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Structure and Culture of Nestle

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INTRODUCTION:

Organisational structure usually refers to the rules, norms and policies that are formed by the organisation for achieving objectives. The culture of an organisation usually includes the behaviour, value as well as employee attitudes. Both have an essential impact on organisational success. The current essay has explored the culture and structure of Nestle. It has also analysed how these factors contribute to the performance of the company. The essay refers to the theories and models that are relevant for the structure, culture and design of Nestle.

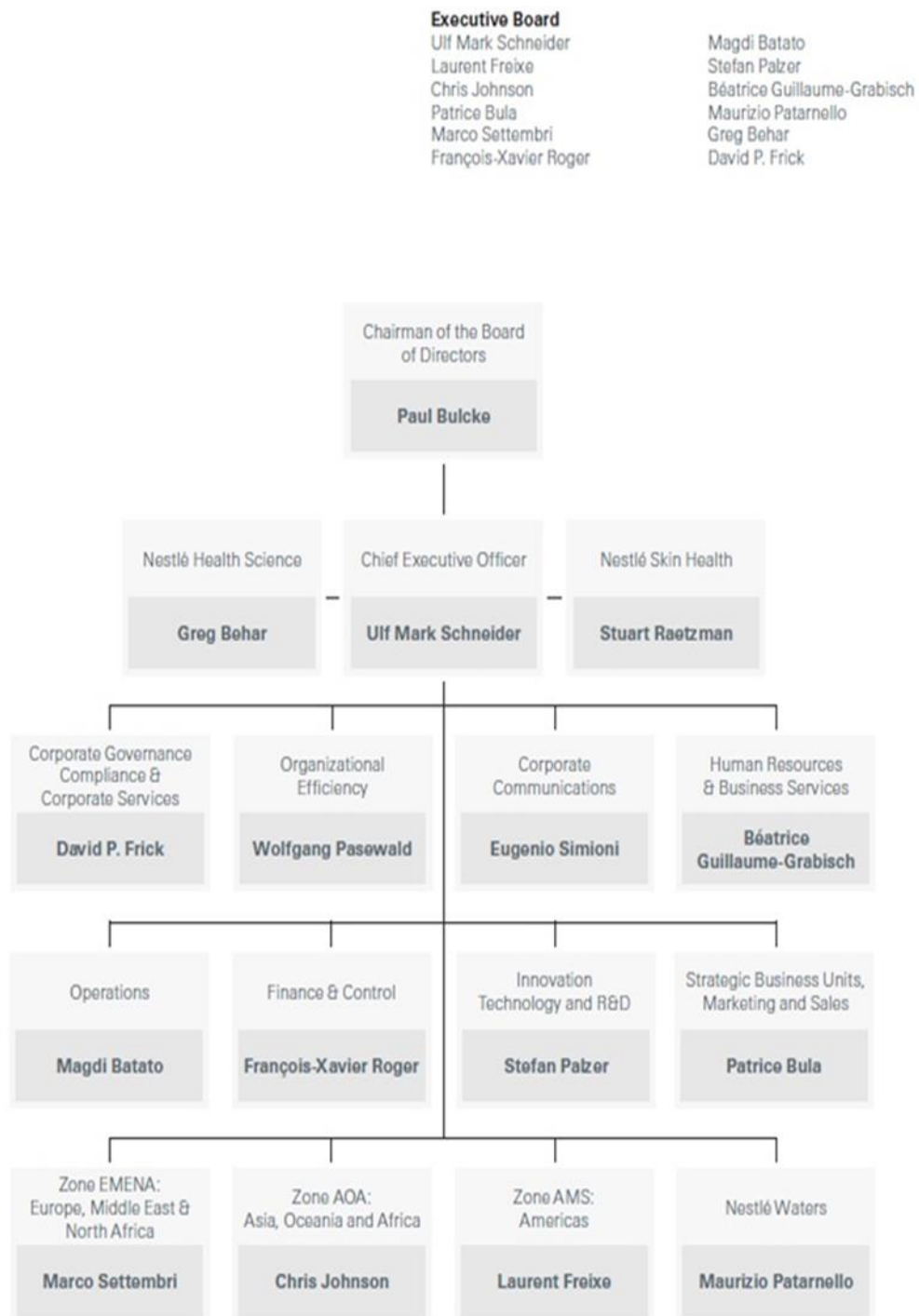
1. STRUCTURE

Organisational structure is vital for the effective completion of any activity including the endeavours of a group of people. Accomplishing objectivities requires solid distribution of duties amongst the management group. (Buchanan and Huczynski, 2019, p. 492)

Organisational structure is a system through which organisational actions are separated, arranged and managed. The companies establish the structures to organise the activities of operational factors, motivate employees and supervision of the members' performing. (Buchanan and Huczynski, 2019, p. 492)

The organisational chart of a company usually demonstrates the relationship between people within a company. The organisation chart presents a graphic structure of an organisation. Organisation charts are beneficial in describing the organisational framework.

