

## 5.1 The Role of Operations Management



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### 5.1 THE ROLE OF OPERATIONS MANAGEMENT: ASSESSMENT

Read the case study below and answer the questions that follow.

#### SHARED VALUE AT NESTLÉ – SAVING THE WORLD WITH ONE DELICIOUS BITE AT A TIME



**KitKats to save the world?**

company's leadership in this concept. The company has the vision that "for our business to prosper over the long term, the communities we serve must also prosper" reflects a long-term strategy, does it already provide results?

Nestlé explains in the report how it implements its CSV strategy in the three areas it is focusing on:

- **Nutrition:** By providing nutritious products that deliver real health benefits to our consumers and by making our products more affordable and accessible through innovation and partnerships.

If you have been wondering what's going on with the concept of shared value developed couple of years ago by Michael Porter and Mark Kramer, you had better have a look at Nestlé's 2015 sustainability report. Which includes an update from what seems to be one of the largest experiments in creating shared value (CSV).

Released last week, the report shows the progress Nestlé has made in the last year, focusing mainly on the three areas the company prioritises to create shared value: nutrition, water and rural development.

Nestlé already provides an example of the business case for shared value. This is not just a great way to describe CSV, but also one of the strongest commitments seen by a

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- **Water:** By advocating for the protection of scarce water resources and by using water more efficiently in our manufacturing and distribution processes in ways that also benefit others in our supply chain.
- **Rural development:** By supporting farmer development in rural areas where the raw materials we need are grown, securing our continued access to quality inputs and strengthening our customer base.

You might wonder if these efforts are also reflected in increased sales. One indicator the company provides are the sales of its Popularly Positioned Products (PPPs), which are high quality food products that provide nutritional value at an affordable cost and appropriate format aiming to help consumers avoid under-nutrition and prevent micronutrient malnutrition. The sales of these products increased from \$11.44 million in 2014 to \$12.90 million in 2015. As part of Nestlé's total sales, PPPs' share rose slightly from 2.27 percent to 3.4 percent, reflecting the fact that the growth in PPPs was very similar to the growth in the overall sales of the company.

Nevertheless, with the growing importance of under-nutrition and obesity issues worldwide, working on finding solutions rather than contributing to the problems seems more and more like an overall winning strategy, even if Nestlé cannot prove it in the short-term.

Source: [www.BusinessManagementIB.com](http://www.BusinessManagementIB.com)

### 25 MARKS, 45 MINUTES

1. Define the term 'operations management' **[2 marks]**
2. Explain the relationship between operations management and the following business functions:
  - i. Finance
  - ii. Human resource management
  - iii. marketing**[9 marks]**
3. Differentiate between the transformation of goods **and** services into outputs in the production process. Use examples. **[6 marks]**
4. Discuss Nestlé's operations management strategies and practices for ecological, social and economic sustainability. **[8 marks]**