

***INTERCULTURAL MANAGEMENT***



***NESTLE CASE***

**APRIL 2008**

***What lessons can be derived from the case about organizational communications and intercultural management?***

Reading this case about Nestlé, we learned several things about the important link between the communication within a big multicultural company and the ability to understand each culture. Indeed, as businesses are becoming more and more intercultural (mostly thanks to globalization factors), it becomes crucial for companies to reflect their capacity to adapt a global understanding of foreign cultures, from an internal point of view and even from an external point of view. Indeed, on one hand, if a company has some subsidiaries abroad, as Nestlé does, the key is then to understand that each culture has its own way to work to provide the best performance within the company. Then, in another hand, it is also essential for a company from an external point of view to understand its customers on different countries, to better fit their needs.

But what are the main lessons that one learns reading this case? Firstly, it is critical to notice that the goal of a top management team is to ensure that they are understanding and being understood across cultural boundaries. Knowing that, one could then classify different lessons to strongly take into account, in order for a company to provide the best communication tools as possible in its intercultural process:

**1. Giving written instructions.**

In the case of Nestlé, one sees the importance of taking notes in order to then better communicate the information. Moreover, even if the company never obliges its subsidiaries to follow its instructions to the letter, it is essential to provide a guideline that is materialized by written instructions. Based on these instructions, subsidiaries will then be able to adapt it according to their own needs and cultural factors.

**2. Making sure people understand.**

This lesson is following the previous one, in the sense that written instructions are made to help people to understand the ideas and spirit of a company. But it also has to be verified. It is then important for a company to obtain regular feedbacks and questions about the provided documents. Moreover, this process is noticed at Nestlé during the moment when participants from various markets explain what they did for the success of the communication effort in their terrain.

### **3. Reinforcing communication tools**

Because different subsidiaries are away from each others, and also because the good ability to communicate within its different structures is one of the most crucial things for a company to avoid misunderstandings,

### **4. Benefiting from a multicultural top management team**

We previously noticed that workforces are becoming more and more heterogeneous, but what about the top management teams that are often located in headquarters? Nestlé is then giving a perfect illustration of a global understanding while putting people from different countries at the head of its headquarters in Switzerland. Indeed, its “Group Management” is then composed of two Austrian people, one Spanish, one Swiss, one Mexican, two Americans, one British and also one Swedish.

### **5. Be flexible, tolerant and aware of cultural taboos**

As seen in the Nestlé case and following the idea to provide written instructions, it is very important to adopt a flexible way of thinking, to fit each subsidiaries needs. The notion of tolerance is a key in intercultural communication: it is not all about respecting each people’s beliefs, but also to be tolerant of different practices and methods of application across countries. In the same time, being aware of cultural taboos is essential to avoid problems of communication between a company and its subsidiaries. In the Nestlé case, the Human Resource Director in each country is deciding by him (her)self the manner and method of “Principles” dissemination.

### **6. Encouraging interaction**

It is also an essential thing to encourage interaction within the company. At Nestlé, the establishment of the International Training and Conference Centre has been following this objective of giving employees the possibility to express themselves about the way to apply process and also to interact between each others to better share knowledge of way of doings things.

***Can organizational core values be considered as being superordinate to ethnic cultures?***

When we talk about core values of a company, we understand that it is a set of beliefs that influence the way people and groups behave. In general, these values are deep rooted in the organization and sometimes the Board finds it hard to deal with them, facing the notion of ethnic cultures. Furthermore, in general, these core values come from the founders of the organization and are the guiding principles of behavior through time.

Talking about ethnic cultures, we already learnt that it is related to a sizable group of people sharing a common and distinctive racial, national, religious, linguistic, or cultural heritage.

We don't have to underestimate one or the other. For example, the core values influence the behavior of employees in different countries, they help employees to take tough decisions and help them to be more proactive. Both notions are important; if we privilege organizational core values neglecting the culture of a small group of employees, those ones are going to feel damaged. At this time, the organization will suffer from a lack of motivation and engagement from this group of employees.

Thinking in the reverse way, if a company works one superordinate ethnic cultures in an organization, this company will suffer from an internal disorganization, which will have an impact on its efficiency and its growth.

At this level of the discussion, taking the example of Nestlé with its famous "paradigm or the Basic Nestlé Management and Leadership Principles" (BNMLP), and its Human Resources Managerial policy based on the diversity of ethnic cultures, on the autonomy of each subsidiary and the empowerment of the employees, we can emphasize the fact that there is an obvious capital equilibrium between organizational core values and management of ethnic cultures in the company.

