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Balancing Ethics and Profitability: Strategies for Nestle to Overcome Ethical Scandals and Enhance Reputation

An Analysis of Consumer Perceptions and Management Solutions

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ABSTRACT

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The introduction reflects the growing pressure that businesses face in today's socially and ecologically concerned context and develops the setting for a thorough assessment of Nestle's sustainability practices and ethical conduct. Identifying Nestle's ethical issues, assessing their influence on the company's reputation and consumer trust, analyzing the company's current ethical procedures, and formulating strategic plans for enhancing corporate ethics are among the objectives. Data for this study was generated from reliable secondary sources in both quantitative and qualitative forms, such as academic publications, journals, news stories, company reports, and media coverage. Nestle's reputation, customer trust, and ethical image have all suffered significantly as a result of its environmental issues, such as palm oil, water bottling, pollution in developing nations, issues with the cocoa supply chain, and packaging waste. The impact on Nestle's reputation is noticeable in several ways. Negative effects have been seen in business communication, social impact, ethical integrity, environmental responsibility, and brand reputation. Furthermore, the issues have weakened Nestle's transparency and accountability, which has further reduced customer loyalty and trust.

Customers are doubtful of Nestle's lack of transparency in its business practices, unethical sourcing practices, and possible pollution problems. As a result, there is now less trust in the brand, which has directed consumers to raise demand for moral offerings. Despite these challenges, Nestle has implemented several moral business practices to resolve issues like waste minimization, ethical corporate behavior, responsible sourcing, conservation of the environment, and water recycling. Nestle should emphasize ethical leadership development, ensure responsible sourcing throughout its supply chain, invest in renewable energy, adopt circular economy initiatives, engage with external stakeholders, enhance risk management and compliance systems, implement ethical marketing strategies, and focus on transparency in business practices to further improve its ethical behavior.

Keywords: Ethical scandals, ethical dilemma, sustainability, corporate social responsibility, consumer trust, nestle

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1 INTRODUCTION

In a time of increased social and environmental awareness, companies are under more and more pressure to emphasize sustainability and ethical business initiatives. Nestle, one of the biggest food and beverage corporations in the world, is one of these companies and has a big impact on consumer behavior and worldwide supply chains. But in recent years, Nestle has been under pressure and scrutiny for its social effects, ethical considerations, and environmental policies (Galalae & George, 2017).

This introduction provides the groundwork for a detailed analysis of Nestle's sustainability measures and moral behavior. Our objective is to offer an understanding of how Nestle may effectively manage the complex relationship between ethics and profitability by assessing the company's environmental issues, effects on consumer trust, ethical practices, and growth opportunities.

1.1 Background of the Study

The background of the study is on the moral dilemmas that one of the largest multinational companies (MNCs) in the world, Nestle, faces in the food and beverage industry. Numerous ethical scandals have emerged in the history of Nestle and damaged its trust and image with investors, consumers, and other parties (Galalae & George, 2017).

Nestlé is a major company in its field

Financial figures of 10 selected FMCG companies worldwide 2021

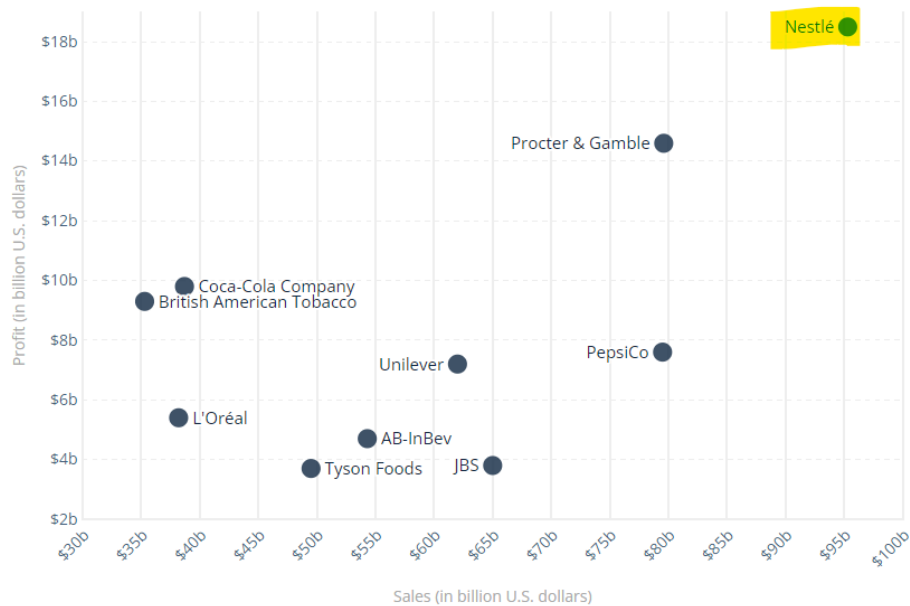


Figure 1. Market Position of Nestlé by Sales (Meier, 2023)

The moral issues of Nestlé arise from several areas of its business, such as the overuse of natural resources, controversial advertising strategies, labor disputes in its supplier chain, and pressures from environmental sustainability (Ethical Consumer, 2019). The business reputation of the company has suffered a great deal as a result of these obstacles, which have created strong corporate criticism from stakeholders across the world (Ajayi & Salaudeen, 2023).

Issues with Nestlé have been made worse by the emergence of ethical consumerism, as more aware and ethical customers demand transparency, responsibility, and moral behavior from the brands they purchase from (Fraustino & Kennedy, 2018). Due to its inability to cope with these changing ethical standards, Nestlé has lost the confidence and loyalty of customers, which harms its financial performance and long-term growth. Furthermore, ethical controversies have hampered its image and brand reputation as well as

complicated its business operations and expansion potential by facing regulatory attention and legal implications (Wilburn & Wilburn, 2016).



Figure 2. Total Number of Ethical Issues in 2022 (MOL Group, 2022)

The imperative necessity for a comprehensive ethical reformation within its corporate culture and procedures has been highlighted by the inability to adequately resolve these ethical challenges properly. Nestle still has to maintain a balance between the financial demands of business and ethical considerations. Even though ethical changes might require some primary expenses and sacrifices, they are essential to preserving the long-term profitability of the business and social license to operate (Pitteloud, 2023).

1.2 Research Purpose, Objectives, and Methods Used

The research purpose is to investigate the ethical problems that Nestle, one of the top multinational companies (MNCs) in the world, faces and recommend profitable ways to improve ethical behavior. This research aims to identify the causes of the moral dilemmas of Nestle, evaluate the effects of these issues on the

reputation and financial concerns of Nestle, and highlight appropriate solutions. The specific research objectives are given below-

- To identify the ethical scandals associated with Nestle to examine the root causes of negative opinions of ethical consumers;
 - **Methods Used:** To achieve this objective, media analysis will be conducted for media coverage of Nestlé’s Ethical Scandals on The New York Times, BBC, CNN, The Guardian, etc. will be used together.

- To evaluate how the ethical scandals can affect the reputation of Nestle and consumer trust.
 - **Methods Used:** To achieve this objective, media analysis will be conducted for media coverage of Nestlé’s Ethical Scandals on The New York Times, BBC, CNN, The Guardian, etc. as well as stakeholder reports and customer feedback and reviews from the website will be used together.

- To assess the current ethical practices of Nestle to highlight the areas for improvement.
 - **Methods Used:** To achieve this objective, Nestlé’s CSR reports like ‘challenges and progress of achieving sustainable development goals by Nestle’ from Nestlé’s corporate website and Industry benchmark reports like Ethical practices in the Food Industry will be used.

- To provide effective strategies and policies for Nestle to improve corporate ethics without sacrificing profitability.
 - **Methods Used:** Examining scholarly articles from Harvard Business Review, Journal of Business Ethics, etc. generated from IEEE Xplore, Google Scholar, Science Direct, Scopus, etc., news articles, and corporate social responsibility (CSR) reports may be part of this.

1.3 Key Concepts and Frameworks

- **Ethical Scandals:** In the past, Nestle faced several ethical issues, such as scandals of child labor in their cocoa supply chain, applying for infant formula over nursing in poor economies, environmental scandals, and taking excessive amounts of water from drought-affected locations. These controversies have damaged Nestle's image and created boycotts and public anger (Dorasamy, 2024).
- **Ethical Consumerism:** Nestle is under pressure to identify its ethical concerns and implement more sustainable and socially responsible operations as a result of growing ethical consumers. Customers' buying decisions are being affected by their increasing demands for environmental sustainability, fair labor policies, and transparency from companies like Nestle (Winschewski, 2017).
- **Reputation Management:** It refers to the strategies used by businesses to establish, preserve, and fix their reputation with stakeholders. To deal with the consequences of its ethical crises, Nestle had to implement reputation management strategies. To do this, it must publicly apologize, take corrective action, and perform CSR projects to return stakeholders' trust and regain its damaged reputation. (Hunnes, 2019).
- **Corporate Social Responsibility (CSR):** To show its dedication to ethics and sustainability, Nestle has performed several CSR projects and programs. Initiatives to benefit local communities where it operates, reduce environmental effects, and enhance responsible sourcing are some of them. Assessing the commitment to sustainability and moral behavior of

Nestle requires evaluating its CSR programs and practices (Figar & Dorđević, 2016).

- **Stakeholder Theory:** Numerous stakeholders are impacted by Nestle's operations and decisions, including consumers, staff members, suppliers, communities, and shareholders. To maintain long-term sustainability and profitability, the corporation must balance the preferences and interests of these stakeholders when making business decisions (Munin, 2019).
- **The Triple Bottom Line (TBL):** The TBL framework, which examines Nestle's effects on the economy, society, and environment, can be used to evaluate the company's sustainable performance. Nestle can assess its total performance and highlight areas for improvement by considering variables including earnings, social responsibility, and environmental concerns (Ojunim, 2022).
- **Ethical Frameworks:** Nestle may make ethical decisions and ensure that it is consistent with international standards by using ethical frameworks such as the ISO 26000 criteria, the UN Global Compact principles, and the Ethical Trading Initiative Base Code. These frameworks give Nestle a road map for restructuring its operations with moral standards and resolving problematic areas. (Yusnaldi, 2019).

1.4 Justification of the Topic Selection

The selected topic 'analyzing moral dilemmas of Nestle and suggesting strategies for moral reformation' has relevance, significance, and benefits for the client or professional sector as well as for individual professional growth.

- **Relevance and Importance:** Nestle, one of the biggest multinational companies in the world, has a big influence in the food and beverage

sector. However, due to the widespread attention and criticisms regarding these ethical crises, the brand reputation, customer trust, and financial performance have a great impact. Nestle needs to ensure sustainability and long-term success by addressing these ethical issues. Furthermore, in a time of growing ethical consumption and regulatory concerns, firms must identify and resolve ethical dilemmas to remain competitive and opportunistic.

- ***Benefits and Significance for the Client and Professional Field:*** The study offers practical insights and recommendations for enhancing ethical standards while maintaining profitability for the client, which may include stakeholders or management of Nestle. Consumers may gain from more ethical and transparent business procedures, which increases their confidence in Nestle's goods and services. Regulatory agencies are ensured to comply with moral principles, enhancing public health and consumer protection. Investors can foresee lower reputational risks and better company governance, which could ensure higher returns on investment. Policymakers can benefit from the study by learning that strict regulations about business sustainability and ethics are required.

The results can be used by consumer advocacy organizations to enhance ethical sourcing strategies and transparent labeling, giving customers the freedom to make wise decisions and pose businesses responsible for their practices. Furthermore, by increasing knowledge and comprehension of business ethics, stakeholder management, and sustainability practices, this study benefits the larger professional field. It is an invaluable tool for companies, legislators, scholars, and consulting companies that encourage ethical business practices and deal with moral dilemmas in international business.

- **Personal Professional Growth:** Researching the moral dilemmas of Nestle presents several chances for individual professional growth. It enables academia to enhance their knowledge of business ethics, refine their research and analytical abilities, and gain proficiency in sustainable management, corporate governance, and stakeholder engagement.

Moreover, scholars may maximize their influence, prominence, and credibility in their professional networks through conversations about sustainability and business ethics. The knowledge acquired from this study may also help researchers decide about their future careers. For example, it can help them get positions in corporate responsibility, consultancy, academia, or policy advocacy, which highly appreciate their knowledge of sustainable development and ethical leadership.

1.5 Problem Statement and Research Questions

The problem statement focuses on assessing the moral dilemmas that Nestle faces, including previous scandals, their effects on brand image and customer trust, present ethical standards, areas for development, and suggestions for improving business ethics while maintaining profitability. The research questions are given as follows-

1. How have environmental scandals been associated with Nestle, contributing to unfavorable perceptions among ethical consumers?
2. How do the environmental scandals affect the reputation and customer trust of Nestle?
3. What are the current ethical practices of Nestle regarding the environment and the areas for improvement?
4. What strategies and policies can be taken by Nestle to improve corporate ethical behavior?

