



12-7-2018

Stakeholder Theory in Ethical Business Decisions: The Case of Nestle

McKayla Marcola
Western Michigan University, mckaylamarcola@gmail.com

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Western Michigan University

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Thesis

Stakeholder Theory in Ethical Business
Decisions:
The Case of Nestlé

By: McKayla Marcola

Thesis Chair: Dr. Timothy Palmer

Thesis Committee: Beth Ernst , Barclay Johnson

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Prologue: Our Great Lakes

Michigan is the center of the Midwest area and the only state with two land parts. Michigan is also known for its Great Lakes, and its 46,199 lakes that are inland (Facts about Michigan's Lakes, 2013). When asked about a typical Michigan summer, any resident will talk about going “up north” to see Mackinac Island, going fishing in a local watering hole, or even relaxing in the sand on any Michigan shoreline. The thing that all of these activities have in common is water. Many of Michigan’s residents have a direct connection with water; it’s part of Michigan pride. That is why when news surfaced about Nestlé Water Division proposing a water increase, this story hit home for many Michigan residents. In an effort to grow Michigan’s economy, Michigan became a business-friendly state, which would give lots of financial and tax breaks to any business that moved to Michigan. This movement coupled with Michigan’s ample water supply was the perfect spot for Nestlé to open up water plants. Today, Nestlé Water Division has 50 water bottling plants located across Michigan, one of them in the town of Evert is located in Osceola County (Michigan under fire for letting Nestlé bottling plants pump more water, 2018).

Overview: The Nestlé Case

In the early 2000s, Nestlé built a water bottling plant in Osceola County, pumping water from Evert, MI (A tiny Michigan town is in a water fight with Nestlé, 2018). Nestlé employs 280 people at its plant, and 50 of those employees live in the surrounding community (A tiny Michigan town is in a water fight with Nestlé, 2018). Nestlé’s water pumping began to concern the local community of Evert, as soon as Nestlé opened their plant. It wasn’t until Nestlé’s announcement in 2017 of its proposed water increase from pumping 250 gallons per minute to 400 gallons per minute that it sparked an outcry in the community (A tiny Michigan town is in a water fight with Nestlé, 2018). News channels began covering the story, and a once Evert-based concern turned into a concern across the entire state of Michigan.

Environmental groups, Michigan citizens, and state representatives called into question not only the environmental impact this would have on the community but also Nestlé's values for creating a proposal that doubles its current water intake.

Once this story took the public spotlight, Nestlé finances were also questioned. It was discovered that Nestlé currently pays \$200 a year, along with state businesses taxes, to the state of Michigan to pump water from the Evert water basin (A tiny Michigan town is in a water fight with Nestlé, 2018). The news and media outlets depict Nestlé as a greedy corporation that holds little concern about Michigan water, and whose main concern is making money. According to CNBC list of top states for business, Michigan is ranked 11th out of 50 states. A business friendly state is judged based on the state's workforce, infrastructure, education, etc. These states also give tax breaks to businesses looking to move to or open new facilities (Michigan Among Best States For Business: Report, 2018). This idea was adopted by Michigan government to help grow Michigan's economy. These tax breaks give businesses a great opportunity to save on cost by moving to and operating in Michigan, but this also leaves opportunity for businesses to take advantage of the system.

When applying for the water increase with the state of Michigan, Nestlé included an August 2000 environmental impact study, that discussed the possible effects of water pumping on Michigan wetlands. This study was conducted when Nestlé was initially exploring Michigan for natural springs to use as their water source for their brand of bottled water, Ice Mountain (Ellison, 2017). Nestlé hired the environmental engineering firm Malcolm Pirnie, to look into the wetland in Nestlé's White Pine Springs Well No. 101 in Osceola County. The study found that the wetland sits atop an underground aquifer system that exhibits greater hydrologic connectivity to surface wetlands than the company disclosed in its permit application (Ellison, 2017). Nestlé's water study is being widely criticized by scientists and citizens alike. Scientists who reviewed Nestlé's application have pointed out that Nestlé's claims that the

wetlands are “perched” above the water table and couldn’t be drained by water extraction. However, in reality, the wetlands are in fact likely to be harmed (Ellison, 2017).

When the Michigan Environmental Council, (MEC) heard of the proposal, they found a few inconsistencies in Nestlé’s application and created an advisory letter highlighting the problems. The MEC states in an advisory letter to the Michigan Department of Environmental Quality, (MDEQ) that, “The proposed use will meet the applicable standard provided in Section 32723 of the Natural Resources and Environmental Protection Act, 1994 PA 451, MCL 324.32723. And the person will undertake activities, if needed, to address hydrologic impacts commensurate with the nature and extent of the withdrawal. These activities may include those related to the stream flow regime, water quality, and aquifer protection” (Nestlé Waters North America, Inc., 2017, pg 1).

