

ORGANIZATIONAL CONFLICT IN NESTLE

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ABSTRACT

This case study report examines the causes of organizational conflict and ways to resolve it. The study found that there are three types of conflict happened in Nestle: (1) lack of training among workers; (2) poor communication between employees; and (3) conflicts among departments. Conflict is inevitable in human life, within organizations and even between states. These issues can be identified by using a cause-and-effect diagram which can determine many causes of the issues. It is easier to determine the causes of a problem by having a brainstorming session. Social exchange theory has been used in this case study to explain the process by which people build and maintain relationships. The managers and employers should use the appropriate solutions so that organizational conflict can be effectively dealt with.

1.0 INTRODUCTION

Nestle is one of the world's biggest food and beverage corporation founded in 1866 by Henri Nestle, where the headquarterd is in Vevey, Vaud, Switzerland. Nestle began in 1866 with the founding of the Anglo-Swiss Condensed Milk Company. In 1867, Henri Nestle had developed a breakthrough baby food and the company has merged with Anglo-Swiss company to form a Nestle group which is now a well-known company. At that moment, international trade in consumer goods has been stimulated due to the development of cities, railway, and ships which lowered the commodity costs. Nestle has been operating more than 130 years where the product innovations and business acquisitions brought Nestle to succeed which became the world's largest Food Company.

1.1 BACKGROUND OF THE PROBLEM

Conflict is an important issue for companies and organizations. It comes primarily from business, sociology, and psychology, not communication or education. (Omisore, 2014) Conflict refers to the inconsistency between individuals, which always occurs because each individual has different thought processes, attitudes, opinions, and interests. It is an individual or group difference in values, perceptions, and interests. Conflict occurs when two or more people are in opposite perceptual states. This can lead to heated arguments, physical abuse, and the loss of a peaceful and harmonious environment. Conflict is bad for companies, yet many people avoid dealing with it. If handled properly, conflict can be a company's advantage. Everyone has different points of view and perception; therefore, it can increase our understanding from different people's points of view and viewpoints. However, conflicts, if not handled properly or mishandled, may have a negative impact on the business.

Organizational conflict is also known as workplace conflict. It occurs because of differences between workers in terms of needs, opinions, beliefs, and resources that lead to misunderstanding and conflict. In the workplace, conflict will be easily happened when there is two or more people working together in the same task. (Kel, 2020) Conflict can be constrictive or destructive. This distinction is based on how conflicts are handled. Conflict is not always avoidable. Conflict resolution has many positive consequences. Managers that manage conflict well can bring about constructive change. Simply put, organizational conflict can be defined as the failure of a decision due to unreasonable and incompatible positions taken by one or all of the parties involved in the decision. According to S.R. Robbins, conflict is the process by which a person or unit purposefully strives to prevent another person, thereby hindering the achievement of another goals or promoting his or her interests. (Shila, 2020) Organizational conflict can be divided into four types, which are intrapersonal conflict, interpersonal conflict, intragroup conflict, and intergroup conflict.

Interpersonal conflict occurs when there are two or more individuals involving in the disagreement. The conflicts can be arising from different cultural backgrounds, personalities, and

opinions. This type of conflict has a high chance to occur in an organization because of a pool of people working together. The main reason for the interpersonal conflict is misunderstanding and miscommunication. This usually happened in elder people and the young generation. This is because the young generation nowadays has their own communication style which can make the elder people difficult to understand. Next is intrapersonal conflict. Intrapersonal conflict means conflict happened within an individual. It is hard to determine these types of conflict because it occurs in the person themselves, such as their emotions, thoughts, and belief. People who are suffering from this kind of conflict might feel stress, leading them to a state of depression. Intragroup conflicts defined as the conflicts occur among group members that have common goals and interest. (Wahlig, 2019) The main reason for happening intragroup conflict is a misunderstanding among group members. When conflicts happened in the group, they will not able to complete their tasks or works that will decrease their productivity. While intergroup conflicts refer to the conflicts that take place in two different groups but in the same organization. This kind of conflict happened due to the different goals and opinions in every department.

1.2 OBJECTIVE

The objective of this case study is to determine the causes of organizational conflicts in Nestle.

1.3 SIGNIFICANCE OF STUDY

Organizational conflict is a very important problem and a common problem in every organization. It is difficult to avoid conflict. This topic was chosen to identify the causes of the case study and to identify ways to resolve organizational conflict. Organizational conflict enables managers to reexamine their goals and objectives. It allows employees to have a healthy dialogue, therefore, employees can do better and produce high-quality work, which can improve productivity and the company's reputation. (Rahul, 2012) Conflicts in organizations are inevitable because employees have different personalities and backgrounds, and they work together for a common business goal. Conflicts should be resolved, although sometimes to the company's advantage. Organizational conflict enables a company to restructure

its internal culture and resolve conflicts so that they do not affect the value of suppliers and customers. Based on previous studies, the researchers used information from the original data collection, however, this case study uses information from the secondary data collection.