General Organisation of Nestle S.A.



(Source: Nestle.com, Corporate Governance Report 2019)

FATEHI'S THEORY

According to Fatehi (1996), there are three fundamental models of the structure of organisation – products, functions and geographic areas. Based on these fields, he defines five type organisational structures – functional structure, geographic structure, mixed structure, product structure and matrix structure. Functional structure is based on the pyramid standard top-down style in which where a small group of people at the top control a big group of people from the bottom of the pyramid. According to geographic structure, employees are organised by location. The mixed structure includes a combination of different types of structures and it is suitable for global companies who want to extend their business. Product structure is a model by which the employees are organised according to product lines and these product lines are grouped by product departments. In the matrix structure, the standard model of the hierarchy is not applied. (Browaeys and Price, 2008, 135-136)

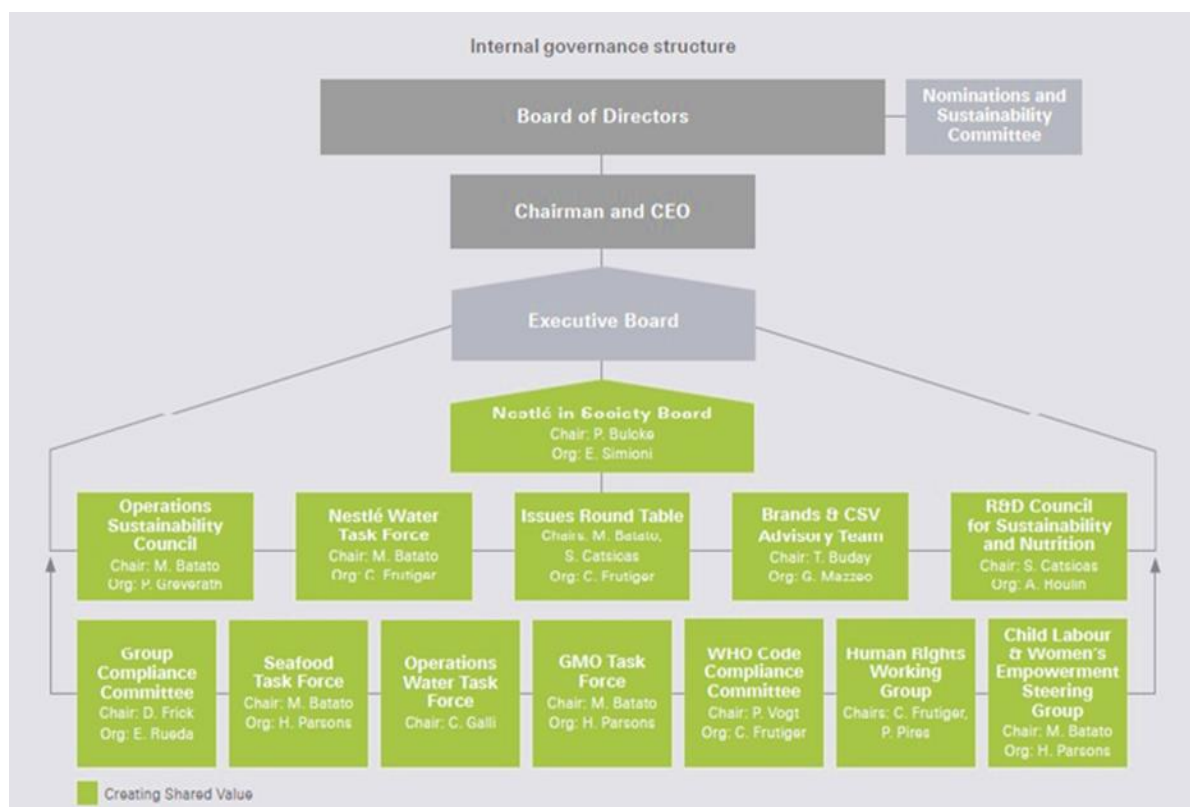
Nestle is a decentralized global company and it is organised according to Matrix Structure (Principles Mandatory The Nestlé Management and Leadership Principles, 2011). Matrix structure enables decentralised decision-making, superior independence, better relations between different departments and therefore higher efficiency and innovation. (Mullins, 2006, p. 408)

One of the main strategies of Nestle management is the aim of simplification of their organisational structure to accelerate the decision-making process and readiness to new consumer tendencies.