5. What strategies and policies can be taken by Nestle to balance between ethics and profitability?

2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

Reputation management, customer preferences, and ethical dilemmas are important elements in the complex food and beverage sector. Stakeholder theory, the Triple Bottom Line, and corporate social responsibility provide frameworks for overcoming these challenges. Their practical consequences and theoretical bases are examined in this literature review. Businesses such as Nestle are guided by ethical frameworks to handle complex ethical problems while following sustainability and ethical standards. Understanding these frameworks is important for enterprises that want to enhance their credibility and satisfy changing customer preferences.

2.1 Ethical Dilemma

According to Lioutas, Charatsari, & De Rosa (2021), conflicting moral principles or values, or ethical problems, provide serious challenges for both individuals and organizations, basically when it comes to multinational companies (MNCs) such as Nestle. Goh & Jie (2019) posit that to understand the nature of ethical issues and their consequences for business behavior and decision-making, scholars have found several theoretical frameworks.

Alsaffar (2016) reflected that Kohlberg's theory of moral growth is a well-known theory that suggests people develop their moral reasoning at several stages, starting from pre-conventional to post-conventional. Depending on their moral growth, people in organizations may approach ethical issues in different ways, which affects how they make critical decisions. Comparably, Kirwan, Maye, & Brunori (2017) stated that the Four Component Model of Moral Behavior of Rest identifies four elements that affect people's responses to moral dilemmas: moral sensitivity, moral judgment, moral motivation, and moral character. Using this approach, organizations may assess and improve the ethical decision-making abilities of their workforce and enhance an ethical culture.

Fanzo (2015) posits that stakeholder theory offers important management insights into the moral dilemmas that multinational corporations (MNCs) like Nestle face. Stakeholder theory states that companies have a variety of stakeholders to respond to, including shareholders, workers, customers, suppliers, and communities. Organizations may more skillfully negotiate moral dilemmas and cultivate trust with important stakeholders by considering the interests and concerns of several stakeholders. Rosoff et al. (2018) found that practically, moral dilemmas affect stakeholder interactions, company behavior, and reputation. MNCs like Nestle need to arrange plans for addressing moral issues and maintaining moral standards across their business.

According to Clarke & Boersma (2017), creating verbal codes of conduct and ethical guidelines that specify appropriate behavior and expectations for staff members is one workable strategy. According to Elgaaïed-Gambier (2016), organizations may create a culture of integrity and responsibility so that employees can detect and resolve ethical challenges in their daily work by offering ethical consultations and training. Crane et al. (2019) stated that another area where practical solutions might minimize moral issues is supply chain management.

Multinational corporations such as Nestle are dependent on complex supply networks around the world, which may increase moral dilemmas including employee abuse, environmental degradations, and human rights breaches. Velasquez (2018) posits that organizations may detect and manage ethical risks in their supply chains by implementing strong supplier monitoring and auditing procedures and encouraging ethical sourcing strategies. According to Monnot et al. (2019), transparency and accountability are also necessary for addressing moral issues and preserving stakeholder trust.

According to Elgaaïed-Gambier (2016), transparency in communication and decision-making should be prioritized in organizations, and relevant information on their performance, ethical standards, and ethical concerns and actions should be disclosed. Organizations may show their commitment to ethical behavior and establish trust by enhancing open communication and involvement with stakeholders.

2.2 Ethical Consumerism

According to Kaiser et al. (2021), the pattern of behavior among consumers that influences their purchases on moral factors including social responsibility, sustainability, and ethical sourcing is known as "ethical consumerism." To understand the reasons behind ethical consumption as well as its implications, scholars have found several theoretical frameworks.

Elgaaïed-Gambier (2016) posits that social identity theory is a well-known theoretical model that reflects that the social identities of individuals and group memberships affect their buying decisions. People can use ethical consumerism as a way to communicate their identity and beliefs, as well as their efforts to social concerns and ethical values.

Hassoun et al. (2023) found that the value-belief-norm theory also suggests that pro-environmental behaviors of people, such as ethical consumption, are influenced by their environmental values and beliefs. Customers may encourage sustainability and be a part of favorable social and environmental consequences by keeping their purchasing decisions consistent with their values and beliefs. According to Turyakira (2018), the theory of planned behavior offers insights into the variables influencing the intentions and behaviors of customers from a marketing viewpoint. Little (2018) agreed that when it influences customers' decisions to engage in ethical consumption behaviors, including buying eco-friendly items or supporting ethical businesses, attitudes, subjective standards, and perceived behavioral control are important variables.

According to Turyakira (2018), the food industry's ethical consumerism is about using ethics as a yardstick for making food choices that are based on environmental sustainability, animal welfare, and support for local farmers and their communities among other things; it encompasses such factors as opting for organic or sustainably sourced products, staying away from animal cruelty associated products and going for either fair trade or locally made items.

These shoppers also look out e.g. USDA Organic, Fair Trade Certified, and Non-GMO Project Verified to ensure that the products they buy meet certain ethical standards. By backing up good practices in the food industry, customers desire a sustainable and justifiable food system (Hamelin et al., 2013). According to Aula & Mantere (2020), ethical consumerism affects customer behavior, brand reputation, and a firm's ability to compete in the market. To match the expectations and ideals of ethical customers, businesses need to understand their motives and preferences and design strategies accordingly.

Burlea & Idowu (2016) posit that adopting corporate social responsibility (CSR) programs that encourage the moral concerns and values of customers is one useful strategy. Businesses may build their brand and attract morally-conscious customers by investing in ethical sourcing, sustainable operations, and community involvement. Neves & Story (2015) found that strategies for marketing and communication are also important for attracting ethical customers and setting firms far away from competitors. Businesses may broadcast their ethical principles and efforts by using social media platforms, storytelling, and cause-related marketing. This will help them connect emotionally with consumers and develop brand loyalty.

Furthermore, according to Turyakira (2018), firms may enhance their efforts to overcome social and environmental issues by collaborating and forming

partnerships with other stakeholders such as government agencies, industry leaders, and non-governmental organizations. Businesses may promote good change and effect by aggregating their combined skills and resources to work towards shared goals.

2.3 Reputation Management

According to Espinosa-Pike & Barrainkua (2016), organizations use reputation management techniques and strategies to maintain a positive brand image and direct public opinion. Academics have found several theoretical frameworks to understand the importance of reputation, how it develops, and how it affects the performance and behavior of businesses. Hota, Bhatt, & Qureshi (2023) posit that one well-known theoretical framework is signaling theory, which reflects that businesses employ signals to describe stakeholders about their characteristics and goals. Examples of signals include corporate social responsibility (CSR) programs, product quality, and branding. While negative signals can reduce trust and harm reputation, positive signals can enhance trust and improve reputation among stakeholders.

Akhtar et al. (2021) stated that stakeholder theory reflects valuable perspectives on the significance of overseeing connections with significant stakeholders, including customers, workforce, investors, authorities, and the local community. Organizations may contribute to long-term success and sustainability by strengthening connections and improving their reputation by responding to the interests and concerns of several stakeholders. From a psychological viewpoint, Sachdeva, Jordan, & Mazar (2015) found that attribution theory reflects that people assign both external (such as environmental restrictions and external influences) and internal (such as objectives and motives) factors to the actions and behaviors of organizations. Through their behavior and communication, companies may shape stakeholders' perceptions and evaluations of their reputation by affecting attributions and perceptions.

According to Gram-Hanssen (2021), reputation management influences organizational behavior, decision-making, and communication strategies in real-world ways. Businesses need to take proactive measures to manage their reputation to improve trust, attract customers, retain employees, and stay competitive in the market. Setting stakeholder communication and engagement prioritizes a useful strategy for reputation management. Zollo (2021) reflected that organizations may build trust and credibility and improve their reputation by paying attention to stakeholder issues, responding to input, and being open and honest about corporate operations and choices.

Additionally, Davies & Gutsche (2016) said that businesses must invest in CSR projects that complement their goals, beliefs, and stakeholders' perceptions. By exhibiting an effort toward social responsibility, environmental sustainability, and moral corporate conduct, companies may enhance their position and set themselves apart from competitors. Another important theory of reputation management is crisis management. Shaw, McMaster, & Newholm (2016) found that to reduce reputational damage and rebuild trust with stakeholders, companies need to forecast and respond to crises, such as product recalls, ethical scandals, or environmental disasters, efficiently. Crisis management and reputation management need open communication, continuous action, and responsibility.

2.4 Corporate Social Responsibility (CSR)

According to Andersen, Nielsen, & Høvring (2017), the term corporate social responsibility (CSR) reflects the voluntarily undertaken measures by companies to resolve ethical, social, and environmental issues in their operations and connections with stakeholders. To understand the nature, purposes, and strategies of corporate social responsibility (CSR) for both the company itself and society, scholars have created several theoretical bases.

Knox (2020) found that stakeholder theory is a well-known theory that asserts that companies have obligations to many different groups of people, including consumers, workers, investors, suppliers, communities, and the environment. Organizations may identify CSR opportunities and challenges and make well-informed decisions to expose value for society by considering the expectations and interests of various stakeholders.

According to Filatotchev & Stahl (2015), institutional theory reflects that acceptance and execution of corporate social responsibility (CSR) projects by companies are subject to institutional constraints, norms, and requirements. Even in the absence of official regulations, companies may participate in CSR to enhance their brand, ensure legitimacy, and match society and community expectations. Other normative theories, according to Ofurum & Gabriel (2019), including deontology, virtue ethics, and utilitarianism, offer foundations for assessing the moral implications and reasons for corporate social responsibility (CSR) approaches. Deontology emphasizes moral obligations and principles, virtue ethics emphasizes the development of moral qualities and character, and utilitarianism concentrates on maximizing society's welfare and utility.

In practice, according to Burlea & Idowu (2016), corporate social responsibility (CSR) manipulates stakeholder interactions, strategy, and organizational behavior. To maintain a beneficial social and environmental influence while keeping their capacity to remain a profitable business, companies need to arrange and implement CSR programs that are consistent with their mission, values, and stakeholders' preferences.

Morsing & Spence (2019) stated that including social and environmental factors in corporate strategy and decision-making processes is an effective way to implement CSR. Based on stakeholder engagement, materiality assessments, and

sustainability measures like the UN Sustainable Development Goals (SDGs), companies may ensure their CSR priorities and objectives. According to Heckler & Ronquillo (2020), investing in CSR initiatives that can overcome important social issues and stakeholder concerns is another sensible approach. Initiatives related to diversity and inclusion, charity, employee well-being, responsible sourcing, environmental safeguards, and community development may be considered under this category.

Weiss (2021) stated that accountability and transparency are necessary for efficient CSR management. To empower stakeholders to make informed decisions and find enterprises responsible, businesses must be honest and open about their CSR commitments, activities, and effects. Furthermore, according to Trevino & Nelson (2021), corporate social responsibility (CSR) initiatives may be strengthened and coordinated action to solve complex social and environmental challenges, initiated by partnerships and collaboration with stakeholders, such as NGOs, government agencies, industry groups, and local firms. Organizations can enhance their influence and sustainability by aggregating their resources and skills to work towards common objectives.

2.5 Stakeholder Theory

According to the stakeholder theory, Shaw et al. (2017) posit that the decision-making processes and day-to-day operations of a business should consider the expectations and interests of all stakeholders, who are the parties that have the power to influence or be influenced by the decisions. To understand the nature, purposes, and essence of stakeholder theory for organizations and society, scholars have found several theoretical bases. Shaw (2017) stated that the identification and classification of stakeholders according to their authority, legitimacy, and urgency concerning the organization is a fundamental base of the stakeholder theory. It presents a typology of stakeholders, classifying them

according to their characteristics and connections to the organization as inactive, demanding, dependent, or definitive.

According to Schaltegger & Burritt (2018), stakeholder theory also reflects how dynamic and interactive stakeholder relationships are, suggesting organizations interact with stakeholders via communication, consultation, and cooperation to understand their needs and concerns and establish win-win relationships. According to Martin (2019), stakeholder engagement was first defined by Freeman and McVea as the practice of including stakeholders in decision-making and problem-solving areas to achieve shared objectives and results.

Stakeholder theory emphasizes the moral duties and commitments of companies to consider the interests of all stakeholders when making decisions and taking action. Logsdon & Wood (2018) again stated that businesses have a moral obligation to balance the conflicting interests of stakeholders and protect anybody who could be harmed by their actions. According to Freeman (2023), stakeholder theory affects organizational behavior, strategy, and stakeholder management techniques in real-world ways. To achieve organizational objectives and provide value for stakeholders and society, companies need to plan and implement stakeholder engagement strategies that promote trust, transparency, and cooperation.