This case study focuses on the causes of organizational conflict and how to resolve it. Resolving organizational conflicts is very important because it may have some impact on the organization. Conflicts that happen to individuals can lower their performance at work because they feel stressed and tense. There are many mistakes in their performance that lead to disagreement. Over time, they create a toxic work environment that hampers employee performance and motivation. Arguing with colleagues is also a waste of time. When an organization spends a lot of time dealing with conflict, employees do not focus on their core goals. Conflict causes employees to focus less on the project at hand and more on talking about conflict and venting frustration. (Picincu, 2019) This is a serious problem, because it will reduce workers' productivity, thus reducing the company's profits. This issue is of great importance to organizations because companies are unable to deal with conflicts that may damage their revenues and increase their expenses. Since conflict seems inevitable, it is necessary for managers to recognize its root causes, identify its constructive and destructive potential, and learn how to manage conflict and effectively implement conflict resolution techniques. (Omisore, 2014)

2.0 PROBLEMS

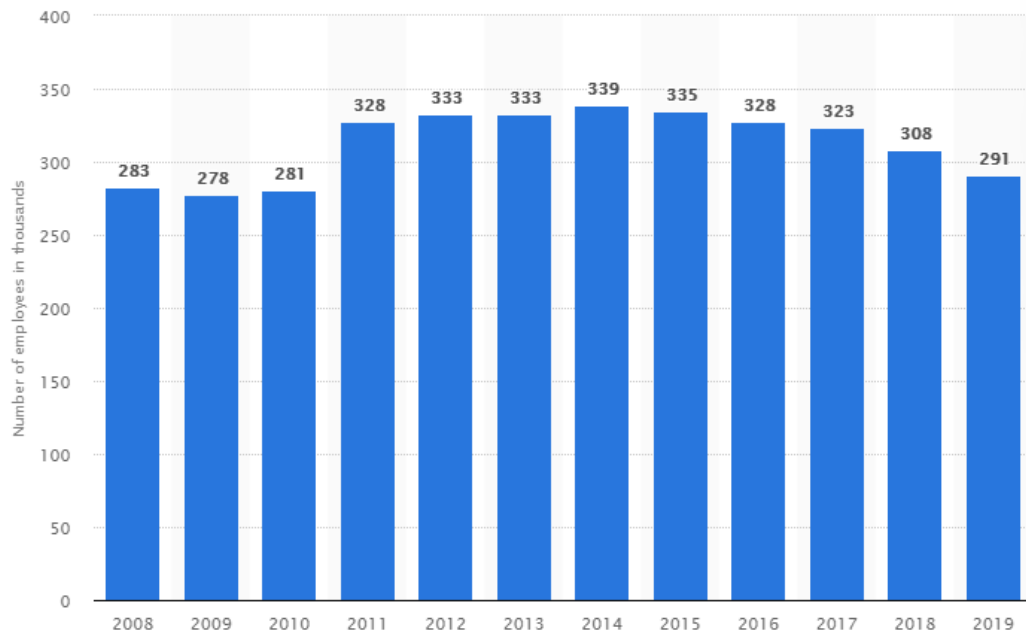
Organizational conflicts happened in the Nestle company due to a lack of training for the workers. (UKEssays, 2018) Proper training is very important for every organization. Employees can acquire skills and techniques that can be performed in the work or task. Employees are interested in doing their job well, so as to promote the development of the company. They will also take pride in doing a good job so that they will be promoted to a higher position. However, the employees in Nestle that lack training causes them unable to work with the group. Lack of training means that employees do not get the appropriate training provided by the company. This will make the employees not understand what their jobs are really like that result in low quality of work. They will be not able to work in a group because they will feel

unhappy and depressed. These problems can be seen when the consumers were warned by the Food and Drug Administrative (FDA) and the Centers for Disease Control and Prevention(CDC) to avoid buying for the prepackaged Nestle Toll House refrigerated cookie dough because it contains a foodborne bacterium that might cause sickness. (Andrei, 2020)

In addition, the occurring of conflicts in Nestle is because of poor communication between employees. They believe that every information must be conveyed straight to the person without the intervention of a third party. Conflict might take place if the message is sending by the third party because of the poor communication problem. Good communication is important to the organization because it allows their employees to optimize their performance. (Kokemuller, 2019) As Nestle company operates in cultural environments and regions around the world, communication between employees sometimes might breaks down in daily business activities. (Thesisleader, 2020) Besides that, the organizational conflict happened in Nestle because of conflicts occur in the department. This can be seen in the marketing departments and manufacturing departments where the marketing department tries to extend the product line in order to produce more different products, while the manufacturing department needs to undertake the higher cost of production to produce the products. (Jain, 2016) Conflicts and disagreements can occur because different departments have different goals. This will lead to their relationship becoming rigid, thus lowering the company's reputation.

