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**AN INVESTIGATION OF STRATEGIC MANAGEMENT ON THE
CORPORATION NESLTE**

Speciality 073 – Management

ABSTRACT

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Master's thesis has been done at the management and administration department of the Ternopil Ivan Puluj National Technical University.

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GENERAL DESCRIPTION

This thesis is about an investigation of strategic management on the corporation “Nestle”. Strategic management is the continuous planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives, it involves the formulation and implementation of the major goals and initiatives taken by a company’s top management.

The aim of the Master Thesis is to investigate the strategic management of Nestle Corporation.

The results are obtained with the following research methods: comparative analysis, time series analysis, SWOT analysis, Internal factor evaluation matrix, Competitive Profile Matrix, and trend forecasting.

This thesis consists of eight chapters where we have described in depth about the investigation of strategic management on the corporation of Nestle in order to get the idea how Nestle Corporation operates in the globe.

The main tasks of this thesis are:

- to review the theoretical framework and studies regarding strategic management process and factors affecting business activity;
- to research and analyze the corporation Nestle,
- to conduct SWOT-analysis and analysis of strategic management in the corporation;
- to design the recommendations concerning strategic management improvement;
- to make Nestle sales forecast by operating segments for the second half of 2018 and first half of 2019;
- to study currents trends in the food industry and laws regulating the corporation activities;
- to examine an occupational health at the corporation, labor protection and safety in emergencies;
- to describe the environmental issues in food industry.

Theoretical part is significant because it helps us define the meanings, concepts, factors regarding strategic management. Practical part is significant too because it's about research and analysis which is important in this thesis, it is going to help and identify the problems which the corporation is facing, this part consists of Nestle corporation history and its brands all over the globe, its strengths, weaknesses, opportunities and threats in the food industry. Nestle has an impact in the economies of many regions because it has employed not less than 250000 workers and produces many of products which on the other hand helps people one way or another example infant foods.

There are various research methods used in this thesis, i.e. time series analysis or growth rate method with the help of various financial statements which helped to identify on what rate does the corporation financial performance grows from year to year.

Methods like SWOT-analysis is very crucial in the thesis, it analyses the environments of the Corporation Nestle in the field of food industry and its importance, score and rating. Internal factor evaluation (IFE) – only internal factors are evaluated and external factor evaluation (EFE) – only external factors evaluated but competitive profile matrix include both internal and external factors to evaluate overall position of the Corporation with respective to their major competitors.

Competitive Profile Matrix is an essential strategic management tool to compare the Corporation Nestle with the major players of the industry. This tool helped to identify the major competitors and its particular strengths and weaknesses in relation to a sample Corporation's strategic position.

MAIN CONTENTS

The introduction clearly states an area of research, justification and discussion procedures, the aim, objectives and the research methods.

Theoretical section of the Master thesis refers to investigation of theoretical aspects. We described meanings and definitions concerning strategic management. Importance of strategic management in any organization lies in the fact that top managers need to prepare for future opportunities, risks and market trends. This makes way for the organizations to analyze, examine and execute administration in a manner that is most likely to achieve the set aims.

According to definition, strategic management is the continuous planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives. Strategic management involves the formulation and implementation of strategy. Formulation of strategy involves analyzing the environment in which the organization operates, then making a series of strategic decisions about how the organization will compete. Strategy implementation, involves decisions regarding how the organization's resources (i.e., people, process and IT systems) will be aligned and mobilized towards the objectives.

Strategic management framework has been described. It consists of two main components such as formulation and implementation. Formulation of strategy involves analysing the environment in which the organization operates, then making a series of strategic decisions about how the organization will compete. Formulation ends with a series of goals or objectives and measures for the organization to pursue. Strategy implementation involves decisions regarding how the organization's resources (i.e., people, process and IT systems) will be aligned and mobilized towards the objectives. Implementation results in how the organization's resources are structured (such as by product or service or geography), leadership arrangements, communication, incentives, and monitoring mechanisms to track progress towards objectives, among others. It was described about financial and non-financial benefits of strategic management.

It was given theoretical review of the strategic management process in the company. This process consists of four main steps: strategic intent, strategy formulation, strategy implementation and strategic evaluation. Strategic management is all about specifying organization's vision, mission and objectives, environment scanning, crafting strategies, evaluation and control.