Ebert & Griffin (2020) stated that to identify important stakeholders, it is important to evaluate their interests, concerns, and expectations, and rank engagement activities according to importance and influence, one useful way for managing stakeholders is to undertake stakeholder mapping and analysis. Crane et al. (2019) stated that this helps companies design their engagement and communication plans to meet stakeholder demands and reduce risks.

According to Galalae & George (2017), creating official strategies and platforms for stakeholder participation, such as advisory boards, stakeholder forums, and consultation mechanisms, is another useful strategy. Establishing opportunities for stakeholders to express their viewpoints, offer insights, and participate in decision-making procedures may help companies establish legitimacy, credibility, and trust among important stakeholders.

Ajayi & Salaudeen (2023) posit that accountability and transparency are crucial for efficient stakeholder management. To establish credibility and trust, businesses must be open and honest about their decisions, activities, and performance. They should also provide stakeholders with accurate and reliable information promptly. Alsaffar (2016) found that to show their efforts to ethical business practices and hold themselves accountable to stakeholders, organizations may also set up systems for performance reporting, grievance resolution, and feedback.

2.6 The Triple-Bottom Line

According to Akhtar et al. (2021), three aspects are used to evaluate the performance of a business: the economic, social, and environmental aspects. This framework is called the Triple Bottom Line (TBL). TBL, which was created by John Elkington in 1994, offers a comprehensive method of assessing and controlling corporate performance that ensures not just financial outcomes but also social and environmental effects.

Theoretically, Andersen, Nielsen, & Høvring (2017) stated that TBL is based on the ideas of sustainable development, which aims to satisfy current demands without harming the capacity of future generations to satisfy their needs. Aula & Mantere (2020) also argued that TBL seeks to ensure a balance between social justice, environmental safeguards, and profitability by considering economic, social, and environmental aspects. This promotes long-term sustainability and value creation.

According to Burlea & Idowu (2016), systems thinking, which acknowledges the interdependency and connectivity of the environmental, social, and economic systems, is closely related to TBL. Systems theory ensures that organizations are components of broader socio-ecological systems and that the decisions and actions they take have an influence on society and the environment along with financial gain.

Burlea & Idowu (2016) stated that TBL has real-world effects on strategy, performance validation, and organizational behavior. To achieve sustainable and responsible results, businesses must incorporate TBL concepts and economic, social, and environmental factors into their operations and decision-making strategies. According to Clarke & Boersma (2017), using key performance indicators (KPIs) and metrics to evaluate and monitor performance across the three dimensions including economic, social, and environmental, is one effective strategy for implementing TBL. Companies may evaluate their progress and highlight areas for improvement in each category by ensuring sustainability dashboards or balanced scorecards.

Crane et al. (2019) argued that companies may also define goals and targets that provide sustainability, social responsibility, and environmental safeguards equal priority with financial objectives to match their corporate strategy and operations with TBL guidelines. This might ensure funding projects for community development, lowering greenhouse gas emissions, encouraging diversity and inclusion, and investing in renewable energy sources.

According to Davies & Gutsche (2016), to implement TBL effectively, stakeholders must be included. To solve common difficulties and achieve common objectives, businesses should include stakeholders in the decision-making process, expect feedback and input on sustainability projects, and work with external partners like suppliers, consumers, NGOs, and government agencies. Dorasamy (2024) stated

that disclosure and transparency are crucial to TBL reporting and accountability. Businesses need to be honest and open in their communication of their TBL performance, providing important details to investors, customers, workers, and the general public about their economic, social, and environmental practices, influences, and achievements.

2.7 Ethical Frameworks Applicable to the Food and Beverage Industry

Guidelines for moral behavior and decision-making are provided by ethical frameworks to businesses, including those in the food and beverage industry. According to Elgaaied-Gambier (2016), ethical guidelines are essential because of their substantial influence on social welfare, environmental sustainability, and public health. The food and beverage business may benefit from several ethical frameworks, each of which emphasizes certain values and principles.

- ***Ethical Trading Initiative (ETI) Base Code:*** According to Espinosa-Pike & Barrainkua (2016), companies in the food and beverage sector need to follow the ETI Base Code of fundamental labor standards throughout their supply chains. These guidelines forbid discrimination, child labor, forced labor, and unfair labor practices while ensuring equitable pay and working conditions. Companies may respect human rights and enhance moral labor practices across their supply chains by following the ETI Base Code (Fanzo, 2015).
- ***Fair Trade Principles:*** Figar & Đorđević (2016) stated that for farmers and laborers in developing countries, fair trade principles enhance sustainable production methods, safe working conditions, and fair remuneration. Programs for fair trade certification ensure food and drink brands fulfill these requirements, giving customers the assurance that their purchases promote moral standards help reduce poverty, and strengthen local economies in the areas where the products are produced (Filatotchev & Stahl, 2015).

- ***ISO 26000-Guidance on Social Responsibility:*** Fraustino & Kennedy (2018) again posit that this standard suggests to businesses how to ensure social responsibility in their day-to-day operations and stakeholder relations. The food and beverage business can follow the ISO 26000 principles as a guide for making moral decisions about corporate governance, product safety, community involvement, and environmental sustainability. Companies may show their dedication to ethical business practices and stakeholder involvement by following ISO 26000 requirements (Galalae, C. & George, 2017).

- ***Sustainable Agricultural Practices:*** Goh & Jie (2019) stated that sustainable agricultural practices that support biodiversity conservation and environmental safeguards are also included in ethical frameworks for the food and beverage sector. Agroecological, organic, and regenerative agricultural practices place importance on soil health, water conservation, and ecosystem resilience to reduce the environmental effect of food production and maintain the long-term sustainability of agricultural systems (Gram-Hanssen, 2021).

- ***Ethical Marketing and Labelling Standards:*** Heckler & Ronquillo (2020) posit that marketing and labeling standards that support openness, truthfulness, and consumer protection are included in ethical frameworks in the food and beverage industry. Representing product qualities, nutritional data, and health claims to customers truthfully while avoiding dishonest or misleading advertising strategies is a major element of ethical marketing practices. Standards for ethical labeling, including organic, non-GMO, and animal welfare certifications, provide customers with the knowledge they need to make morally and ethically based purchases (Hota, Bhatt, & Qureshi, 2023).

According to Hunnes (2019), ethical frameworks help businesses in the food and beverage sector follow ethical business practices, reduce moral risks, and enhance

stakeholder trust in addition to customer and employee satisfaction. Kirwan, Maye, & Brunori (2017) posit that companies may ensure ethical sourcing, fair treatment of workers, and environmental sustainability in their operations by following social responsibility rules, fair trade principles, and ethical trading standards. Furthermore, decision-making ways regarding supply chain management, corporate governance, marketing tactics, and product creation are guided by ethical frameworks. Businesses exert their efforts toward moral principles and the welfare of society by ensuring ethical issues in their corporate plans, policies, and procedures.

2.8 Conceptual Framework

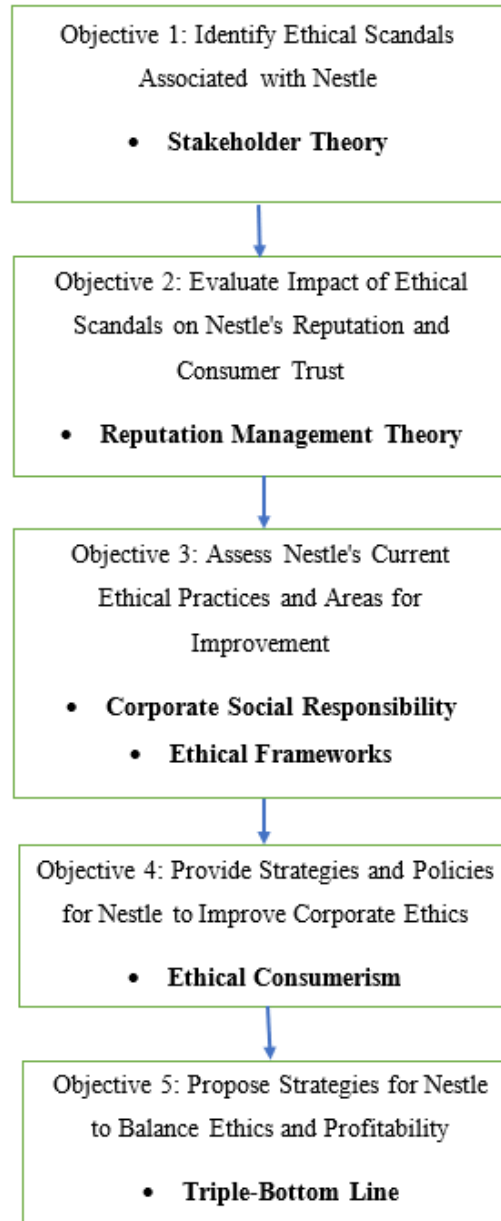


Figure 3: Conceptual Framework

A diverse approach informed by several theoretical frameworks is necessary to understand and resolve ethical dilemmas inside Nestle. Stakeholder theory, which acknowledges the complex relationship between Nestle and its stakeholders and shapes the identification of ethical issues, to achieve Objective 1. Objective 2, which is to assess how these crises have affected Nestle's reputation and customer

trust, is based on reputation management theory and considers institutional norms and constraints. Using the concepts of Corporate Social Responsibility (CSR) and ethical frameworks in the food and beverage industry, Objective 3 evaluates Nestle's present ethical standards and highlights the areas in need of improvement. Objective 4 is reflected by the philosophy of Ethical Consumerism, which examines customer preferences to identify the areas for improvement of business ethics.

Finally, Objective 5 uses The Triple Bottom Line (TBL) theory to ensure the sustainability of Nestle's business processes by ensuring a balance between profitability and ethical issues. These theories make it easier to assess Nestle's corporate ethics in depth and to provide direction for generating solutions that balance ethical dilemmas with long-term economic viability.

2.9 Literature Gap Analysis

There are several noteworthy gaps in the literature on corporate ethics in the food and beverage business, with a central emphasis on Nestle, that need to be addressed. Firstly, there are not many empirical studies looking at the particular ethical issues that Nestle faces and their resolutions, even though previous research has spoken a lot about the theoretical frameworks governing corporate ethics and strategies for improvement.

Furthermore, there has been little study on how ethical issues impact consumer trust and purchasing behavior, particularly in the context of Nestle, even though several studies have evaluated the effect of these scandals on business reputation. Moreover, the scholarly literature mostly concentrates on strategies to enhance corporate ethics, with inadequate attention paid to the challenges of maintaining a balance between ethical and financial aspects, particularly in the food and beverage sector. Addressing these gaps with empirical research and case studies based on Nestle would provide important insights into how ethical practices are

implemented and how difficult it is to balance moral dilemmas in the food and beverage industry while still maintaining profitability.

2.10 Conclusion

The literature analysis concludes by highlighting the importance of corporate ethics in the food and beverage sector, specifically at Nestle. There is a dearth of empirical studies that concentrate on unique issues of Nestle and the real-world application of ethical practices, even though current research offers insightful theoretical frameworks and techniques for enhancing corporate ethics.

The study gap highlights the necessity for more empirical findings to overcome the complexities of corporate ethics at Nestle, specifically with the balance between ethical concerns and financial gains. The conceptual framework of the study offers a methodical way to fill up these research gaps by giving a guide for identifying Nestle's moral dilemmas, analyzing their effects, evaluating present practices, and coming up with sustainable development plans.

3 RESEARCH METHODOLOGY

A strategy that reflects how research will be carried out is called research methodology. The methodology ensures that the research has been carried out in a way that considers the type of data that will be used, where and how the data will be collected, the instruments required to collect the data, how the data will be sorted, coded if needed, and assessed to answer the research questions, as well as how the results will be presented and interpreted to help the audience understand and realize the significance of the research results (Costley, Elliot, & Gibbs, 2010).

I use Saunders' theoretical concept of the "research onion" to design my research methodology. To answer the aforementioned research questions through the reflection of the research onion model, this part has added the research philosophy, research method, research strategy, research design, and ethical considerations.

3.1 Research Onion

The researchers are proposed to use an accurate research method by Research Onion. It suggests that there are some subsequent steps that the researcher must take to ensure a reliable method that will help in addressing the research questions (Saunders et al., 2019).