This correlation is verified in the Nestlé's dissemination process which has been achieved and successful in each country thanks to each culture method and thanks to the fact that each employee of a subsidiary all around the world kept in mind and respected Nestlé's core values (core values of most of the firms in the world): be ethical, be responsive, be profitable toward customers, stakeholders, employees, owners.

Extract of the Nestlé Corporate Governance Principles:

*"Since its foundation in 1866, Nestlé has:*

- built consumers trust through the quality of its products;*
- respected the social, political and cultural traditions of all countries in which it operates;*
- taken a long-term approach to strategic decision-making, which recognises the interests of its shareholders, consumers, employees, business partners and industrial suppliers as well as those of all the national economies in which it operates."*

***What should an intercultural group keep in mind when trying to achieve effective communication?***

The world is increasingly leading by globalization, the creation of a “world culture” and a common business communication, however, each culture wants to keep its own specificity.

So what seems the more important to improve communication in an intercultural group is to be aware that the same message is not perceived the same way by the different members. So the group and particularly the leader has to adapt his/her message to the different cultures and sensitivities.

As words only represent 10 % of communication, the group would work on behaviors through norms (principle of correct and incorrect behaviors), roles (part played by each member), networks.....

The group should as well keep in mind that communication can be affected by some barriers such as stereotypes (perception about people and their culture based on limited knowledge) that can be large (about language, emotions, experience, words used.....). For example, in this case, Filipinos grant a big importance to their superior and the hierarchy whereas in other countries, individualism prevails.

All these different perceptions can lead a message to misunderstanding and ruin all the communication process. So the group has to work together to analyze all the different perceptions and adapt the way of defusing the message.

For example, a team work could be named to study the different cultures and the way the initial message is perceived by asking questions to the staff. All the misunderstandings would be taken in notes in order to solve them. Then, some meetings could be organized to find solutions. The final goal could be to codify certain behaviors and rules and make them clear for everybody to reduce all ambiguities but by keeping in mind that even general standards are not perceived the same way by everybody.

Another way to improve communication in an intercultural group is to define clearly the objectives of the company and explain precisely how to reach them (methodology, deadlines.....). The entire group would be united by the same goal and it will decrease interpretation mistakes.

Anyway, the part of the manager will be always decisive to make things clear and to make the communication efficient.

**What recommendations would you give to the chairman of Nestlé?**

The board and the top management staff are obviously making huge effort of communication and empowerment of the people to make information flows naturally within the world wide Nestlé's human network.

The simple fact of having created the "Basic Nestlé Management and Leadership Principles" is a proof of the willingness they have to build a strong corporate culture. Such strong culture is essential for any multi-national, multi-cultural organization, even more if they are as widely spread as Nestlé is.

- The common trap concerning this kind of commitment is to find it useless: Nestlé has proved that they take care of its importance.
- A second common mistake is, on the contrary, to spend too much time, effort and means to the ultimate objective of having a nice and sweet company where people are happy to work together, but a company unable to make profit and face competition.

My first advice for the chairman of Nestlé would be to have a tighter monitoring of the dissemination of the principles. The text quotes: "*The Training Centre was also asked to make a report after a year on the achievements of the markets vis-à-vis the dissemination and institutionalization of the Principles.*" In our opinion, a much more frequent state-of-the-situation would bring a much more accurate feedback of the multinational managerial activity. Of course, this time constraint should only apply for monitoring purpose, and take into account the different time conception of each culture.

This measure has purpose of reminding that the main goal of the company is to generate profit and value for: markets, customers, partners, collaborators, and shareholders.

Another major difficulty of this type of mission is to be able to draw a line between what is a cultural adaptation of the principle and what is really an out-of-the-principles statement. In other word: how should we adapt to different culture without losing our own corporate identity?

One part of the solution lies in the multi-cultural management team: those collaborators are those who best know the elements of the corporate culture and those from national culture. Rely on a multicultural top-management team is the best way to take into account every element of the equation. First, you have their knowledge of the company, secondly, their commitment for the future of the organisation and their natural interest for multi-cultural evolution, and finally, they all-together have the wisdom of the adaptation, the debate from different background point of view.

One interesting management decision would be to make every Nestlé manager participates in workshops with managers from different culture.