CHAIN OF COMMAND

The chain of command represents the formal levels of authority within an organisation from the top-level of management to the frontline employees. The chain of command is shown in an organisational chart where is determined the superior and subordinate relations in the company's structure. By exploiting the chain of command, the idea of the unity of command is preserved. The unity of command requires the employees at all levels to report to only one supervisor. (Daniel, E. 2018)

The chain of command of Nestle includes Board of Directors, led by the Chairman, and the Executive Board, who take care of day-to-day management of the company in different parts of the global business. (Nestle.com, Management)



(Source: Nestle.com, 2016, Nestlé in society Creating Shared Value and meeting our commitments)

SPAN OF CONTROL

The span of control refers to the largest number of subordinates that a manager monitors and controls. It helps to determine the maximum number of employees one manager is able to manage and at the same time he/she to be successful in his/her other duties. (Mullins, 2006, p. 397)

Nestle company manages its departments and divisions following a formal organisational structure and with the company's span of management divided into three levels of management which are the lower level management, middle-level management and top-level management. Top-level management includes Board of Directors, Chief Executive or managing director.

Nestle's external environment is compound and unreliable because the company operates in five continents and within different geographical location: AMS (Zone Americas), EMENA (Zone Europe, Middle East and North Africa) and AOA (Zone Asia, Oceania and sub-Saharan Africa). (Nestle.com, Management)

It is very difficult for the Headquarters to monitor all departments. It can be solved by decentralised power that has been brought to lower-level employees. As a decentralised organisation Nestle permitting to the branches that are subordinate for taking advantage of high-level proportionate independence. It still makes numerous decisions of strategies at the headquarter level where daily operations are usually left up to the branches of subordinate for performance and derivation.

According to the Nestle Management and Leadership Principles (Nestle.com, 2011) the company emboldens employees for open communication and dynamic co-activity in terms to

provide benefits to the company and personal growth. Nestle's employees are not obligated to follow a large number of regulations and they are not under a high direct control.

Nestle accomplished this by having highly qualified and trained specialists. Moreover, the lower level of managers is also allowed to make decisions. Nestle take care of their employees and respect their opinions. Also, teamwork is an essential element and the employees are the most crucial asset for the company. (Nestle.com, Our People, 2011)

2. CULTURE

Organisational culture could not be completely comprehended because the culture is not something visible. It is signified in many aspects and has a vital effect on employees' behaviour, how they do their job and how they relate with other people within and out of the company. (Chou and Ramser, 2019)

Every business builds its own culture that reveals their shared value, standards and ideal approach to accomplish its goals and mission and also to cope with the obstacles that appear in the process of its operations. (Makhlouf, 2017)

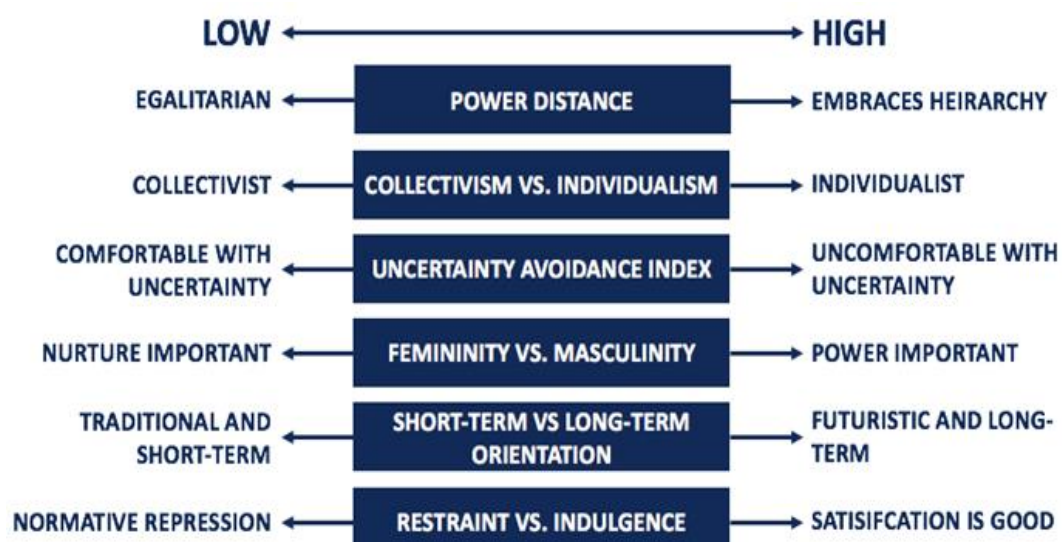
Organisational culture can be determined as the individuality of an organisation. It attempts with how the organisation's daily tasks are done. This includes how the employees do their work, how they treat each other and their managers, the relation with the clients. Organisational culture refers to not only the good or bad performance of the organisations, but likewise emotional problems, how employees feel about their job, ethical matters and how organisations act in society. (Buchanan and Huczynski, 2019, p. 107)

