

Nestle Organizational Change

Introduction

Every organization, at some point, will see the need to undergo a transition or change so as to maintain viability or respond to some changes in the working environment. Whether the change involves growing a department, recruitment of new employees, or some form of external expansion, the changes have the potential of having a significant impact on the trajectory of the business and it needs to be done in a systematic way. A manager may, unfortunately, find it difficult and intimidating to adapt the organization to the new changes as well as the impact it might have on the business (Stouten et al., 2018, 87). Nonetheless, an organizational change presents an opportunity for growth and career advancement despite the challenges that might accrue. For any organization or company that undertakes an organizational change, it embarks on activities that alter some major components of the organization such as culture, internal processes, or technologies. It is a strategy that the management uses as leverage for bringing a successful resolution.

Nestle is a Swiss multinational company that mainly processes food products and nutritional items. Since its establishment, the company has undergone several changes over the years to become the biggest food company in the world. Through acquisitions, the company has continued to expand around the globe setting shops in numerous countries in the world. The company now owns some of the world's best-selling brands such as Nescafe of instant coffee (Usman, Hameed, and Manzoor, 2018). To get to the point it is now, the company has implemented some effective transformation models over the 140 years of its existence and has managed to overcome the challenges associated with the changes. This paper explores the various change strategies that Nestle has employed in its quest for success and world market

domination and provides an analytical reflection of the years of transformation from a small enterprise to a giant in the industry in the world. The paper specifically identifies the contribution of Lewin's theory and the McKinsey 7-S Change Management Model in helping the company preserve its long-term goals during changes and how slow and steady application of these changes have been influential in its path to prominence (Sapuarachchi, 2021).

Nestlé's Objectives

Appelbaum et al. (2017) place the survival of an organization on its ability to match the level of complexities of the environment it operates in. Similarly, Nestle, with the ambition of being a world leader, the company has had to adopt some changes in response to some external and internal factors. Based on the four basic objectives and ambitions of the company, it has adopted corresponding strategies that are aimed at achieving the specific goals.

- Nestlé's need to increase efficiency & productivity: to achieve this, the company decided to expand globally and to acquire local subsidiaries from external markets.
- The need for business expansion: Nestle achieved this through venturing into other markets besides the food industry.
- The need for financial enhancement: the management of the company opted to rid itself of non-profitable businesses and acquiring those with the potentials of making substantial profits.
- The need to restructure within the company: the company focused on the above strategies

All these strategies that Nestle adopted had huge impacts on the structure and manner of operations of the company. These are approaches that followed some set guidelines that allowed the company to change within some pre-set limits and procedures.

McKinsey 7-S Change Management Model

The changes have been done over the years, with Jia and Jia describing the changes as fitting to the 7 S model that affects the overall working of the organization. Oreg and Berson (2019, 118) added that the model emphasizes strategy, structure, systems, style, staff, skills, and super-ordinate goals which are essential in reinforcing Nestle as a global powerhouse in the food industry (Gökdeniz, Kartal, and Kömürcü, 2017). It is important that this paper looks into the important organizational change processes that have taken place within the company to bring the success that it enjoys today.

The first major change that occurred in the company was in 1974 when it started acquiring subsidiaries in a bid to increase the productivity of the company. The company bought majority shares in L'Oreal, a leading cosmetic company, with the management describing the move as an important step towards growth and diversification. Suddaby and Foster (2017, 342) state that a change in the organization must be accompanied by reason and must be aligned with organizational goals. In this instance, acquiring a subsidiary from a totally different industry was an intent for expansion. Attempting to diversify sources of income by an organization calls for a change in its structure and modes of operations. Salvarli and Kayiskan (2018, 76) would classify the move as a change in strategy under the McKinsey 7-S Change Management Model. The move was different from the initial strategies of acquiring subsidiaries within the same industry and integrating them into the main operations of Nestle.

Incremental Changes

The CEO would later describe the moves as incremental changes whereby the changes occurred in what was already going on within the company. These comments came after another acquisition from a different industry in the form of Alcon Laboratories Inc. in the US operating

in the pharmaceutical industry. The existing structure of the company was maintained amidst these changes all in the hopes that the long-term goals of Nestle are safeguarded. Other than the changes shifting the focus of the company to new things, the adjustments were used as reinforcements and sustenance of the existing structure. In other words, Nestle intensified efforts on increasing efficiency and productivity but relying on the existing features of the company. The management of the company favored slow and steady processes of change instead of drastic measures so as to look after the long-term goals and reinforcing the strengths of the company.

Many analysts have attributed the modern success of Nestle to the incremental approach that the company has implemented its organizational changes. Lee et al. (2018, 34) claimed that radical changes would only have been useful at times of crisis. They would have been responsive measures that were initiated only to respond to a drastic change in the business environment but the structure of the company would be maintained. From a small dairy processing firm in Switzerland to a global giant with diversified operations, Nestle has relied on slow and steady incremental changes that have upheld the integrity of the initial structure with a focus on long-term goals as key to its success.