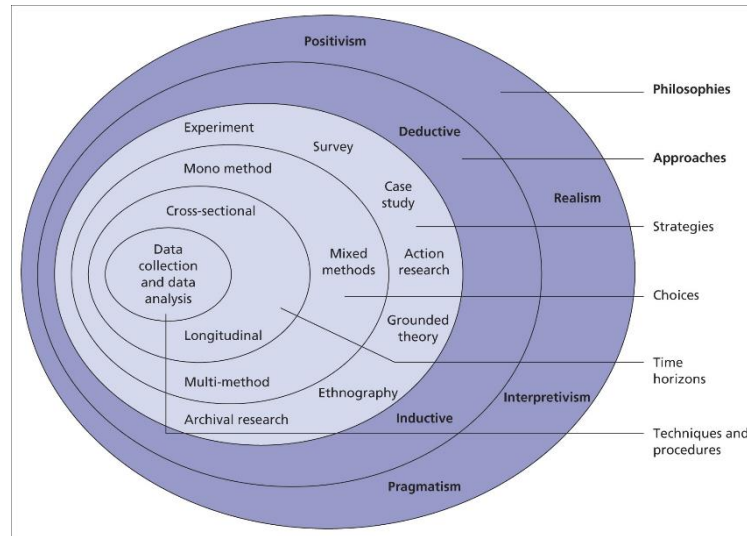


Figure 4: Research Onion (Saunders et al., 2019)

To design the research approach (inductive or deductive), select the research strategy (survey, case study, archival research, experiment, or grounded theory), select the research methods (mono, mixed, or multi-methods), select the research time-horizon (cross-sectional or longitudinal), and adopt tools and approaches to collect and analyze data, it first helps the researcher design which philosophy (positivism, interpretivism, pragmatism, or realism) is the best fit for the research aim. The following is how this model has been reflected in the research (Flick, 2011).

3.2 Research Philosophy

Research philosophy reflects the type of study that a researcher conducts. Additionally, it typically ensures where the researcher is at in his study process. Based on the research aim and questions, it suggest the appropriate technique for collecting and assessing data for a specific study (Gray, 2009). Furthermore, to conduct research correctly, four main philosophical approaches can be addressed: positivism, pragmatism, interpretivism, and realism.

Any of these can be used by the researcher, based on how they want to conduct the study. According to the positivist viewpoint, it ensures the world needs to be observed and analyzed actually what it is (Pandey & Pandey, 2021). Positivist theories focus on an "objective" judgment of reality, based on measurable and observable events such as states of affairs and international organizations as the basis for their hypotheses. Consequently, positivism focuses on the scientific study of facts.

Here, the researchers provide only unbiased results based on their investigation and findings as their motivations are not biased. This kind of study is widely accepted and highly organized (Newman & Gough, 2020). Then, pragmatic researchers adopt operational decisions based on "what will work best" to find answers for the issues under the research, their work is varied by its newness and vitality.

The philosophical approach of interpretivism is another philosophy of research. According to this philosophy, people are distinct from natural events because they can give those things importance (Nayak & Singh, 2021). Interpretivism reflects that social worlds cannot be studied in the same way as the physical world due to their complexity. The goal of interpretive research is to provide new and diverse viewpoints on the living world. Finally, the scientific philosophy known as realism focuses on the assumption that reality exists independently of human interaction. The focus of this worldview is on the possibility and value of acquiring new information scientifically. Direct and critical realism are the two types of realism (Thomas, 2021).

The positivist philosophy has been selected for this research project, which reflects that secondary sources were used to acquire research data to accept practical results and interpret the results based on unbiased or objective judgment and existing research evidence. For example, data on how the environmental

scandals of Nestle affect the brand reputation and customer trust through secondary results that have been interpreted well.

3.3 Research Approach

The researcher must select a research approach that reflects the implications of a result based on several research steps after deciding on the research philosophy. Additional methodology-related activities are created based on the research approach. The two methods of conducting research are deductive and inductive (Dubey & Kothari, 2022). The research uses an inductive approach to build working hypotheses, models, concepts, theories, etc. for a specific research problem that has never been solved earlier.

Thus, inductive research begins with reality observations to construct theories, models, and assumptions; it ends with a conclusion based on observation and subjectivity. Conversely, deductive research is based on when preexisting theories and hypotheses were already formed for a specific issue and then used to solve the research problem (Haydam & Steenkamp, 2020). Thus, the procedure ensures determining the appropriate or necessary preexisting theories and models, generating hypotheses, acquiring information, interpreting that information, and evaluating the hypotheses. Accordingly, deductive research validates ideas to solve real-world research problems, while inductive research generally develops new theories (Sekaran & Bougie, 2016).

The deductive approach was selected for this research because, among other things, the literature reviews section of the research uses pre-existing models and theories about ethical scandals, various theories and models, and reform strategies, such as the ethical consumerism theory, stakeholder theory, reputation management theory, triple-bottom-line theory, ethical frameworks, etc. The research problem is to determine how ethical scandals affect the practical

implementation of the operations of the company among various stakeholders using those models and theories.

3.4 Research Strategy

The research approach mostly reflects whether or not the study will be conducted in a structured way. Experimental, case study, correlational, action research, and archive research are the five types of research strategies. To solve the research problem, an experimental study design suggests that some variables will be modified to manipulate the results (Hair, Page, & Brunsveld, 2019).

Finding a relationship between the variables found to solve the study problem is the basis of correlational design. Action research suggests that a given problem may be solved in multiple ways but the optimal answer must be selected to address the issue as soon as possible (Easterby-Smith et al., 2021). Moreover, the case study reflects that the researcher should thoroughly assess the research problem systematically without manipulating any data. Finally, research using the archival method suggests that data will come from existing materials or sources, or that it is a method of examining existing data in preparation for the new study (Melnikovas, 2018). For this study, an archival research strategy has been selected since the data will be gathered through a structured review of current sources relevant to the research goal.

3.5 Research Method

Furthermore, to answer the research questions, a research method that best fits the research strategy, approach, and philosophy must be selected after the research strategy has been selected. A research method identifies the selection of a sample size, collection of information, and concluding analysis. There are 3 types of research methods: mixed, qualitative, and quantitative. These types of data can be gathered from both primary and secondary sources. When primary data is

needed, research subjects are identified and collected from them based on sample size (Bougie & Sekaran, 2019).

If secondary data is needed, data is acquired from websites, journals, articles, books, and other sources. Quantitative data is collected in numeric form while qualitative data is collected in described form. Qualitative tools, such as grounded theory, case studies, content analysis, and semantic analysis, are then used to assess and interpret the data (Bell, Bryman, & Harley, 2022). Various statistical tools like descriptive statistics, correlation analysis, regression analysis, EFA (Exploratory Factor Analysis), Z-test, t-test, and CFA (Confirmatory Factor Analysis), etc. to assess the quantitative data.

Such a scientific approach helps generate more substantial and reliable study findings that are well-suited for the generalization of the entire population. Here, the sample size is important, reflecting that it is more representative of the intended audience. Finally, the mixed approach suggests that the researcher can adopt both qualitative and quantitative methods concurrently to generate findings and conclusions that are more reliable (Basias & Pollalis, 2018). The mixed research method was selected for this study because both the qualitative and quantitative data were gathered from secondary sources, including books, articles, master's theses, journals, websites, and other materials based on the ethical scandals of Nestle and their consequences among the various stakeholders.

3.6 Research Time Horizon

The research time horizon reflects several data collection points that will be considered by the aim and objectives of the study. The time horizon can be of two types: cross-sectional data, which is data collected for any single point in time to understand the present condition of the problem, and longitudinal data, which implies data of a specific problem will be collected for several points of time and is used in studies based on changes and improvements (Antwi & Hamza, 2015).

Since the research is based on finding out the ethical dilemmas of Nestle and their impact on operations and stakeholders, a longitudinal time horizon was used to gather information on the environmental scandals of Nestlé for different periods and their impacts on the overall business.

3.7 Data Collection and Analysis

Primary and secondary sources are the two forms of sources from which data can be collected. The term "primary source" refers to the collection of data from study subjects or the research population, who will provide unbiased and accurate raw data (Thomas, 2021). A secondary source collects data from sources other than research subjects and makes it structured. However, there is sometimes a risk of data fabrication, and secondary sources must be reliable with have a high impact rating. Examples of secondary sources are books, websites, journals, newspapers, news portals, magazines, and articles that have already been published (Newman & Gough, 2020).

Furthermore, there are two types of data: quantitative and qualitative. Quantitative data is collected in a numerical format that is very easy to assess and generate reliable conclusions with statistical support, and qualitative data is gathered in a descriptive format that might provide thorough insight into the issue (Nayak & Singh, 2021). For this research purpose, data were generated from secondary sources in both qualitative and quantitative formats from various sources like websites, books, journals, articles, industry websites, Nestle's corporate websites, News channels, etc. Every source for this research will be reliable and might provide accurate and recent data.

For example, journals with high impact ratings like Harvard Business Review, Journal of Business Ethics, etc., academic publishers like IEEE Xplore, Google Scholar, Science Direct, Scopus, etc., news articles, and corporate social responsibility (CSR) reports may be part of this, media coverage of Nestlé's Ethical

Scandals on The New York Times, BBC, CNN, The Guardian, etc. as well as stakeholder reports and customer feedback and reviews from the website, and Nestlé's CSR reports like 'challenges and progress of achieving sustainable development goals by Nestle' from Nestlé's corporate website and Industry benchmark reports like Ethical practices in the Food Industry, etc.

The keywords for searching data on sources were like Ethical scandals of Nestle, the Environmental scandals of Nestle, Nestlé's ethical consumerism consequences, reputation loss of Nestle, etc. Furthermore, the data inquiry was based on available information within the last 6 years from 2018 to 2024.

3.8 Ethical Considerations

Some of the standards of behavior that researchers must follow to ensure their rights to develop research strategies and maintain reliable relationships with participants are ethical concerns in research. When doing research, there are some ethical standards to follow for both qualitative and quantitative studies (Haydam & Steenkamp, 2020). The ethical concerns for this research, which is a mixed-method study based on quantitative and qualitative investigation.

The principles of plagiarism have been ensured by this study: no data has been taken unauthorized from other sources, and any that has been taken is properly referenced, cited, and quoted (Dubey & Kothari, 2022). Since the study is related to AI implications on supply chains, no information may be considered to neglect the revolution of AI, and no private information of various companies has been disclosed at any point. No information may be used to disregard the firms because the study is connected to supply chain and logistic companies, and no private information has ever been made public. In addition, proper transparency is followed so that the intended audience knows which reference list the data was collected from.

4 DATA ANALYSIS AND RESULTS

This chapter presents the analysis and results of data analyzed to answer the research questions about Nestlé's environmental scandals, the current reputation management, ethical practices, and the recommended strategies for improvement. The research stakeholders are the Nestle company the focused organization, consumers, investors, regulatory authorities, and the entire public concerned with corporate ethics and sustainability.

4.1 Environmental Scandals Associated with Nestle

- **Analysis 1: Nestlé's Water Bottling Controversies**

One such controversy related to the bottling of water involved the Nestle company and occurred in the USA. In California, severe droughts were found in the early 21st century, and Nestle corporation's subsidiary Nestle Waters North America did not shut down its Cabazon bottling plant (Leggett & Edser, 2023).

The controversy was raised when the company was accused of creating a water shortage by extracting thousands of gallons of groundwater to use for bottling. Residents and environmental activists protested against Nestle, arguing that the company profited from the drought in California and contributed to the depletion of local communities. The California Nestle controversy became a matter of media attention and attracted public boycotts for strict regulations of water bottling and more responsibility from Nestle (Singh, 2021).

- **Analysis 2: Pollution in Developing Countries**

Nestle has several industrial facilities in developing countries, which has resulted in notable pollution controversies. Reports of environmental pollution have been made in various places, involving everything from air pollution to wastewater release (Business, 2020). There have been allegations against Nestle involving air pollution and wastewater release from its production operations in *India*.

Concerns have come out regarding Nestle's environmental policies in *Mexico*, particularly those about waste management and water pollution (Rannard, 2022).

The environmental impact of Nestle's business in *Pakistan* has been closely examined, with charges of contamination and inappropriate waste management. Nestle's operations in *Brazil* have come under environmental claims because of fears about deforestation and water body pollution related to their supply chain. Nestle has been under pressure for reported pollution from its operations in *Nigeria*, including inappropriate waste release and polluted water (Balch, 2021).

Local people living near Nestle's manufacturing facilities, as well as polluted ecosystems and natural habitats, are among the victims of the company's pollution scandals. Victims may face negative health issues from pollution exposure, harm to agricultural areas and water sources, and interruptions to their livelihoods as they depend on clean water and air. The controversy has affected Nestle's image as a trustworthy business, resulting in legal issues, charges from regulators, and public controversies (Tabuchi, 2024).