HOFSTEDE'S THEORY

Hofstede's Cultural Dimensions Theory was established in 1980 by Geert Hofstede. This theory is utilized to comprehend the distinctions in culture within the different countries and to be identified the methods according to which that business is accomplished within different cultures. (Buchanan and Huczynski, 2019, p. 130)

Professor Hofstede's in his study investigated how values in the working environment are being impacted through culture. He defines culture as "the collective programming of the mind that distinguishes the members of one group or category of people from others". (Peng, 2016, p. 67)

Hofstede's theory is constantly evolving and in nowadays Hofstede differentiates exist in 6 basic categories that identify culture: Power Distance, Individualism vs. Collectivism, Uncertainty Avoidance, Femininity vs. Masculinity, Short-Term vs. Long-Term Orientation, Restraint vs. Indulgence. (Hofstede, 2011)



(Source: Corporatefinanceinstitute.com Hofstede's Cultural Dimensions Theory)

The power distance index refers to the dimension on which a society tolerates the unequal splitting of power of people. In this index unequal splitting of power refers to the distance degree between supervisors and subordinates. (Hi.hofstede-insights.com, Natural Culture)

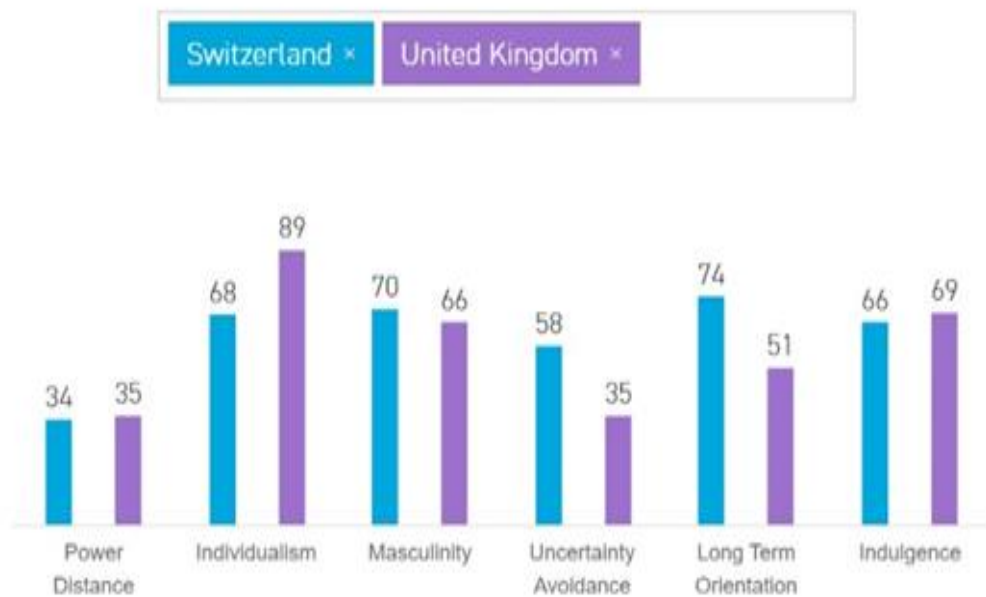
The individualism vs. collectivism dimension refers to the extent to which people are united into groups and their accepted responsibility and dependency on groups. (Hi.hofstede-insights.com, Natural Culture)

The uncertainty avoidance index refers to the level of acceptance of insecurity and uncertainty and how people deal with unusual and unpredicted situations. (Hi.hofstede-insights.com, Natural Culture)

The masculinity vs. femininity dimension refers to the level of acceptance of gender equality or how the people measure the values and the social roles of males and females. (Hi.hofstede-insights.com, Natural Culture)

The Short-Term vs. Long-Term Orientation dimension refers to the tendency of people to make long-term plans or the preference of short provisional success with no future progress. (Hi.hofstede-insights.com, Natural Culture)

Restraint vs. Indulgence dimension refers to the people able to control their instincts and wants. (Hi.hofstede-insights.com, Natural Culture)



(Source: hofstede-insights.com, Country Comparison)

According to Hofstede's method for country comparison it can be seen that for United Kingdom and Switzerland the Power Distance index is very low. In countries with low power distance, it is considered that everyone should receive the same privileges. Employee involvement in decision-making, individuality and personal opinion are highly valued and a democratic style of government is practiced.