This chapter contains information on the most commonly used methods, models and techniques in strategic management. We identified that the most frequently used method in strategic management are 7 Classes of Strategic Risk, BCG Matrix, Balance scorecard, Five forces analysis, PESTLE analysis, SWOT analysis, Forecasting, etc.

Also, it was given information on factors affecting the company activity. There are two factors affecting the company which are the internal factors and external factors. Internal factors include organizational culture and structure, human resources, fixed assets and financial resources. External factors are competition, customers and suppliers, laws, political, technological, and economy. Knowing how internal and external environmental factors affect company can help business thrive.

Research and analysis section refers to the Nestle Corporation introduction and description of company vision, company history, main brands and details in company products, organizational structure and top management, consumers, suppliers and competitors around the world. Organizational chart of Nestle Corporation has been shown in the second chapter.

It was analyzed the Nestlé's financial performance and concluded that the Nestle sales for reporting year (2017) compared to previous year (2016) increased by 322 CHF or by 0,36%. Net income for reporting year (2017) compared to previous year (2016) decreased by 1834 million CHF or by 19,09%.

It was analyzed the Nestle Balance Sheet statement and concluded that total assets and total liabilities in Nestle Corporation in 2017 compared to 2016 decreased by 1,2%.

The Nestle main markets have been described in this chapter. It should be noticed that the highest share is assigned to US (58%) and the lowest share – to Great Britain (9%). There are Nestle sales by product categories in 2017, the Company manufactures

and distributes food and beverage products in the following categories: powdered and liquid beverages, water, milk products and ice cream, prepared dishes and cooking aids, confectionery and petcare. For instance, in 2017 was sold powdered and liquid beverages and company earned 20,4 million CHF. Nutrition takes the second product category and company earned 15,3 million CHF.

The chapter contains the information on Nestlé's sales by product categories in 2017 Nestlé's sales by geographical areas in 2017. Therefore, the Group's reportable operating segments are: Zone Europe, Middle East and North Africa (EMENA); Zone Americas (AMS); Zone Asia, Oceania and sub-Saharan Africa (AOA); Nestlé Waters; and Nestlé Nutrition. It was concluded that total Nestlé's sales by most operating segments increased by 0,4% for 2017 compared to 2016.

This chapter contains the analysis results of strengths, weakness, opportunities and threats of the Corporation Nestle. Company strengths are: unmatched research and development capability, Strong geographic presence, with one of the best geographically diversified revenue sources; unrivalled product and brand portfolio environmental sustainability efforts, strong manufacturing capacity, ownership of some of the most recognizable brands in the world, strong relationship with retailers. The weaknesses of the Nestle are criticism over high water usage, selling contaminated food, anti-unionism, forced child labour and using other unethical practices; contaminated food recalls; the company is heavily dependent upon advertising to shape consumer opinion and drive traditional sales; there is a high cost for launching new brands to supplement older; some of its brands, such as carnation milk, are not tailored to modern lifestyles and are seen as old-fashioned by some customers.

Strengths and weaknesses were evaluated on 3 categories: importance, rating and score. Opportunities and threats were evaluated on 3 categories: importance, probability and score. Results of Nestle SWOT-analysis are shown in this chapter. Nestle's Corporation Strengths (2,37) exceed its Weaknesses (1,75) and it has more Opportunities (2,4) than Threats (1,45).

It was built the Competitive Profile Matrix (CPM) that identifies a company's major competitors and its particular strength and weaknesses in relation to a sample company's strategic position. Competitive Profile matrix analysis of Nestle as well as an external Factor Evaluation Matrix and its competitors are shown in the second chapter.

Nestle competitors are below average, because Nestle is scored 3,22 which is above average and indicates that it is strong. It doesn't mean that the competitors are weak. Nestle pricing strategy of products and other critical conditions are superior than its competitors.

Strategic Position and Action Evaluation (SPACE) Matrix was applied to evaluate the Nestle Corporation. The axes of SPACE Matrix represent two internal dimensions (financial position & competitive position) and two external dimensions (stability position & industry position).

Recommendation section contains the recommendations concerning the strategic management in the Corporation "Nestle", recommendations as for economic activity improvement and recommendations as for management of the "Nestle" Corporation. The most profitable strategies in 2019 for Nestle have been pointed out. Among them are: Nutrition, Health and Wellness strategy, Customer-oriented strategy, Accelerating growth strategy, Increasing efficiency strategy, Capital allocation strategy and Sustainable development strategy.

