**Operational management issues of Nestle**

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**Introduction**

**Background**

Nestle company is one of the largest food manufacturing companies that was established in 1866. The most important mission of nestle company is to provide the most nutritional products across Switzerland and the world by assembling the highest quality of the most affordable products. The company is constantly exploring and aiming to double its efforts to establish whatever is possible with food, beverage, and solutions to nutritional health while improving the health of people and pets, conserving and enriching the environment, and creating value for the shareholders. According to Nestle (n.d), the company works loosely with SDG's main goal (action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity) to help individuals live longer lives by promoting their good health and well-being. The nestle products include condensed and powdered milk products, candies, instant coffee and tea, and pharmaceuticals.

Nestle has a hard time establishing a sustainable plan for production efficiency monitoring of the macro-level operation of the business despite its developed administration structure. The company has an overreliance on a tracking system at the macro level production that cannot help cater for departmental operations of the organizations. As a result, the corporation has grappled with the implications of bad decision-making, production dynamics, and imbalances between various production parameters.

**Methodology**

This study focused on the consent of the operational management issues behind nestle company as a factor affecting performance. Through secondary research, this paper offers to make a proposition toward the criteria of operational management appropriate for sustainable quality operations. The secondary research relied on information from company websites, reports, newspapers, journals, case studies, databases, and even information you made up reasonably. This paper highlights the operational issues facing nestle companies according to the literature provided in the secondary sources. Following the outcomes of the research study, this paper further stipulates the consolidated consideration of the steps that nestle should take to create a stable platform for managing the company's operations. The right course of action may guarantee the long-term predictability of the current operation strategies. As a result, the Nestle Company's management will utilize the research findings to adjust operations management techniques following the recommendations, ensuring efficiency in the company's present effective operating model.

**Results**

Nestle company has a hard time responding to changes in market demands due to its diversified products and the numerous chains of suppliers and distribution channels globally. This necessitates the company to formulate a strategy of objectives that will help it accurately respond to the market changes in the volatile market demands. Nestle may utilize this data to convey accurate information and signals to its stakeholders before flooding the market with undesired or faulty products.

Another operational challenge facing nestle company is concerning the source of its raw materials. Hamman et al. (2014) provided that a strong supply of the international coffee market has resulted in the sudden decline of prices. It has resulted in decreased income, and as a result, most big mainstream coffee businesses have prioritized low-cost manufacturing. However, adverse weather conditions and natural disasters still affect the smooth supply of raw materials. The inventory recording has also been an issue in the management of the company. Nestle Company orders additional items from its suppliers without avail on other special occasions, especially when they already have previous supply demands from other clients.

Nestle also has poor partnership strategies with its customers and suppliers. For a multinational company like nestle, it is crucial to have a stable relationship with suppliers since they act as the connecting hub for different stakeholders such as buyers. Similarly, the operational inefficiency goes in handy with the lack of direct involvement in the logistics department of the transportation system. Instead, nestle company offered a subcontract to a third party to oversee the shipment operations as a tactical approach to reducing the cost of transport. However, the idea is not reasonable as the company establishes a department for which it is not using optimally.

Equally, speculations have existed on the reputation of Nestle company, claiming that the company has been associated with controversies on child labor, price-fixing, and unethical behavior that is focused on promoting unhealthy food and mislabeling. All these vices are based on the accounting theory with managers willing to maximize profits and jeopardize. These allegations dismiss Nestle's claim to support the SDG goals and the corporate reporting initiative (GRI) framework.

Another important reason to exclude this company from the list of well-performing companies in operation management application of (GMO) ingredients in its products (Triodos Investment Management, 2020). GMO is not illegal, but the company using it sold take precaution not to rely on it and opt for a diverse range of natural products. This is important since Nestle company makes significant sales. For example, for the year ended December 31, 2020, the company made a total of $23.6 billion (Nestle, 2020). With this number of sales, it is evident that the company's products are being sold to consumers who are not aware of the effect of GMOs. These allegations suggest that nestle food does not provide its sustainable report based on the GRI concepts. The careful consideration of such reports ensures that the company has provided a solution to the problem its currently experiencing internally and the solution to healthy interactions with the society, economy, and physical environment.

Nestle company has uncertainties about its future. "At Nestlé's annual meeting in Lausanne, Switzerland, the question was raised regarding the 23% stake that Nestle has in L'Oréal, and what its position will be when Lillian Bettencourt, the 94-year-old heiress, and owner of 33% of the company, passes away" (ICS, 2017). The figure below represents the fluctuating ratios of Nestle's payable period.

Fig 1: Nestle payable period

Source: (Barake & Nobanee, 2020).

This presents a ratio of the time it takes for nestle to settle the outstanding accounts payable. Equally, there has been an upward trend of the company's period to settle the outstanding account payable. The study established that the payable period of nestle company had experienced a gradual increase since its lowest mark in 2017 when it marked its lowest.

Similarly, nestles had a significant increase in sales by 4.3% in the first quarter of 2020 (Business strategy hub, 2021). However, this uncertainty as the increase was attributed to the impulse buying triggered y the recent events f the pandemic. This presents uncertainty in the company's revenue in the future as some entities remain closed due to the effect of the crisis.

**Discussion/recommendation**

Considering the popularity of nestle and the series of daily operations, attempting to catch up with the complex wording of the new regulations can be very challenging. There is a need to establish a food safety assurance system (Ruzevicius, 2006). New food safety and quality assurance system is being designed to prevent tainted food from reaching the market. Also, concerning SDG, nestle needs to that people have attained a responsible consumption (SDG, 2019). Nestle company should work closely with the SDG goals and the corporate reporting initiative (GRI) framework. The design of GRI standards requires them to be applied to any organization regardless of its size and type from anywhere in the world (GRI standards, n.d).

The future of a business is uncertain as the management doesn't know exactly what will happen but may anticipate the consumer and market trends with little insight. The company should adopt a flexible monitoring system (FMS) to determine the extent of sustainability in the short-term and long term. Through this system, the company will be able to monitor production and logistic expenses that are avoided by hiring a third party. This way, the company will be able to make optimal use of the logistics department. The FMS will ensure that the value of Nestle venture is reasonable despite being lower than anticipated by managing the element of the cost incurred in managing operation and through optimal production. The FMS will also improve the manageability of the logistics department on a long-term basis.

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