- **Analysis 3: Cocoa Supply Chain Issues**

Claims of environmental degradation and social inequalities in Nestle's cocoa procurement processes are at the center of one of the company's major supply chain issues. The controversy, which has been going on for years, mainly focuses on Ghana and Ivory Coast, two countries in West Africa that produce cocoa. Due to its inadequate response to issues including child labor, deforestation, and poverty in its cocoa supply chain, Nestle has come under extreme pressure. There have been reports of deforestation related to the production of cocoa, as well as issues of child labor on cocoa farms supplying Nestle (Ellingham, 2022).

Children forced to labor in dangerous environments on cocoa production, local communities impacted by deforestation and biodiversity loss, and cocoa farmers

facing financial exploitation and poverty are just a few of the victims of these supply chain controversies. Child laborers may suffer from physical and psychological injuries as a result of their work, cocoa farmers may lose their livelihoods for using unsustainable farming methods, and the environment may be worsened in areas where cocoa is produced (Almeida et al., 2024).

- **Analysis 4: Packaging Waste Concerns**

Nestle's excessive application of single-use plastics and insufficient recycling initiatives have resulted in trash accumulation and environmental damage, which is the source of the packaging waste issues. Because plastic waste has such a devastating effect on ecosystems and marine life, the problem has gained attention from all over the world. Nestle has been having issues with packaging waste for several years; cases have been reported for several different goods and areas (Packaging Europe, 2023).

The business has come under pressure for using packaging materials that are either non-recyclable or very hard to recycle, which has led to an increase in the amount of plastic waste that results in landfills, rivers, and seas. Communities affected by plastic pollution, wildlife, and ecosystems are among the victims of Nestle's packaging waste problems. Due to ingestion, entanglement, and pollution of soil and water sources, plastic waste endangers marine life (Naik, 2020).

Degradation of ecosystems, extinction of species, and detrimental health impacts on animals and people due to plastic pollution are possible consequences for them. Furthermore, populations who depend on clean surroundings for their livelihoods like fishermen and coastal residents may face financial losses as a result of the harm that plastic pollution does to the nearby environment and community (Perkins, 2019).

- **Analysis 5: Palm Oil Controversy**

Nestle's use and procurement of palm oil, which has been related to deforestation, habitat loss, violations of human rights, and environmental degradation in tropical areas, are at the core of the company's involvement in the palm oil controversy. Concerned consumers about the effects of palm oil extraction, NGOs, and environmental activists have all been following the situation closely for years (Wright et al., 2019). Nestle has been claimed for obtaining palm oil from vendors who illegally clear forests, seize land, and abuse nations like Malaysia and Indonesia.

The business has additionally come under pressure for not implementing strong sustainability guidelines and traceability processes throughout its palm oil supply chain (Limb, 2021). Local communities, native peoples, and affected species that live in forested areas affected by palm oil cultivation are among the victims of the controversy of palm oil. These communities frequently face displacement, loss of livelihood, and human rights violations as a result of unsustainable palm oil production activities. The victims may also suffer social unrest, economic instability, irreversible damage to ecosystems and biodiversity, and damage to Nestle's image as a responsible corporate citizen that could result in consumer loss and possible boycotts of its products (Neslen, 2019).

4.2 Effects of environmental scandals on the reputation and customer trust of Nestle

Analysis 6: How These Scandals Affect the Reputation of Nestle

Table 1. Analysis 6

Key Themes	Relation to the Scandals
Environmental Responsibility	By exposing practices that lead to environmental degradation and sustainability challenges, these scandals reduce Nestle's environmental responsibilities. As a result,

	<p>customers believe Nestle is not as concerned about the environment as it should be and that profit comes before environmental well-being (Almeida et al., 2024). The controversies reflect low or no confidence in Nestle's efforts to waste minimization, sustainable sourcing, and minimize its carbon footprint. Nestle's credibility is further damaged by its inability to transparently manage these environmental scandals, which reflects the impression that the firm is careless with its environmental regulations and obligations (Association of Corporate Counsel, 2023).</p>
Brand Image	<p>Because they show doubt about Nestle's integrity, morals, and efforts to moral and responsible business operations, these controversies damage the company's brand image. Customers believe Nestle prioritizes profits before morality, which degrades their loyalty and trust (Balch, 2021). Nestle's brand equity is damaged by the bad media coverage surrounding these scandals, which affects consumer views and purchase decisions. Nestle's brand image is further damaged by its inability to ensure transparency in dealing with these problems, which reflects the idea that the business wants only economic profit (Bose, 2021).</p>
Ethical Integrity	<p>By giving examples of unethical behavior and careless corporate practices, these scandals negatively affect Nestle's reputation for ethics. These kinds of disclosures damage people's trust in Nestle's dedication to sustainable environmental initiatives, fair labor practices, and ethical sourcing (Business, 2020). Customers believe Nestle emphasizes profit above morality, which hurts the company's image as a morally upright business. Nestle's</p>

	<p>credibility is further weakened by its refusal to publicly accept these ethical issues, which indicates the impression that the business is prepared to sacrifice its moral principles to increase profits (Earthworm.org, 2024).</p>
Corporate Communication	<p>These controversies damage Nestle's corporate communication by exposing incidents of insufficient openness, improper information management, and ineffective response to stakeholder problems. Concerns about environmental damage and community water rights were not properly identified and addressed in the company's unclear communication about its water bottling operations in drought-affected areas (Ellingham, 2022). As a result, there was increased public mistrust and examination of Nestle's communication strategies. These show how Nestle's handling of these issues has damaged corporate communication by not responding to stakeholders transparently and honestly, which has degraded the communication efforts' credibility and reliability in the end (Ethical Consumer, 2019).</p>
Social Impact	<p>These issues diminish Nestle's social influence by drawing attention to cases of human rights violations, exploitation, and disregard for the well-being of the community. Customers believe Nestle is putting business before people's welfare, which hurts the company's reputation as a socially responsible one (Foodnavigator.com, 2023). The incidents damage people's trust in Nestle's dedication to community development, ethical labor standards, and social responsibility. Nestle's reputation is further degraded by its inability to openly confront these social issues, which ensures that the business disregards its societal</p>

	responsibilities in the name of economic benefit (Geale, 2023).
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Analysis 7: How These Scandals Affect Customer Trust in Nestle

Table 2. Analysis 7

Key Themes	Relation to the Scandals
Product Quality	Controversies like contamination issues, false labeling, or unethical sourcing methods have the potential to negatively affect consumers' trust in Nestle's product quality. Incidents regarding contaminated goods or questionable materials may cause consumers to worry about their health and safety, which will degrade their faith in the brand's capacity to produce high-quality goods (Global Nature Fund, 2024). Customers look to companies like Nestle to deliver reliable and safe goods to their families and themselves. Scandals involving the quality or safety of products undermine consumer trust, resulting in doubt and possibly prompting them to look for alternatives they believe to be more dependable (Global Data, 2023).
Corporate Accountability	Trust in Nestle's accountability is reduced by issues of unethical behavior or environmental harm in the company's activities. Customers expect businesses to respect moral principles and accept accountability for their deeds; when they don't, they risk alienating and losing their trust (Limb, 2021). In the event of crises regarding labor abuses, environmental effects, or other moral issues, consumers find Nestle to be transparent and accountable. When a business lacks these standards, confidence is lost and its reputation is damaged. Retaining corporate accountability is important for

	Nestle to protect its reputation and get back customers' trust in its moral business operations (Leggett & Edser, 2023).
Consumer Perception	The negative publicity based on scandals has a big impact on how consumers view Nestle. Consumer perception of the corporation is affected by media coverage of issues like labor exploitation and environmental damage, which impacts the company's integrity and values (Neslen, 2019). Information that is readily available to consumers shapes their attitudes, and extensive coverage of scandals can leave a long-term impact. Customers' trust in Nestle's ethics and principles is degraded when they believe the company is involved in unethical activities. As a result, to gain back consumer trust and favorably affect their attitudes, Nestle needs to address these issues openly and proactively (Naik, 2020).
Consumer Empowerment	Scandals provide customers the ability to demand change and find alternatives, giving them the authority to hold Nestle responsible and make wise decisions. Consumer activism and social media campaigns provide voices a greater platform, putting pressure on businesses to address moral issues and set industry standards. As consumers are more socially aware, they have an enormous effect on how businesses behave and can cause positive change (Perry, 2023). Customers should demand greater accountability and transparency from firms like Nestle by using their collective voice and purchasing power to make them accountable for their activities. The corporate environment becomes more moral and sustainable as a result of consumer empowerment, which helps society at large as well as customers (Packaging Europe, 2023).

Engagement and Loyalty	Customer loyalty and engagement are directly affected by trust in Nestle. Scandals cause consumers to lose trust in a brand's integrity, which can result in a decline in customer loyalty or even a boycott. Trust is built by open communication and moral behavior, which eventually enhances customer loyalty (Tabuchi, 2024). Customers are more loyal to a brand and stick with it if they have trust in Nestle's efforts to moral behavior and ethical business operations. Nestle can establish enduring relationships with consumers based on trust by putting a high value on openness, accountability, and ethical behavior. This will ultimately improve consumer engagement and enhance brand loyalty (Rannard, 2022).
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4.3 The current ethical practices of Nestle

Analysis 8: Current Ethical Practices of Nestle

Table 3. Analysis 8

Key Themes	Current Practices
Climate Action	Nestle is reducing greenhouse gas emissions across its value chain a top priority to improve environmental sustainability. Nestle intends to expand regenerative agricultural practices and has set attractive goals, such as reducing emissions by 20% by 2025, 50% by 2030, and reaching net zero emissions by 2050. Nestle finds deforestation threats by investing in sustainable manufacturing, packaging, and logistics while working with farmers, suppliers, and communities (Ethical Consumer, 2019). Their Net Zero Roadmap has a strong priority on removing carbon emissions, particularly in agriculture using natural

	<p>alternatives. Consisting with their objective to source 20% of essential ingredients from regenerative farms by 2025 and 50% by 2030, Nestlé hopes to increase soil health, sequester carbon, and improve biodiversity by endorsing regenerative agriculture (Nestlé, 2022).</p>
<p>Waste Reduction</p>	<p>Nestlé is dedicated to reducing its environmental footprint by using responsible packaging initiatives, to have no packaging waste end up in the ocean or landfills. Increasing recyclability, using less virgin plastic, and consistency with circular economy initiatives are all part of their plan (Nestlé, 2023). Their main areas of attention include paper packaging, refillable and reusable alternatives, and refill system innovation. To increase recycling rates, Nestlé also works with collaborators and invests in infrastructural improvement. By improving crop yields, increasing shelf life, and improving labeling, they also reduce food waste. Their global efforts emphasize working together with stakeholders and motivating consumers to act to reduce food waste (Bose, 2021).</p>
<p>Protecting Nature</p>	<p>Nestlé is dedicated to enhancing regenerative farming approaches and environmental sustainability. They want to source half of their essential ingredients from farmers who are implementing regenerative agriculture by 2030. They highly prioritize preserving and reintroducing biodiversity; by 2023, 93.4% of the major supply chains will be assessed as having no deforestation (Global Data, 2023). By 2030, Nestlé hopes to plant and cultivate 200 million trees. By implementing a Forest Positive strategy, they hope to ensure supply chains free of deforestation and attach with local communities and Indigenous peoples in the care of biodiverse lands. Acceptance of their achievements, Nestlé takes the lead in reducing</p>

	deforestation and ensuring human rights to ensure a sustainable future (Nestle, 2023).
Water Stewardship	By 2025, Nestlé intends to be a leader in water regeneration as part of its commitment to water stewardship. In addition to delivering 4.4 million cubic meters of volumetric water benefits and certifying 23 Nestlé Waters locations to the Alliance for Water Stewardship Standard, they have reduced the amount of water used in production (Earthworm.org, 2024). Nestlé assesses water risks in agriculture and ensures effective water management. To enhance the amount and quality of water, they have initiated more than 100 water projects, such as reforestation and wetland restoration. Nestlé also provides WASH programs, which provide communities with clean water. Their initiatives, which help more than 60,000 people every day, include creating drinking water facilities in Pakistan and improving infrastructure in Egypt (Global Nature Fund, 2024).
Responsible Sourcing	With 36.2% of its 14 essential ingredients already sourced responsibly, Nestlé puts a high priority on responsible sourcing. Their methodology ensures traceability, dedication to environmental and human rights due diligence, and accomplishment of the Responsible Sourcing Standard (Perry, 2023). By 2025, they want to ensure zero deforestation in major supply chains, such as those for soy and meat. By 2030, Nestlé plans to plant 200 million trees as part of the Global Reforestation Programme. To produce 100% cage-free eggs, animal welfare is considered, and increased technology and traceability ensure transparency (Foodnavigator.com, 2023).
Ethical and Responsible	By the end of 2023, Nestlé received 2,341 messages via its Speak Up system, emphasizing compliance and ethics. Integrity is maintained by governance, which mandates various subject-