Arising of conflicts among departments caused by many reasons, such as communication problems, unclear jurisdiction, lack of common interest and goals, and task interdependence. These issues will cause employees turnover in Nestle. Figure 1 shows that the total number of employees in Nestle from 2008 to 2019. It shows a decreasing in number of employees start from 2014 to 2019. The numbers of employees are decreased from 339,000 in 2014 to 291,000 in 2019.

Figure 1: Total number of Nestle employees worldwide from 2008 - 2019



Sources: Basic Statistics

2.0 THEORY AND SOLUTIONS

Social exchange theory has been used in this case study, which is a model of human behavior and has been developed to explain the process by which people build and maintain relationships. (Reader, 2017) This theory involves economic relations, in which one party owns the other's valuable goods. This theory is used in the case studies because Nestle has many teams and departments. Effective communication between the team and the department is important. So, with this theory, people can evaluate how their relationship is based on everyday interactions.

One way to determine the cause of a problem is a cause-and-effect diagram. The cause-and-effect diagram is also known as the fishbone diagram or the Ishikawa diagram. It was founded by Dr. Kaoru Ishikawa, an influential innovator in quality management. A fishbone diagram can identify many possible causes of a problem. It can be used to organize a brainstorming session. In brainstorming sessions, people

come up with ideas that are grouped into useful categories via fishbone diagrams. Cause-and-effect diagrams have many benefits. They help the team understand that there are many causes leading to an outcome, show the relationship between cause and effect and each other, and identify areas for improvement. Fishbone diagrams are useful in product development and troubleshooting. After the team brainstorms all the possible causes of the problem, facilitators help the team rank the potential causes according to their importance and draw a hierarchy. The design of this photo looks a lot like the skeleton of a fish. A fishbone diagram is usually drawn from right to left, with each large "bone" branch of the fish, including the smaller bones, containing more detail.

Organizational conflicts happened everywhere and ignoring them can be costly. Organizational conflict is inevitable; therefore, the company should have a conflict resolution plan to solve with it. Every organization needs experienced and trained staff to carry out these activities. Changes in the environment not only make work more complex but also put greater pressure on organizations to readjust the products and services they offer in order to compete in this rapidly changing world. However, in a rapidly changing society, training is an activity that is necessary to maintain a dynamic and knowledgeable workforce. The success of the training program depends to a large extent on the correct identification of training needs. When managers find deviations between standard performance and actual performance, they will feel the need for training. It is not just workers who need to be trained. However, it includes all employees in the organization, such as supervisors, managers, and administrators, who need training and development in order to grow and acquire mature ideas and actions.

Success in a business organization is defined as the ability of workers to perform at their highest level. Three main factors can improve employee's performance which is training, motivation, and job satisfaction. However, training is probably the most important factor in increasing employee productivity. To solve the problem of unknowledgeable workers, Nestle has invested in their training and development program. This can be seen when the international marketing and sales trainee program starts with a 2 to 4 months orientation so that employees have a clearer understanding of the company's objective. In the first

few months, each employee has the opportunity to connect with as many people as possible, emphasizing that they are important contacts for future reference. (Media, 2013) The trainees will start to be trained when the orientation phase is over. A number of the staff are sent abroad to start out their training for global, and expatriate career. The intensive educational program is intended to assist new employees study the assorted departments that contribute to their own and therefore the company's success.

Nestle encourages horizontal communication. In this hierarchy, managers have proven their responsibility, and open horizontal communication allows everyone to focus on personal development and the achievement of company results. Nestle is a company with certain prerequisites and values, among which trust, honesty, transparency, and respect are necessary for effective communication. Since then, Nestle has operated and communicated in the same way. Dealing with people is always full of honesty and transparency, which promotes balanced and open dialogue. This kind of communication is one of the most effective communication methods for Nestle. However, Nestle also has diagonal communication, with management committee members sometimes making decisions on behalf of the company and communicating with lower-level positions. As a result, even members of the management team communicate with each other before making a final decision, and it is not uncommon to ask people for feedback on the best ideas for the company in the context of implementing changes.

To improve workers' communication, the Nestle work environment has become informal, which makes it easy for workers to communicate with their colleagues. Informal communication refers to casual communication between colleagues in the workplace. It is informal in nature, based on informal, social relationships that are formed in the workplace outside the normal hierarchy of business structures. This type of communication is important in the workplace because it helps employee morale and encourages a sense of belonging among employees and customers. (BambooHR, 2020) Nestle company encouraged all managerial levels to communicate, and all workers included bottom-line workers have the right to give opinions and suggestions which sometimes as bright ideas for improvement. Employees are encouraged to participate in the activities held by the company and also the decision-making process. (Thesisleader,

Nestle and Communication, 2020) While formal communication is only used when necessary, such as to announce certain official events, dates, or policies.