For instant, Accelerating growth strategy means that Nestle aims to achieve organic growth by 2020 by refocusing base businesses, active portfolio management and prudent investment behind high-growth categories.

Increasing efficiency strategy means that Nestle has set an underlying trading operating profit margin target of 17,5% to 18,5% by 2020. Its primary driver is to reduce structural costs in non-consumer facing areas. Well-identified projects in manufacturing, procurement and general administration are expected to deliver total savings of CHF 2,0 to 2,5 billion by 2020.

Trend forecasting has been used to predict Nestle economic activity, i.e. Nestlé's sales by operating segments in 2019. Nestlé's sales forecasts by Zone Europe, Middle

East and North Africa, by Zone Americas, by Zone Asia, Oceania and sub-Saharan Africa, by Nestlé Waters, by Nestlé Nutrition and by other businesses for the second half of 2018 and for the first half of 2019 have been computed.

For instant, Nestlé's sales forecast by Zone Europe, Middle East and North Africa for the second half of 2018 equal 9069,01 millions of CHF, for the first half of 2019 equal 9236,61 millions of CHF. Nestlé's sales forecast by Zone Americas for the second half of 2018 equal 13319,76 millions of CHF, for the first half of 2019 equal 12219,24 millions of CHF. Nestlé's sales forecast by Zone Asia, Oceania and sub-Saharan Africa for the second half of 2018 equal 8341,4 millions of CHF, for the first half of 2019 equal 8438,6 millions of CHF.

This chapter contains information on recommended roles of the top, middle and low management of Nestle Corporation. Top management should broad policies of the enterprise and lays down the objectives, it should prepare strategic policies & plans for the initiative It has to be responsible for maintaining a contact with the outside world, It should provide direction and guidance, It should issue necessary instructions for preparation of subdivision procedures, schedules, budgets. Middle Level of Management should execute the plans of the organization in accordance with the policies and directives of the top management; they should make plans for the sub-units of the organization; they should participate in training and employment of lower level management. Lower level Management is highly recommended to communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher-level goals and objectives to the workers, instruct and guide workers for day-to-day activities, responsible for the quality as well as quantity of production, assigning of jobs and tasks to various worker, they should help to solve the complaints of the workers.

The recommendations concerning management improvements in the "Nestle" Corporation have been given. Planning improvements should include: distinguishing the difference between long-range planning and strategic planning; decision making improvements; improving change planning; and improving corporate, competitive and

functional strategies. Organizing improvements should include: time management improvements; improving design of organizational structure; improving chain of command; improvements in delegation, responsibility, accountability and span of management. Motivating improvements should include: improvements in employment and working conditions; total rewards; training and learnings; talent, development and performance management; employee relations and flexibility of an organization. Controlling improvements should include: improved coordinating, effective reporting and feedback, improving a scope control process and improvement of measuring control effectiveness.

Current trends in the field and laws regulating the corporation activity have been described in the forth chapter.

Occupational health at Corporation Nestle, labour protection, safety in emergencies, and environmental issues in the field have been described in the Master Thesis.

Conclusion includes a summary of the investigation on strategic management of Nestle Corporations.

SUMMARY

Master Thesis Topic: “An investigation of strategic management in the Corporation Nestle”.

Master Degree thesis consists of 165 pages, 26 figures, 21 tables, and 46 references.

The object of investigation is a strategic management process in the Corporation Nestle”.

The aim of the Master Thesis is to investigate the strategic management of Nestle Corporation.

The results are obtained with the following research methods: comparative analysis, time series analysis, SWOT analysis, Internal factor evaluation matrix, Competitive Profile Matrix, and trend forecasting.

The recommendations concerning the strategic management, economic activity and management of the “Nestle” Corporation have been developed. SWOT-analysis has been done. Nestlé’s sales forecasts by Zone Europe, Middle East and North Africa, by Zone Americas, by Zone Asia, Oceania and sub-Saharan Africa, by Nestlé Waters, by Nestlé Nutrition and by other businesses for the second half of 2018 and for the first half of 2019 have been computed. The recommendations concerning planning, organizing, motivating and controlling improvements in the “Nestle” Corporation have been given.

Keywords: strategy, strategic management, strengths, weakness, opportunities, threats, sales forecast, and operating segments.