Business Practices	specific trainings. While external auditors assess the Corporate Business Principles against seven pillars, including human rights, its CARE Audit Programme ensures compliance in a worldwide setting (Geale, 2023). Closing gaps is ensured by continuous risk assessments. Speak Up provides a separate approach for reporting issues; in 2023, 2,874 messages were received, yielding 691 incidents. Nestlé manages a culture of ethical conduct by disciplining 122 employees and 15 service suppliers for verified cases, going above and beyond the requirements of the law to ensure integrity (Association of Corporate Counsel, 2023).
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Analysis 9: Areas for Improvement

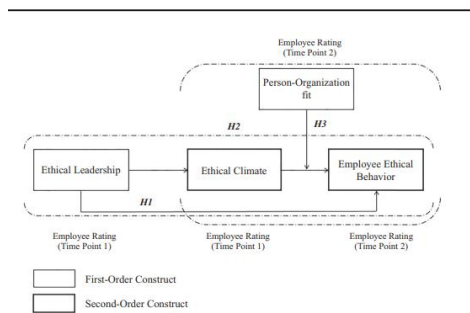
Table 4. Analysis 9

Key Areas	Description
Renewable Energy Investment	By investing more in renewable energy sources including solar, wind, and hydroelectric power, Nestlé might match its commitment to renewable energy (Bose, 2021).
Eco-friendly Transportation	To reduce emissions related to its distribution and logistics activities, Nestlé should focus on introducing environmentally friendly transportation systems. To reduce its influence on the environment, this may switch to low-emission cars, plan the best possible routes for transition, and invest in electric or alternative fuel cars (Ethical Consumer, 2019).
Support for Environmental Conservation Organization	By collaborating with alliances like WWF (World Wildlife Funds), Rainforest Alliance, Earthwatch Institute, etc., and contributing funds to projects based on habitat restoration, biodiversity protection, and environmental education, Nestlé

	might enhance its support for environmental conservation organizations (Global Nature Fund, 2024).
Circular Economy Partnerships	Nestlé might dedicate itself to forming partnerships for the circular economy that would minimize waste production and improve resource efficiency with organizations like CEC (Circular Economy Club), Ellen MacArthur Foundation, the Closed Loop Fund, Alliance to End Plastic Waste, etc. (Earthworm.org, 2024).
Community Well-being measures	Nestlé may prioritize community well-being metrics by funding projects and programs that increase the prosperity, safety, and health of the areas in which it works. This could ensure appreciation of sustainable livelihoods, providing access to clean water and sanitation, and interacting with the community to solve its specific needs and concerns (Global Data, 2023).

4.4 Strategies and policies to improve corporate ethical behavior of Nestle

Analysis 10: Ethical Leadership Development to Improve corporate ethical behavior



First-order constructs	Second-order constructs	Items	Items descriptions	Loading (>0.5)	CA (>0.7)
Ethical Leadership	Ethical Leadership	EL1	My supervisor listens to what employees have to say	0.636	0.911
		EL2	My supervisor disciplines employees who violate ethical standards	0.640	
		EL3	My supervisor conducts his/her work in an ethical manner	0.754	
		EL4	My supervisor has the best interests of employees in mind	0.810	
		EL5	My supervisor makes fair decisions	0.735	
		EL6	My supervisor can be trusted	0.734	
		EL7	My supervisor discusses business ethics or values with employees	0.752	
		EL8	My supervisor sets an example of how to do things the right way in terms of ethics	0.811	
		EL9	My supervisor defines success not just by results but also the way that they are obtained	0.782	
		EL10	When making decisions, my supervisor asks, "what is the right thing to do?"	0.795	

Figure 5: Analysis 10 (Al Halbusi et al., 2021)

Ethical leadership affects staff members through communication and role modeling while focusing on honesty, justice, and care for others. Empirical studies reflect that it has a major impact on employees' ethical behavior by enhancing fairness and trust.

Analysis 11: External Stakeholder Engagement to Improve corporate ethical behavior

Constructs of CSR disclosure activities	Coding	Means	SD	FL	CR	AVE*
CSR (environment)**	ER				0.874	0.511
Existence of corporate policies on environmental issues	ER1	3.784	0.957	0.582		
Employee involvement in environmental activities	ER2	3.822	0.995	0.671		
Environmental friendly practices in the value Chain	ER3	3.762	0.932	0.651		
Employee involvement in environmental activities	ER4	3.786	0.948	0.625		
Environmental friendly practices in the value chain	ER6	3.628	1.072	0.590		
Environment auditing	ER7	3.612	1.100	0.615		
Promotion of environmental technology and good environmental practices	ER8	3.799	1.038	0.678		
Energy consumption and conservation	ER9	3.763	0.980	0.647		
The production of environmental friendly commodity goods	ER10	3.820	0.936	0.686		
CSR (community)**	CR				0.863	0.514
Existence of a corporate community involvement policy	CR1	3.878	0.965	0.684		
Donations for disabled individuals on social welfare	CR2	3.924	0.931	0.763		
Local employment generation	CR3	3.884	0.967	0.728		
Provision of medical aid for the local community	CR4	3.900	0.942	0.762		
Aid for homeless/street children	CR5	3.949	0.956	0.700		
Education program	CR6	3.909	0.951	0.656		
CSR (customer)**	CCR				0.779	0.616
Customer support/services system	CCR1	3.804	1.073	0.660		
Customer satisfaction surveys/focus groups	CCR2	3.722	0.977	0.678		
ISO certification for products	CCR3	3.866	1.513	0.505		
Protection of customers' rights to information	CCR4	3.528	1.048	0.691		
Transparency in product composition declarations	CCR5	3.570	1.089	0.671		
CSR (employees)**	EER				0.860	0.537
Practice of equal opportunity employment	EER7	3.618	1.042	0.609		
Wage policies	EER8	3.719	1.083	0.670		
Presence of learning opportunities	EER10	3.677	0.979	0.675		
Discrimination free treatment	EER11	3.661	1.110	0.524		
Provision of healthcare for employees	EER12	3.537	0.986	0.666		
Existence of employees' development program	EER13	3.753	1.056	0.697		
Retirement programs for employees	EER14	3.541	1.007	0.693		
Promotion of work-life balance	EER15	3.612	0.910	0.730		
CSR (supplier)***	SR				0.872	0.560
Promotion of CSR in procurement processes	SR1	3.661	1.027	0.808		
Promotion of CSR initiatives throughout the value chain	SR2	3.561	1.188	0.789		
Green procurement—purchasing environmentally friendly raw materials and parts	SR3	3.203	0.996	0.834		
Presence of a formal and standard supplier selection process to avoid corruption	SR4	3.574	0.882	0.740		
CSR (government rules & regu.)***	GR				0.844	0.574
Adoption of internationally recognized CSR guidelines	GR1	3.708	0.888	0.744		
Compliance with international and local regulations	GR2	3.704	0.893	0.753		
Presence of anti-corruption corporate policies	GR3	3.657	0.961	0.775		
Official meetings with local authorities	GR4	3.724	0.821	0.756		
Organizational sales performance	OSP				0.848	0.527
Controlling unnecessary expenses	OSP1	3.806	1.016	0.722		
Achieving quantity and quality objectives of the sales	OSP2	3.635	1.041	0.744		
Following organizational policy & providing organizational information	OSP3	3.530	0.975	0.735		
Working well with all personnel of the organization	OSP4	3.668	1.006	0.716		
Giving high-quality sales presentations	OSP5	3.653	1.155	0.712		

TABLE 4 Summary of SEM results/hypotheses

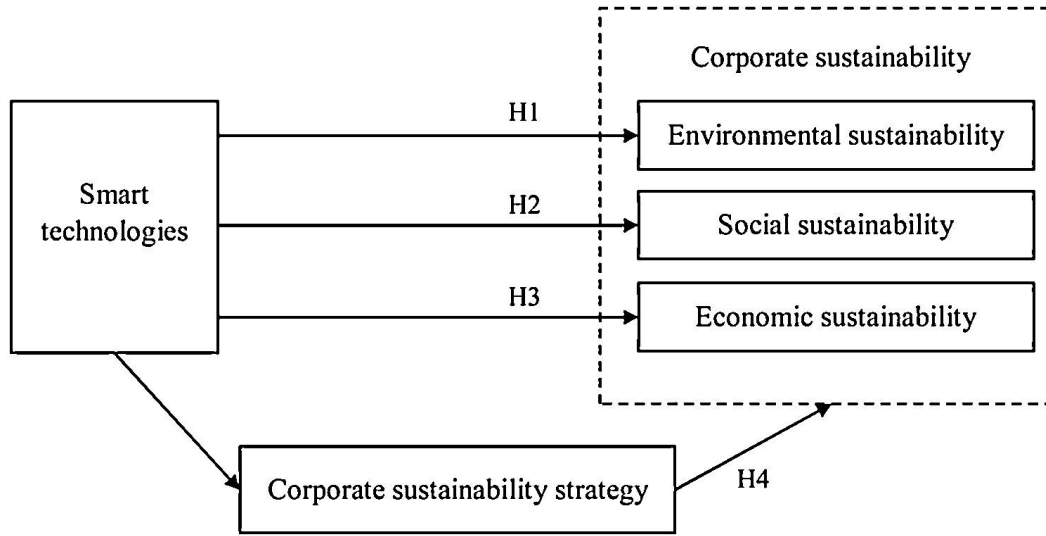
Proposed paths	ES	PC*	TE**	Decision
H ₁ : CSRSD → OSP	±	0.120*	0.206**	Supported
H ₂ : ICSRSD → OSP	±	0.117*	0.120**	Supported
H ₃ : ECSRD → OSP	±	0.101*	0.118**	Supported

Note. Model fit recommended criteria: SRMR < 0.08. Current value: SRMR = 0.0592. CSRSD: corporate social responsibility disclosure; ICSRSD: internal CSRSD; ECSRD: external CSRSD; OSP: organizational sales performance; PE*: paths coefficients; TE**: total effect.

Figure 6. Analysis 11 (Waheed & Yang, 2019)

According to the results, external CSR practices that focus on suppliers, consumers, the community, and following legal requirements significantly enhance an organization's ability to generate revenue. These findings ensure the value of interacting with external stakeholders and implementing CSR strategies to improve organizational success.

Analysis 12: Technology Integration to Improve corporate ethical behavior



Construct	Items
	<i>Indicate the degree to which you would agree with the following statements between [1-7] (1 = Strongly disagree ; 7 = Strongly agree)</i>
Smart technologies [3]	All the devices are programmable.
	All the devices are able to be uniquely identified.
	All the devices are aware of and respond to changes in their environment.
	All the devices can send and receive messages.
	All the devices can record and store all information.
	All the devices can identify with other devices, places, or people
Sustainability strategy	<i>The response scale to the following items ranged 1 – 4 (1= weak, 2 = satisfactory, 3 good; 4= excellent)</i>
	What is your company’s ability to integrate sustainable development principle into business operations over the last three years?
Corporate sustainability	What is the state of your company’s environmental sustainability (ability to take into account and reduce the environmental impact of the activity) over the last three years?
	What is the state of your company’s social sustainability (ability to promote health, safety, and well-being) over the last three years?
	What is the state of your company’s economic sustainability (ability to ensure the long-term economic balance of the company) over the last three years?

Figure 7. Analysis 12 (Saunila et al., 2019)

The study reflected the connection between corporate sustainability, sustainability strategy, and smart technologies. Although corporate sustainability strategy slightly mediated the relationship with environmental and social sustainability, it completely mediated the relationship with economic sustainability, even though smart technology had a favorable effect on it.

Analysis 13: Comprehensive Ethics Training to Improve corporate ethical behaviour

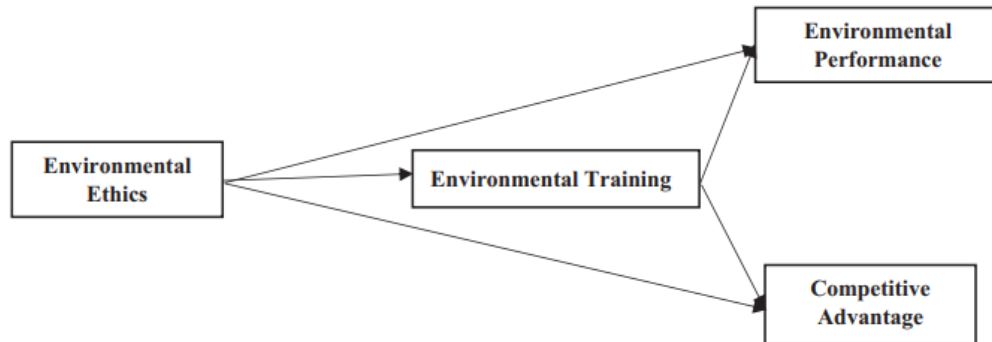


Fig. 1. Proposed research framework.