Planned Change Theory

Presently, the company is still taking on the continual restructuring processes that are supported by its annual budget. The CEO, Brabeck-Letmathe says that the current philosophy is steady and well planned and it is a matter of fashion or moving with current trends and is part of a long-term strategy. In this aspect, the current changes mirror the theories of planned changes which refer to the collaborative, calculated, and deliberated moves with the intent of influencing change through agents of change (Draskovic et al. 2017, 237). In VanWoensel et al.'s (2017, 28) words, these are organizational changes triggered by a relevant shift in the environment leading

to an anticipated response. In Nestlé's case, current trends are the triggers for the slow and steady changes that CEO talks about. As such, the company's current organizational change policies best fit the positive model, a class of the theories of planned changes. This model, according to Onugha and Amah (2019, 153), entails an organization focusing on what it is doing right or what it has been doing right. The management takes an effort to understand the organization when it is at its optimum and then reinforces the strengths and capabilities as the way towards achieving better and consistent results. Nestles management has witnessed success over the years of the small incremental changes that maintain long-term goals, which makes them unwilling to depart from the policy. Jamal and Tilchin (2017) reported that before deciding even on a small change, the responsible team seeks to determine the expected reactions from various departments and employees within the organization through some internal procedures. This process is referred to as appreciative inquiry of the positive model that is applied in the planned change. Whitney et al. (2019, 118) approve appreciative inquiry by stating that it is a process that stimulates a positive orientation to the way the change is received by the entire organization. It is also important in promoting a wider involvement of staff and employees and converges efforts towards the long-term ambitions of the company through concentrating on the shared potential. Harris (2020) described the planned changes by Nestle as falling into five important phases:

- Initiating the inquiry to determine the area and subject of change
- Evaluating the best practice for the situation
- Identifying the most important themes
- Envisioning the expected outcomes and desired parameters and
- Designing and implementing the ways of achieving the anticipated results.

It is apparent that the corporate culture of Nestle principally entails focusing on its strengths and maintaining a structure that focuses on long-term goals instead of short-term profits as in other companies. The company has also hit the headlines over the news that it had initiated a complete overhaul of the executive board and replacing them with ten new executives. This move may appear as a departure from the slow and steady changes tradition of the company but it was rather a means of strengthening the company's commitment to long-term goals (Jabri, 2017, 96). At the time the CEO referred to the changes as a strategy of refreshing its board and renewing the strengths of its corporate culture. The new executives focused on enhancing company strengths rather than the overhaul itself.

Lewin's Change Management Model

Another prominent change that Nestle has undergone is the change in infrastructure that supports its information system. Choosing GLOBE to manage the organization's use and sharing of information is widely hailed as a transformative move that has kept the company viable within the modern environment. This change in technology gave rise to the Codification-Based Strategy, which links all departments of the company around the world while also allowing easy access to company information (Osusky et al, 2017, 73). Information became available to all employees of the company and smooth flow of information within the organization. With information becoming available to everyone within the company, it had the effect of neutralizing power, which is also an important aspect of organizational change for Nestle. This change in information sharing required training of the employees on how to use and share.

Upon adopting GLOBE to manage its information systems, the old organizational structure had to be abandoned. The company realized that the Top-down structure that it was using before had limitations as it was stifling communication and networking between departments and

employees. Harris (2020) realized that the vertical manner in which the information flowed was a barrier to cooperation and contribution by employees who felt that they were being held back by competition and the need to always be obedient to the superiors. Such a move by the company was a deliberate attempt to alter the organizational structure by targeting the employees through empowering them to adapt to the change and to actively contribute to the goals of the organization. Palmer et al. (2017, 54) explained that the adoption of the new system involved initial preparations followed by actual installation of equipment and fixtures for the new information system. Lastly, every member of the organization was trained on how to effectively use the system and take advantage of its features that persuaded Nestle to adopt it. The CEO said that the organization formed a steering committee of senior managers to assemble a team that will draw up the procedures to be undertaken during the implementation of the change (Ismagilova, Hughes, Dwivedi and Raman, 2019). The processes involved in the implementation of the new system are suggestive of Lewin's Change Management model that consists of three main stages; unfreeze, change and refreeze (Galli, 2018, 109). Unfreezing entails the initial preparations where both the management and the employees are encouraged to exercise openness and to appreciate the need for a change. According to Tang (2019, 212), it is at this stage that the adopted strategy attempts to overcome any kind of resistance from the employees. For example, some employees of Nestle may have felt the need to fill request forms to access information as an unnecessary and hectic procedure that they do not wish to be doing. The change stage involves the actual implementation of the new procedures while also abandoning the old system. The leadership of the organization is essential at this stage to provide a good example to the employees (Tang, 2019, 216). Finally, refreezing occurs when the new system becomes integrated into the culture of the organization and becomes the new normal. It occurs after

extensive training and the change becomes accepted at all levels of the organization. Galli (2018, 45) described the adoption of the new system as being essential in improving productivity, efficiency, and improved quality of customer care that keeps the company at the top of the industry.