The individualism index for United Kingdom is high but for Switzerland is significantly higher which means that the individual takes care of himself, decisions are made based on personal needs and the focus is on personal achievements, not those of the group.

It also seems that the masculinity index is too high, especially for United Kingdom. This means that mostly men dominate all activities, with a clear expression of ambitious, confident and competitive behaviour and the dominant values in society are material successes and progress.

Peter Vogt, Global Head of Human Resources at Nestle, defines the cultural variety as a leading power of progress. He says that it can increase the economic growth of the countries, also the performing of the teams and it can enhance the satisfaction of individuals. Vogt adds that cultural variety sometimes also can provoke Nestle's principles, standards and social behaviour. (Nestle.com, Cultural diversity, 2018)

One of the principles of Nestle is all members of the company to accept impartially the others as a part of the team. People have unconscious prejudices about diverse social groups, including gender. Nestle provides seminars that increase understanding of such prejudices and how to reduce them to a minimum. It is not only about the tolerance of people's beliefs but also accepting diverse conducts and approaches to implementation in different countries. For Nestle is very important their employees be aware of that the cultural taboos are vital in terms to prevent communication problems between the company and its branches. These principles are being enforced in many cases without exclusion and at all levels within the organisation. Moreover, this approach is applied not only for the company's employees but also for the Nestle's products, sold across the world as Nestle adapted them to the local demands of the various consumers. By accepting the differences and get the benefits of them, Nestle company remains loyal to their values based on respect. (Nestle.com, Cultural diversity, 2018)

3. FACTORS CONTRIBUTING TO ORGANISATIONAL PERFORMANCE

The structure and culture are essential components for the success of the company. Focusing on these factors the organisation easily will attract the consumers and will become more competitively. This organisational structure becomes ameliorated influenced by the culture that makes an impact on the company's capability to employ changes successfully.

If a company can sustain efficient culture, it will be able to create a well-designed organisational structure that facilitates business managers to apply changes and achieve accomplishment. (Tedla, 2016)

The structure is the indivisible element of the organisational culture as it mainly refers to the shaping of culture that prompts employees to do their job efficiently in terms of the organisational objectives. If the organisation established the right structure, then the culture of the organisation will adjust positively. Understanding the relations among the structure and culture will allow any change to be managed more successfully. Most global businesses are prone to apply a mix of different organisational structures and cultures in terms to achieve the company's goals required in their mission statement. (Ahmady, G., Mehrpour, M. and Nikooravesh, A. 2016)

One of the crucial factors which contribute to the success of Nestle is creating an adaptable organisation with a minimum level of management and large spans of control that empowers people's development. (Nestle.com, Principles Mandatory The Nestlé Management and Leadership Principles, 2011) The Nestle organisational structure and culture allows the company to achieve its goals, focusing on the complexity of the work environment within the organisation and also the impact of exterior factors.

CONCLUSION:

The organisations may change over time. That what in the past was an informal working environment can become more formal with the expansion of scale and the range of the business. (Tedla, T., 2016)

Organisational culture influences the model and the performance of organisational structure. With its ideas, principles, and behaviours the culture builds the perspective and the relationship framework utilized by those who shape the organisational structure. Furthermore, the cultural perspective may greatly facilitate or extend the application of the chosen structure in its execution stage. Organisational culture identifies the conduct and decisions enforced on employees and management via the organisational structure in terms of the values and the standards of conduct. Also, organisational structure mirrors cultural values, standards and behaviours. But organisational structure may reinforce or even to make changes in the current organisational culture. (Tedla, 2016)

Nestle is the world's biggest organisation for high-standard food and beverage. The company's mission is directed striving to enhance people's quality of life by the manufacture of high-quality products. The company accomplishes its objectives by maintaining an efficient and successful management structure. Nestle's organisation cares of its employees and endeavour to provide the perfect working environment, possibilities for career progression and encourage them to set free their creativeness and leadership capacity. Deservedly Nestle is called a multinational titan in the manufacturing and selling of healthy food and beverages as contributes not only for the wellbeing of its consumers but also for its employees.

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