Table 3
Convergent validity test.

	Indicators	Std loading	Variance	Error	SCR	AVE
Environmental ethics (Cronbach's alpha = 0.849)	<i>My organization has clear and concrete...</i>				0.881	0.651
	...environmental policies (EETH1)	0.824	0.679	0.321		
	...policies for environmental investment and procurement (EETH2)	0.869	0.755	0.245		
	...environmental vision and mission integrated in its marketing events (EETH3)	0.782	0.612	0.388		
Environmental training (Cronbach's alpha = 0.787)	...environmental vision and mission integrated to its organizational culture (EETH4)	0.746	0.557	0.443		
	<i>Employee in this organization...</i>				0.801	0.580
	...receives adequate environmental training (ETRG1)	0.800	0.640	0.36		
	...is satisfied with environmental training (ETRG2)	0.764	0.584	0.416		
Competitive advantage (Cronbach's alpha = 0.822)	...frequently undergoes environmental training (ETRG3)	0.718	0.516	0.494		
	<i>My organization's...</i>				0.886	0.563
	...products/services are better than its competitors (COMPAD1)	0.741	0.549	0.451		
	...R&D capabilities are better than its competitors (COMPAD2)	0.741	0.549	0.451		
	...managerial capabilities are better than its competitors (COMPAD3)	0.728	0.53	0.47		
	...profitability is better than its competitors (COMPAD4)	0.744	0.554	0.446		
Firm environmental performance (Cronbach's alpha = 0.803)	...image is better than its competitors (COMPAD5)	0.773	0.598	0.402		
	...competitive advantage is better than its competitors (COMPAD6)	0.775	0.601	0.399		
	<i>Environmental activities pursued by my organization have significantly improved...</i>				0.851	0.589
	...product/process quality (EPERF3)	0.79	0.624	0.376		
	...reputation of my company (EPERF4)	0.815	0.664	0.336		
	...selling products/services (EPERF6)	0.737	0.543	0.457		
	...reduced overall costs (EPERF7)	0.723	0.523	0.477		

Figure 8. Analysis 13 (Singh et al., 2019)

The theoretical framework and test results of factor loadings are displayed in Fig. 9, where they indicate the strong correlations between environmental performance (EPERF), competitive advantage (COMPAD), environmental ethics (EETH), and environmental training (ETRG). The results also support the idea that environmental training mediates the relationship between environmental ethics and practices.

4.5 Strategies and policies to balance between ethics and profitability of Nestle

Analysis 14: Transparent Corporate Governance to balance between ethics and profitability

TABLE 1. Corporate Governance Approaches and Their Link to Responsible Innovation

	Shareholder value approach	Stakeholder approach	Political CSR approach
Basic assumptions	Principal-agency theory Accountability of management toward owners/shareholders Focus on maximizing shareholder value	Stakeholder theory Accountability of management toward various stakeholders of the firm Focus on multiple objectives/triple bottom line	Political CSR theory Accountability of management toward society Focus on firm's contribution to society
Favorable conditions for responsible innovation	Contribution to responsible innovation when government sets the right incentives to invest in new products or processes that avoid harm and do good	Contribution to responsible innovation when powerful stakeholders have an interest in new products or processes that avoid harm and do good	Contribution to responsible innovation when deliberation with citizens who have an interest in or contribute knowledge to new products or processes that avoid harm and do good is enabled
Limitations with regard to responsible innovation	<i>Legitimacy</i> In cases of state failure there is no mechanism to ensure the social acceptance (<i>legitimacy</i>) of innovation. <i>Effectiveness and efficiency</i> When the state is unwilling or unable to provide the right incentives, there is no evaluation of the goals (<i>effectiveness</i>) and means (<i>efficiency</i>) of innovation. Especially limited in a globalized business environment and when operating in fragile or failed states	No mechanism specified to integrate the heterogeneous institutional and moral concerns of the global stakeholders to ensure the social acceptance (<i>legitimacy</i>) of innovation. When powerful stakeholders have no interest in facilitating sustainable development, an evaluation of the goals (<i>effectiveness</i>) and means (<i>efficiency</i>) of innovation will be difficult. No mechanism specified to solve conflicts of goals in the case of the multi-objective perspective	When there is no capacity to deal with the limitations of deliberation, the corporation either remains stuck in the hierarchical mode of decision making that does not guarantee the social acceptance (<i>legitimacy</i>) of innovation or cannot reach an agreement with stakeholders about the goals (<i>effectiveness</i>) and means (<i>efficiency</i>) of innovation.

Figure 9. Analysis 14 (Scherer & Voegtlin, 2020)

The table reflects the assumptions, advantageous circumstances, and constraints of the various corporate governance approaches like shareholder value, stakeholder, and political CSR, concerning responsible innovation that ultimately helps to balance profitability and responsible practices.

Analysis 15: Risk Management and Compliance to balance between ethics and profitability

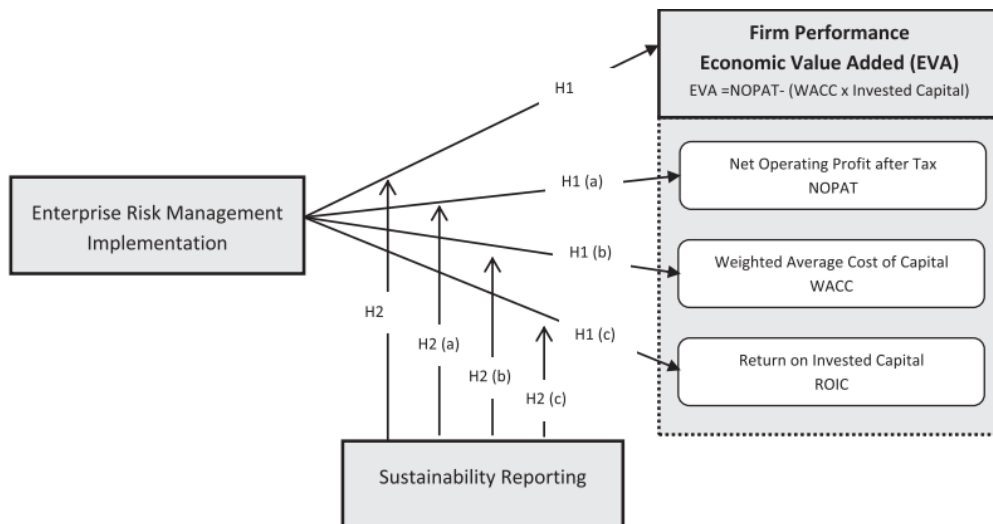


Figure 10. Analysis 15 (Shad et al., 2019)

The study focuses on the positive effects of enterprise risk management (ERM), which are mediated by sustainability reporting, on performance. It develops a conceptual framework that indicates ERM implementation can enhance business performance through sustainability or ethical reporting. According to Rosenberg & Schwartz (2019), advocating for a nuanced approach to ethics, behavior analysts emphasize continuous interaction with ethical concerns rather than rigid compliance with rules. They provide methodical approaches to ethical problem-solving to enhance deliberate, convincing solutions.

Analysis 16: Long-term Stakeholder Value Creation to balance between ethics and profitability

Sources (alphabetically)	Definitions, main assumptions and references to sustainable value creation (SVC)	Literature streams/origins	Theoretical foundation/scope of value creation
Evans et al., 2017, p. 600	Similar to Bocken et al. (2013), Evans et al. (2017) propose that the scope of value creation results from relationships, exchanges and interactions that take place among stakeholders (Allee, 2015), which are represented by value flows within networks of stakeholders (den Ouden, 2012). This leads to 'a holistic view of sustainable value integrating economic, environmental and social value forms' (see also Figure 1, p. 600).	Sustainable business model innovation	<i>TBL and stakeholder-based; the scope of value creation results from value flows within stakeholder networks</i>
Lüdeke-Freund, 2020, pp. 668–669	Business cases for sustainability are co-constructed by diverse stakeholders, and thus they can take different forms (Schaltegger, Hörisch and Freeman, 2019). This implies that value portfolios can consist of different kinds of value (e.g. dividends, customer solutions, employment, reduced environmental harm). Additionally, 'business cases for sustainability leading to value creation with and for stakeholders should be synonymous with <i>sustainable value creation</i> ' (orig. emphasis).	Sustainable entrepreneurship business models	<i>Primarily stakeholder-based; the scope of value creation results from different types of business cases for sustainability</i>
Upward and Jones, 2016, pp. 105–106	Upward and Jones (2016) propose that value can be defined as 'the perception by a human (or non-human) actor of a "fundamental need" (Max-Neef, Elizalde and Hopenhayn, 1991, p. 8) being met measured in aesthetic, psychological, physiological, utilitarian, and/or monetary terms' (p. 105). SVC should be measured as a 'single tri-profit metric [that] would be calculated as the conceptual net sum of the costs (harms) and revenues (benefits) arising as a result of a firm's activities in each of the environmental, social, and economic contexts in a given time period measured in units appropriate to each. A tri-profitable firm creates sufficient financial rewards, social benefits, and environmental regeneration, with sufficiency defined by stakeholders with the governance rights (power) to do so' (p. 106).	Sustainable business model innovation	<i>TBL and stakeholder-based; the scope of value creation results from stakeholders' fundamental needs and all harms and benefits of business activity</i>

Figure 11. Analysis 16 (Lüdeke-Freund et al., 2020)

Relationships between stakeholders are reflected by the networks in sustainable value creation (SVC), which ensures the integration of social, environmental, and economic values. It involves various value portfolios jointly created by stakeholders and a single tri-profit metric that considers expenses and revenues in social, economic, and environmental settings is used to assess SVC.

Analysis 17: Ethical Marketing and Branding to balance between ethics and profitability

Marketing professionals must evaluate current processes, develop clear ethical rules, incorporate ethical concerns into goods, communicate commitments openly, and regularly review and develop approaches to balance profitability and social responsibility. This all-encompassing strategy promotes corporate success and societal effects while ensuring compliance with moral standards (Weaver, 2023).

5 DISCUSSION ON RESULTS

This research offers Nestle excellent insights into how environmental scandals are perceived and impact reputation and consumer trust. A comprehensive overview of the existing ethical practices identified areas that may be revised for potential opportunities for environmental safeguards and proper corporate ethics. Other stakeholders such as consumers and investors also benefit from achieving acknowledgment of whether they can trust the food and beverage company while choosing appropriate reliable partners. Regulators also have the opportunity to make decisions on the food and beverage industry as further insights will offer areas to develop new policies based on the knowledge about environmental responsibility in the food and beverage industry. So, the chapter becomes a reasonable opportunity to relate theory with practice for discussion based on comprehensive grounds toward a sustainable future.

5.1 Environmental Scandals Associated with Nestle

An evaluation of Nestle's environmental crises indicates a pattern of debates involving many facets of the company's activities, which has negatively affected the company's reputation with ethical consumers. Firstly, Nestle's role in increasing water scarcity during droughts was exposed by the water bottling scandals in states like California, which caused public anger and required more strict regulations (Almeida et al., 2024). Secondly, questions regarding Nestle's sustainability practices and environmental effects have been raised in terms of pollution problems in developing nations, particularly air and water pollution from the company's industrial locations.

Thirdly, controversies over Nestle's social responsibility and ethical sourcing policies have been degraded by problems with the company's cocoa supply chain, such as child labor and deforestation, specifically in West African nations that produce cocoa (Ellingham, 2022). Fourth, Nestle's management of packaging

waste has ruined ecosystems and the environment, because it relied on single-use plastics and improper recycling programs. This has further degraded the company's reputation. Finally, the controversy surrounding Nestle's use and sourcing of palm oil has drawn attention from environmental practitioners and ethical customers to issues related to habitat loss, human rights violations, and deforestation related to palm oil sourcing (Tabuchi, 2024).

All things considered, these evaluations focus on the difficult challenges Nestle must overcome to match its corporate practices with moral and environmental concerns. As a result, ethical customers generally have negative opinions of the company, which could harm its reputation and market share (Wright et al., 2019).

5.2 Effects of environmental scandals on the reputation and customer trust of Nestle

The environmental scandals that have surrounded Nestle have had a significant effect on the company's reputation and have reduced consumer trust on several points. Customers are starting to doubt Nestle's efforts at environmental sustainability and ethical integrity as a result of these issues, which range from disputes over water bottling to worries about packaging waste and the purchase of palm oil (Lioutas, Charatsari, & De Rosa, 2021). The business's brand image and corporate communication initiatives have been further hampered by its management of these issues, which was reflected by a perceived lack of accountability and transparency (Munin, 2019).