Reflection

Nestlé's experience of dealing with organizational change is a clear manifestation of how a business could realize success by adopting suitable approaches. The primary goal of a business is to maximize profits and to increase its chances of growth within the environment it is operating in. However, it is the same environment that may trigger the need for an organization to implement changes in its structure as is the case with Nestle (Hair, Hollingsworth, Randolph and Chong, 2017). Despite all the changes, Nestle chose to stick to its long-term plans of growth and expansion to become the global giant that it is today, which means the slow and steady changes it implemented over time became a norm of the company culture other than a responsive measure.

It is particularly impressive how the slow and steady changes allow easy integration with company culture and a high level of interaction between the management and the employees. In Draskovic et al. (2017, 98) review of organizational change strategies, they highlighted the significance of contribution and cooperation from the staff at every stage of the implementation. In Nestlé's case, the interaction is evident with the leadership program that places the employee at the center of organizational changes by empowering them to grow. The move to make information accessible throughout the hierarchy of the organization is particularly an excellent example where the employees are brought on board regarding organizational matters and changes. Although the change brought some new challenges and disadvantages such as availing

too much information, it was still perceived as an essential means towards achieving company goals.

Some quarters might argue that the planned model of organizational change may not be an adequate approach for a large company especially in the modern environment which is volatile and unpredictable. Oreg and Berson (2019, 168) criticize the planned model as being slow, static, and being only suitable for periods of stability. He argues that it lacks dynamism in complexity and is a slow approach in responding to urgent matters. Although such criticism has been proven in other scenarios, Nestle has managed to benefit from the advantages of this approach to correspond with the stability it enjoyed. In fact, it would be safe to say that the consistent way in which Nestlé's management has managed to execute small and steady organizational changes has contributed to the stability and success that has characterized its history. The consistent method eliminated the possibilities of trial and error during changes and as well as fostering familiarity made it easy for acceptance of the changes by the whole staff. From the experience of Nestle, it might be misleading to think that planned change is an orderly process. In fact, according to Onugha and Amah (2019, 68), planned change can be a mix of shifting goals, chaotic, and an interruption to the fluidity of activities within an organization. Nonetheless, Nestle has managed to eliminate such nuisances by having a dedicated team to manage organizational changes and consistent interaction with staff and employees. Harris (2020) realized that the vertical manner in which the information flowed was a barrier to cooperation and contribution by employees who felt that they were being held back by competition and the need to always be obedient to the superiors. Such a move by the company was a deliberate attempt to alter the organizational structure by targeting the employees through empowering them to adapt to the change and to actively contribute to the goals of the organization. Palmer et

al. (2017, 54) explained that the adoption of the new system involved initial preparations followed by actual installation of equipment and fixtures for the new information system.

The leadership of Nestle has demonstrated that managing change is essential for continued success. Lee et al. (2020, 134) encourage managers to choose a change model that functions as a compass pointing to the True North or the preferred results. It is also important in facilitating a successful adoption process that makes it easier for everyone in the organization to navigate. Managers have a huge responsibility for supporting a change throughout its phases especially with big changes such as adopting new software. The leadership of Nestle understood the culture of the company, the systems in use, and the prevailing business environment and linked them with the long-term goals of Nestle. They continued to provide support to the new structures by providing both finances in the budget and capable personnel to handle the new procedures and employee reactions.

The organizational change at Nestle is an outstanding case study for analyzing change models that are adapted to different situations in the business environment. Nestle has been successful mainly due to its policy of implementing slow and steady changes that are aligned with the long-term objectives of the company. Presently, the company is a global icon and a true reflection of proper management in planning its organizational changes to suit the culture of the company. The planned model that Nestle employed was greatly supported by a high level of interaction between the leaders, the staff, and the employees. From the study, managers should never ignore the role that they have to play in carrying out organizational changes and should strive to devote necessary resources and support to the processes involved. Moreover, in understanding the various theories that describe management and understanding their business environment, the future could be easier for managers when implementing the changes. Choosing

the most appropriate model for the company is so crucial that it could be the difference between success and failure. For instance, I probably would have found the nudge theory to be more effective for Nestle when implementing a change in the information systems. It would have been more engaging for the employees right from the beginning. Furthermore, the ADKAR model, which focuses on the main goals would also be useful since Nestle has always stuck with its long-term goals at all times. I believe there should be further studies that will increase knowledge on the field and advise future management on the possibility of combining the benefits of all these models in dealing with change in the organization.

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