

THE NESTLÉ ORGANIZATION (B): PROFESSIONAL COMMITMENT¹

In November 2009, following the meeting of Nestlé's Executive Committee², Francisco Castañer, the Executive Vice-President of Human Resources accompanied Paul Bulcke, the group's CEO³ to his office. The CEO wanted to ask him for a report on how Nestlé was preparing to maintain a competent and committed management team in the future. They knew that Nestlé's success was due to the people who had worked and were working for the company. However, new technology, the growth of competition, the incorporation of women and young people into the labor market – with a new set of values-, the centralization of some of Nestlé's businesses, the importance of new markets like India or China, etc, had made it necessary to revise company policy and procedures to guarantee future success. The professional experience of the Executive Board members since April 2008 is shown in Exhibit 1. This Executive Board represented the management model of Nestlé over recent decades.

Castañer went back to his office and started to think about his last twelve years in charge of Human Resources. He was satisfied with what he had managed to do, but felt a mixture of hope and uncertainty faced with changes that were taking place in the firm and externally. Nestlé was working towards a simplified and flexible staffing structure but it would be necessary to continue to decentralize and adapt the company culture which had been developed over many years in whatever way necessary. To fulfill this objective, he called a meeting at head office in October 2009 of all Human Resource Managers from the different regions. Some examples of Nestlé business development facts appear in Appendix 1.

¹ Case study prepared by the Research Division of Instituto Internacional San Telmo, Spain. Prepared by Professor Antonio García de Castro and Research Assistant Mrs. Rocio Reina Paniagua from Instituto Internacional San Telmo, for use in the classroom and not as an example of the correct or incorrect management of a specific situation.

Copyright © April 2010, Instituto Internacional San Telmo. Spain.

The reproduction of all or part of this document, or its archiving and/or transmission in any form or by any means, whether electronic, mechanical, photocopying, recording or otherwise, without express written authorisation from Instituto Internacional San Telmo is prohibited.

² Executive Board.

³ CEO: Chief Executive Officer.

NESTLÉ HUMAN RESOURCES DEVELOPMENT

The Organization from 1980 to 2009

Nestlé was historically a decentralized company, in that human resources policies were managed at a local level, by the market manager of each country, as he/she knew his/her team best. Head office was only responsible for managing people in the Centre, senior management and expatriates. In this way, they worked to consolidate the company's culture and values.

With gradual globalization in the business world it became evident that it would be necessary to formulate a series of procedures that would orientate the company in terms of Nestlé staff worldwide. The objective was to move forward and create a results-orientated organization without losing the culture of Nestlé. The 2009 Nestlé organizational chart appears in Exhibit 2.

In 2002 they published a document that served as a basis for changes that would occur in the management structure and people management. It was entitled "*Nestlé on the move*"⁴, reflecting the dynamism of the new management. Nestlé hoped to move from being a traditional business to one with a more flexible network and framework. This evolution would have to be carried out in a continuous and progressive way and would need preparation, training and professional help.

From a task-orientated, experienced, competitive and national company with a pyramid structured hierarchy of control it would become a results focused business network where everything would be selected to encourage a spirit of cooperation, inter-functionality and initiative in a company of over 275,000 employees from more than 150 different countries. A diagram representing this new approach can be found in Exhibit 3.

The aim of more lightweight and flexible structures was to increase efficiency and motivation, and also facilitate the introduction of management and leadership principles at Nestlé. The implementation of this kind of structure needed the organization, and the responsibilities and aims of each, to be examined down to the finest detail.

The Human Resources Department in 2009

Since the appointment of Francisco Castañer as Executive Vice-President of Human Resources in 1990, pressure on the department in head office had been increasing. A clear indicator of this was the increase in those employed in the department, which had grown from 95 people in 1997 to 200 in 2009, including those from the Training Centre with 45 employees, to the medical services etc. Also many changes had occurred in Human Resources Market Management. In fact, more than 80 percent of them had been in their posts since 1997, the majority as a result of internal promotion

⁴ Nestlé on the move.

within their own specific market, with the exception of AOA zone, where the Human Resources managers were of a different nationality to the country in question.

As Castañer indicated, “To call the Human Resources Department of 1995 a ‘structure’ is very generous”. At this time there was a small group who managed human resources in head office; an another group who was responsible for human resources in particular geographical zones; one team dedicated to recruitment and development; and just one person in charge of pay policy. It was a particularly underdeveloped department.

One of the first tasks of Castañer’s team was to draw up a profile of the management systems he wanted to implement. They began by designing various procedures that would be implemented in the markets, such as succession plans, professional development plans and remuneration policies. One urgent and important task was to set up a team of professionals in this area. They began to develop concepts and design procedures that would be able to satisfy the needs of the management in terms of managing people.

In 1999, after some time working as a freelance consultant for Nestle and his entire career in Human Resources (some of it at Nestle), Paul Broeckx was appointed as Human Resources manager. According to Broeckx himself: *“When I arrived in 1999, we had to set up a new team which had the necessary abilities for the new era we were about to experience”*. An expert in people management procedures was appointed, whose main responsibility was all the tools related to professional development. Another essential contribution was that of an expert in pay systems, who in 2009 continued designing incentive systems and other aspects of pay within the Group.

With the arrival of Paul Broeckx, work began on drawing up the human resources principles and policies which would guide all relevant changes in terms of people management: Nestlé’s management and leadership principles and *“Nestlé on the move”* was published. However, rapid changes were not implemented, Broeckx pointed out: *“Radical changes weren’t wanted. Nestlé is a company of evolution not revolution”*. The cooperation of everyone was encouraged. To transmit what was seen as a new way of managing, a leadership training program was designed with the help of one of the main European business schools, and by 2009 more than 5000 managers had studied there.

Once the first step had been taken towards systemizing new procedures, they then had to be implemented in the different countries. So from 2007, Castañer, (following Paul Broeckx’s retirement), set up a new team where the majority were line managers and not specific area professionals, starting with the manager, who came straight from the markets. This had to be done quickly so that the procedures would be implemented worldwide, using people who were able to communicate to the market managers the advantages of the new tools at their disposal. The Human Resources Department structure is shown in Exhibit 4.