

Nestlé

A ProfitAbility Case Study

ProfitAbility has worked with Nestlé since 1999, joining the FMCG giant on its journey to expand business acumen beyond the board room and into its management population.

Some years ago, concepts such as Shareholder Value and Economic Profit had become central to the then CFO's pioneering strategy. But they were not commonly understood by managers making important decisions daily. The real cost of doing business was not immediately apparent to everyone outside the leadership team. When Nestlé partnered with ProfitAbility, there were two key objectives:

1. Promote the use of a common financial language across the business, in all countries and at all levels, so that meaningful decisions can be made and acted upon with consistency.
2. Enable each employee to clearly understand how their decisions impact Value Creation and how each can contribute more value in the light of this understanding.

The ideal outcome was defined as a population of managers across the business that made decisions with a clear understanding of the financial impact.

Together, Nestlé and ProfitAbility worked on customising an existing ProfitAbility simulation, to match Nestlé's business. The new programme became 'Value Creation'.

The customisation reflected the relationships between sales volume, advertising, marketing & promotion (AMP) price, cost of goods, brand support, research and the capital investment unique to Nestlé. Specific context was created by choosing three Nestlé product categories. For the past twelve years, Value Creation has been across the world.



Project sponsor, Angus Freathy, says: "The value comes from the fact that the model is sufficiently realistic that we can draw valuable parallels with Nestlé 'real life' - without being so complex that participants need years of experience to understand it and appreciate its relevance."

Nestlé's intention from the start was to develop its own team of expert facilitators, who bring intimate knowledge of the business to the simulation. ProfitAbility has accredited Nestlé's own trainers to facilitate all programmes.

“ Nestlé people now speak the same language and use the same terminology, no matter where in the world they work. ”

Angus Freathy
Nestlé Project Sponsor

Drawing direct comparisons with financial metrics is always difficult with such a large number of variables at work - but it would seem remiss not to mention that Nestlé's share price increased by 50% in the first seven years of Value Creation.

Due to the unrivalled success of the programme, over the past twelve years, ProfitAbility has been commissioned to build, customise and deliver six further programmes for Nestlé:

- Value Creation for front line managers
- Supply Chain Management effectiveness
- How to successfully execute the Nestlé Strategy
- Team building
- Corporate Social Responsibility
- HR – How to partner with the business