Country managers have a sense of autonomy in supervising varied operational aspects in the assigned territory, and making high-level decisions.

Nestle relies on its brand-building machine and marketing savvy to maintain a competitive edge in the global marketplace. “The company's seven strategic business units—dairy, confectionery, beverages, ice cream, food, pet care and food services... are also responsible for research and development, production expertise and systems control” (Benady, 2005). Emanating out of

all these is a regional strategy, “ which is in turn the starting point for local market business strategies” (Benady, 2005). This setup augurs well for success in international ventures, because by catering to local tastes and requirements, Nestle's strategic business units gained steady revenues while making global business operations more cohesive. As Nestle Chair once expressed, “ Every decision has to be made as close to the consumer as possible” (Benady, 2005). Handing “ responsibility to foreign subsidiaries” (Benady, 2005) is expected to lead to successful brand-building efforts across the world.

As far as it its entry in emerging markets in developed nations is concerned, Nestle has experienced steady growth. Back in 2001, the company assessed its performance in developed countries and carried out plans to innovate and churn out higher value added products, with special focus on more health" and nutrition product lines (Echikson, 2001). Nestle had expected its innovative products that have been imbued with local flavor, along with several strategic alliances or mergers, to work in its favor. “ It can be argued that product innovation and market coverage... continue to be sources of advantage of the global strategy” (Roth, 1992). Indeed, creating consumer confidence through brands has been Nestle's key strength. However, by diversifying into businesses outside its core products, Nestle must deal with the challenges or risks of losing customers foisted with too many product varieties.

Overall, I would recommend that Nestle maintain its competitive edge in developed countries with high-growth potential, not only through continuous brand enhancement, adhering to international fair trade practices, and

proactive use of IT but also through some improvement in charting its own supply chains. It may also be wise to rethink further mergers and alliances that deviate from its present main thrusts of food, nutrition and well-being.

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