According to Social Exchange Theory, which was proposed by George Casper Homans, relationships are formed by 'give and take' basis, and their proportions may vary with the strength of the relationship. The social exchange shows that the value of the benefits and costs of each relationship determines whether we choose to continue a social interaction. (Cherry, 2020) Moreover, based on the social exchange theory, feelings and emotions should reciprocate for a successful and lasting relationship. One-sided relationships will not be last long. Therefore, people should put more time and effort into the relationship in order to get something out of it. Social Exchange Theory is very important among workers in Nestle company because a group is formed by two or more people. Every individual needs to have a good relationship with other members so that they can stay in a group to work.

In addition, conflicts among departments have occurred in Nestle. It is difficult to avoid conflicts happen when there are two different groups that have competing goals. Managers should intervene quickly when they found out some disagreement happening in departments instead of ignoring it to prevent the conflict to become a major issue. Conflicts among departments can be managed by building better communication between workers and promoting collaboration. (Duggan, 2020) Besides that, conflicts between many departments can be avoided by aligning the strategic goals of all departments with the overall goals of the company. For instance, two departments might compete for the same resources, such as employees, materials, and funds. However, the manager should encourage the department to reassess its policies when there are one department's actions that do not support directives from the executive leadership.

3.0 RECOMMENDATIONS AND CONCLUSION

Organizational conflict gives companies the ability to reorganize their internal cultures and resolve conflicts so that they do not affect the values of suppliers and customers. Organizational conflict enables

managers to re-examine their goals and roles. It enables healthy conversations among employees and contributes to the overall productivity and performance of the business. Organizational conflict can help people get out of the traditional way of thinking and create better ideas. Conflict stimulates employee creativity. Organizational conflict promotes unstructured thinking, which is important for dealing with uncertain situations. When organizational conflict occurs frequently, it helps employees think outside the box, deal with it easily, and deal with it more efficiently.

As for the SWOT analysis of Nestle, Nestle has the strength of being recognized as a global brand. Nestle can become a globally recognized brand image brand, because of its effective advertising and brand strategy. Nestle is the most famous brand in the world. It has built a respectable reputation in the food and beverage sector, providing high-quality products for everyday use around the world. However, Nestle has some weaknesses such as a span of control and organizational structure that led to conflict. This is because Nestle adopts a matrix structure. Matrix structure means that many brands are under the same umbrella of groups. This is usually the beginning of a quarrel and the continuation of an organizational conflict.

Organizational conflicts can be solved by improving the communication within a team or group by making strategic use of information meetings and problem-solving meetings, as well as using a variety of organizational communication tools. For example, face-to-face meetings, videoconferencing, e-mail, and online meetings. Moreover, to prevent the happening of conflict, managers should make sure all the employees clear about the company's goal and mission.

One recommendation that can be made is that Nestle company should invest in electronic communication channels which is more efficient. This is because the communication sometimes might break down in daily business. After all, the company operates in multiple cultural environments and regions around the world. Good communication is important and the need for decision making, coordination, and planning. By using electronic communication, people can communicate easily and can share images, sound, graphics, and interactive software through the internet. According to L.C. Bovee,

electronic communication is a means of transmitting information using advanced technologies such as computers, fax machines, voice mail, e-mail, teleconferencing, videotapes, and private television networks. (Mehedi, 2013)

Furthermore, organizational conflict can be solved by accepting others for who they are and who they are not. Every people have different thoughts and mind; therefore, people will process information and make decisions differently. Managers in Nestle should understand how their team members approach their work so that it can provide valuable understanding and allowing them to take advantage of other's strengths rather than doubting their work styles or habits.

3.1 LIMITATION OF THE STUDY

One limitation that has been found in this case study is only secondary data has been used. Using only secondary data might not have a precise answer to some specific questions. This is because the secondary data are only obtained from books, articles, or journals, and sometimes the information is not collected within the timeframe or geographical area that the researcher would like. This will make researchers difficult to determine whether the information is being used effectively. It is better if primary data is used because primary data are factual, specific, and up-to-date information. Primary data is more reliable than secondary data because the information collected directly from first-hand sources such as questionnaires and interviews.

In a nutshell, organizational conflict should be resolved because it will only have a negative impact on the company and will never have a result. It is important for a company to have a conflict resolution plan so as to avoid stress and negative environment. A healthy work environment is ideal because employees can increase productivity, which in turn increases the company's profits.

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