As a result, consumers no longer trust or interact with Nestle as much because they are more doubtful about the company's general integrity, corporate accountability, and product quality (Ajayi & Salaudeen, 2023). Furthermore, these incidents have given customers the confidence to search out alternatives and demand change, which has enhanced the industry's requirement for higher corporate responsibility and sustainability performance. As it works through the

results of these scandals, Nestle's capacity to get back customers' trust and loyalty depends on its ability to communicate openly, act morally, and take primitive steps to address social and environmental issues (Alsaffar, 2016).

5.3 The current ethical practices of Nestle

A dedication to environmental sustainability in many areas, such as climate action, water reduction, nature preservation, water stewardship, responsible sourcing, and ethical business practices, is found in Nestle's present ethical practices (Crane et al., 2019). The corporation has set sustainable targets to improve regenerative farming approaches, reduce packaging waste, minimize greenhouse gas emissions, and enhance wise water use. Nestle also puts a strong emphasis on human rights compliance, ethical corporate practices, and responsible sourcing. Still, there are areas for development if Nestle wants to improve its ethical standards (Clarke & Boersma, 2017).

Key areas where Nestle may improve include increasing its investments in renewable energy sources, implementing eco-friendly transportation systems, partnering with environmental conservation organizations, developing collaborations for the circular economy, and prioritizing community well-being initiatives. By emphasizing these areas for improvement, Nestle can ensure its dedication to environmental sustainability, improve its reputation as a moral corporate citizen, and get back the confidence and loyalty of customers (Burlea & Idowu, 2016).

5.4 Strategies and policies to improve corporate ethical behavior of Nestle

Based on the results of various analyses, Nestle can implement several strategies and policies to increase corporate ethical behavior. First and foremost, it is significant that the organization establish moral leadership. Through discussing, modeling, and developing a climate of integrity, fairness, and compassion, ethical

leaders can have a beneficial influence over the ethical behavior of their workforce (Crane et al., 2019). Establishing business ethical behavior also greatly benefits from communication with external stakeholders. Nestle can enhance organizational success by developing its relationships and reputation with suppliers, customers, and the community through the implementation of Corporate Social Responsibility (CSR) (Davies & Gutsche, 2016).

Furthermore, incorporating technology can support the development of moral behavior. In addition to increasing accountability and transparency and supporting sustainability activities, smart technologies can enhance overall ethical behaviors within the organization (Dorasamy, 2024). Finally, providing staff members with thorough ethical training can be beneficial. By providing training courses that emphasize environmental ethics and practices, Nestle may develop moral principles and enhance conscientious codes of conduct among its employees. Together, these strategies which include training on ethics, technology integration, stakeholder involvement, and the development of ethical leadership, can help Nestle develop a corporate ethical behavior culture (Elgaaïed-Gambier, 2016).

5.5 Strategies and policies to balance between ethics and profitability of Nestle

Based on the results of several analyses, Nestle can implement various strategies and policies to gain a balance between ethics and profitability. Firstly, it is important to develop transparent corporate governance guidelines. Stakeholder-oriented corporate governance is one strategy that Nestle can use to ensure ethical innovation and decision-making that are consistent with business objectives and moral standards (Fanzo, 2015). This balance can also be encouraged by efficient risk management and compliance strategies. Integrating sustainability reporting with enterprise risk management systems helps enhance corporate performance while establishing moral principles (Figar & Đorđević,

2016). Furthermore, it is important to prioritize long-term stakeholder value development.

Through a commitment to sustainable value creation that emphasizes social, environmental, and economic aspects, Nestle can ensure that its operations earn long-term profitability while benefiting all parties involved (Freeman, 2023). Adopting ethical branding and marketing strategies is also crucial. Nestle can develop clear ethical standards, integrate morality into its advertising campaigns and product offerings, and openly introduce its values to customers (Filatotchev & Stahl, 2015). With a focus on social effects and ethical standards, this all-encompassing marketing strategy ensures Nestle's profitability. Nestle can successfully negotiate the difficult trade-off between ethics and profitability by implementing these strategies and policies, which will ultimately enhance the company's reputation with stakeholders and establish its long-term success (Freeman, 2023).

6 CONCLUSION AND RECOMMENDATIONS

After a careful analysis of Nestle's sustainability initiatives and ethical conduct, it is clear that the business has both opportunities and major challenges when managing the complex world of corporate responsibility. Nestle's efforts toward sustainability and moral business behavior would be significant to the development of its brand, customer trust, and long-term growth. The following explains the conclusion and recommendations found in the research.

6.1 Conclusion

In conclusion, the evaluations reveal several stages of Nestle's ethical conduct and corporate social responsibility (CSR) practices, as well as the results for the company's reputation, customer trust, and ecological sustainability. Nestle has had to deal with several environmental issues, such as those involving water bottling, pollution in developing nations, problems with the cocoa supply chain, waste management in packaging, and the sourcing of palm oil. These controversies have damaged Nestle's image, reduced consumer confidence, and questioned the company's moral behavior and environmental responsibility.

Nevertheless, despite these difficulties, Nestle has also shown that the company is dedicated to developing its moral behavior and environmental sustainability. To identify climate action, water reduction, conserving the environment, responsible sourcing, and ethical business practices, the corporation has implemented several programs. With these initiatives, Nestle hopes to reduce its effects on the environment, support regenerative agriculture, enhance water management, ensure ethical sourcing, and encourage moral standards across its whole business. To improve its business ethical conduct, Nestle may choose to implement some strategies and guidelines. These include integrating technology to support sustainability strategies, interacting with external stakeholders to develop CSR practices and organizational success, improving ethical leadership development to share values of honesty, justice, and care for others among its employees, and

providing extensive ethics training to staff members to ensure compliance with moral standards.

Furthermore, by ensuring transparent corporate governance, successful risk management, long-term stakeholder value creation, and moral marketing and branding strategies, Nestle may balance ethics and profits. Through the use of these strategies, Nestle can effectively handle the complex relationship between ethical considerations and economic objectives. This will ultimately enhance the company's reputation, improve customer trust, and ensure environmental sustainability. Nestle faced crucial challenges in developing moral principles and ecological accountability while ensuring financial gain. But Nestle can tackle these challenges and raise itself as a responsible corporate citizen dedicated to moral behavior, environmental safeguards, and long-term success by implementing strong CSR practices, developing moral leadership, communicating with stakeholders, integrating technology, and balancing ethics and profitability.

6.2 Recommendations

Based on the above findings, there are given some recommendations through which Nestle may reduce its ethical dilemmas and raise sustainable and ethical business practices. The recommendations are as follows-

- Transparency in business practices should be emphasized by Nestle, especially in areas with substantial social and environmental impacts. This ensures open and honest reporting on a range of points, such as the steps taken to address ethical issues, environmental performance indicators to assess the company's ecological footprint, and sourcing policies to ensure sustainability. Transparent disclosure enhances accountability, improves stakeholder trust, and helps investors, consumers, and regulatory agencies to make wise decisions (Lioutas, Charatsari, & De Rosa, 2021).

- Nestle must make ethical leadership development program investments if it wants to improve an environment of honesty, equity, and moral conduct in all organizational areas. Through the implementation of leadership accountability structures, mentorship initiatives, and training programs, Nestle can ensure its employees make moral decisions and develop moral standards in their daily activities (Ajayi & Salaudeen, 2023). These initiatives establish a sense of accountability and a dedication to moral behaviour as well as raising staff understanding of ethical concerns. In the end, encouraging moral leadership enhances the company's reputation as a socially conscious one and assists in creating a positive organizational culture (Munin, 2019).
- Throughout its supply chain, Nestle's dedication to fair labor practices, regenerative agriculture, and deforestation depends primarily on its raw material sourcing sustainability. Achieving this goal requires working with suppliers, implementing certification programs, and setting up reliable monitoring and improvement strategies (Alsaffar, 2016). Nestle can minimize its environmental impact, collaborate with local communities, and enhance the overall integrity of its supply chain by prioritizing sustainable sourcing strategies. In addition to being consistent with Nestle's moral principles, this proactive strategy improves the company's reputation as a socially and environmentally conscious corporate citizen (Crane et al., 2019).
- For Nestle, investing in renewable energy sources such as hydroelectric, wind, and solar power offers a big opportunity to minimize its carbon footprint and enhance environmental sustainability. Through the adoption of these renewable energy sources, Nestle can minimize its dependency on fossil fuels and make a valuable contribution to the worldwide goal of overcoming climate change (Clarke & Boersma, 2017). Adopting sustainable energy techniques not only ensures Nestle's dedication to environmental responsibility but also develops the business as a pioneer in the use of cutting-edge, environmentally

responsible technologies. Nestle is committed to reducing its environmental effects and increasing a more sustainable future, as seen by this overall investment in renewable energy (Burlea & Idowu, 2016).

- Nestle may minimize waste output, enhance resource efficiency, and maximize product lifecycle management by the implementation of circular economy initiatives. Nestle can close the loop on the lifecycle of its products, reducing waste and saving precious resources, by developing packaging for recyclability and implementing take-back and recycling programs (Crane et al., 2019). Nestle's dedication to sustainability is ensured by its exploration of creative reuse and remanufacturing practices, which enhances sustainable consumption and production. Adopting the concept of the circular economy is not only consistent with Nestle's environmental goals, but it also establishes the company as a leader in sustainable business practices, bringing about positive change both inside and outside the sector (Davies & Gutsche, 2016).
- To analyze external stakeholders' concerns, resolve complaints, and work together to find solutions to challenging environmental and social scandals, Nestle must develop real engagement with communities, NGOs, governments, and consumers. Through attentive listening and stakeholder involvement in decision-making practices, Nestle may improve trust, promote transparency, and ensure conformity with societal norms (Galalae & George, 2017). In addition to increasing ethical business practices, this cooperative strategy ensures Nestle to jointly produce sustainable solutions that are beneficial to the organization and its larger stakeholders. Using inclusive engagement, Nestle may enhance partnerships that benefit both parties and provide positive outcomes throughout its value chain (Goh & Jie, 2019).

- Nestle needs to improve its risk management and compliance systems to identify and solve ethical concerns throughout the whole company. To ensure compliance with legal and ethical needs, it is important to build strong internal control mechanisms, perform risk assessments, and conduct regular audits (Gram-Hanssen, 2021). Nestle can minimize the possibility of ethical issues and show its dedication to ethical business practices by proactively resolving possible ethical issues and implementing preventive measures. Robust frameworks for compliance and risk management are vital to ensure Nestle's image, develop trust among stakeholders, and manage its ethical standards across the board (Hamelin, Harcar, & Benhari, 2013).
- Nestle might implement moral marketing strategies that emphasize integrity, openness, and customer empowerment. This means using responsible advertising, ensuring labels are accurate, and not using greenwashing approaches. Nestle can achieve the trust and credibility of consumers by prioritizing authenticity and integrity in its marketing communications (Heckler & Ronquillo, 2020). In addition to being consistent with moral standards, honest and open marketing strategies enable customers to make wise decisions. Nestle can increase consumer loyalty and long-term sustainability by developing a relationship based on trust and transparency, thereby enhancing its brand reputation and ensuring its commitment to ethical business initiatives (Hota et al., 2023).
- It is recommended that Nestle enhances innovation and research to create sustainable products, processes, and technology. Nestle can ensure positive change throughout its operations by funding research and development projects that aim to reduce their impact on the environment, increase resource efficiency, and promote sustainable consumption practices (Hunnes, 2019). Investigating new materials, technologies, and production approaches that minimize waste, conserve resources, and reduce environmental harm

may be necessary to accomplish this. In addition to satisfying changing customer needs and developing a more sustainable future, Nestle can show itself as a pioneer in ethical business practices by providing sustainability top priority in its innovation objective (Crane et al., 2019).

- To promote collective action on important sustainability challenges, Nestle should collaborate with partners in the industry, academic institutions, and civil society organizations. By working together with stakeholders from other industries, Nestle can take advantage of their accumulated knowledge and assets to solve systemic problems and enhance good change on a large scale (Burlea & Idowu, 2016). Nestle may achieve access to state-of-the-art research and innovation by developing connections with academic institutions. Additionally, collaborating with civil society organizations ensures alignment with social requirements. Interacting with competitors in the sector ensures the sharing of knowledge, standards, and best practices across the industry. Using strategic alliances, Nestle can increase its influence and promote its advancement towards its sustainability objectives, all the while developing a climate of cooperation and mutual accountability (Alsaffar, 2016).

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