By Nestlé proposing a large water increase, it will directly affect all the work that these environmentalist groups have done. These group’s main purpose is to preserve a part of Michigan’s environmental integrity, since water is a resources that affects all groups. With a large water increase, it poses an immediate concern for every aspect of Michigan’s environment. The report also has a section where it reviews Nestlé’s environmental impact report stating, “Nestlé’s in its permit admits its withdrawal would have the following hydrologic impacts, and thus should be required to undertake improvement projects commensurate with the nature and extent of the impacts”(Nestlé Waters North America, Inc., 2017, pg 4). When it comes to stream flow the stream flow will “ultimately diminish aquifer discharge to Chippewa Creek, Twin Creek, and the Muskegon River by a total of 250 GPM”(Nestlé Waters North America, Inc., 2017, pg 4). The water temperature would “increase by less than 0.2°C” (Nestlé Waters North America, Inc., 2017, pg 4). Lastly the overall state of the wetlands could be affected, “up to 1 foot of drawdown may occur in the spring aquifer, in the vicinity of Wetland H, between 0.5 and 1 feet of drawdown may occur in the spring aquifer in the vicinity of Wetlands A, G, R, and CC, and less than 0.5 feet of drawdown may occur in the spring aquifer at Wetlands FF, OO,

and PP,” (Nestlé Waters North America, Inc., 2017, pg 4). The ethics of this decision considers more than just law. With no current plans from Nestlé on how they will fix the environmental damage, the increase is a major concern for these political groups whose mission are to advocate and protect the environment. In April 2018, Michigan approved Nestlé water withdrawal increase.

There are many different opinions when it comes to whether or not the Michigan Department of Environmental Quality should have approved Nestlé’s proposal. One way to systematically analyze these opinions in a comprehensive way is by applying stakeholder theory.

What is Stakeholder theory?

The traditional view, of businesses is that executives’, first responsibility is to maximize the wealth of the firm’s owners. In contrast, stakeholder theory says that stockholders are just one group that matters. Other critical stakeholders include employees, local citizens, customers, and public interest groups. The best definition of stakeholder theory as provided below, quoted from Dr. Timothy Palmer from the Western Michigan University Haworth College of Business, can be summarized as, “the main idea is that a company might have to forgo some short term profits. However by integrating the needs of all your important stakeholders into your decisions, you maximize long term profits.”– Dr. Palmer, of Western Michigan University.

Through the stakeholder theory perspective, this thesis will examine the different perspectives of each of the direct and indirect stakeholder groups who are affected by Nestlé’s proposal. This thesis will also review the short and long term implications and consequences, while keeping in mind each stakeholder group covered through this thesis.

Direct Stakeholders

Direct stakeholders, as defined by Law Dictionary.org, are “the parties most immediately and directly impacted by a company” (Black’s Law Dictionary, 2014). This section focuses on Nestlé most important direct stakeholders: stockholders, customers, and Nestlé employees.

How will this proposal affect Nestlé stockholders?

Keeping in mind the definition of stakeholder theory, Nestlé wants to continue to grow and add value to its business, thereby, creating wealth for its stockholders. It's important for a business to be a good investment for stockholders. One way Nestlé can do this is by keeping their business cost low to increase their profit margins. Inexpensive water was just one of the reasons Nestlé chose to have a plant in Evart MI (A tiny Michigan town is in a water fight with Nestlé, 2018). Due to a combination of a cheap water supply and significant tax breaks from the state of Michigan, Nestlé had the perfect opportunity to keep cost low while increasing its water withdrawal. With the approval of the proposal, Nestlé can increase its production. By increasing production, Nestlé can then bottle and ship more water at a faster pace. In the long term, doing this will allow Nestlé to capture more of the market share, which has the potential to raise its stock price, or increase its dividends, thus benefiting its stockholders. Cheap water means lower business costs. That is why proposing a water increase would not only increase revenues, but also would keep current stockholder’s profits high and creates a sound investment opportunity for potential new stockholders who are looking to invest. More than 80,000 people throughout the state of Michigan have opposed the water increase with only 75 approving the proposal. (A tiny Michigan town is in a water fight with Nestlé, 2018). As a company, Nestlé has to consider the impact on its image by its community when making a drastic proposal such as this one. The negative media and public relations have the potential to directly impact Nestlé sales, and future business venture with the town and the state of Michigan. With social media being the platform for venting personal opinions, Nestlé will be seen as the antagonist in almost every opinion. Since bad news travels faster than good news, many Michigan residents outside of

Evart have seen the news stories, read personal stories and have already formed their negative opinions of their own just from hearing about one side. The public's opinion will only get worse as long as Nestlé is pumping water at 400 GPM. If in the future the state of Michigan decides to put have the public vote on anything having to do with Nestlé, there is a high probability that the public will vote no. Then any thoughts Nestlé had about expanding in Michigan will be gone. Nestlé could threaten to leave Michigan, but with the state's abundance of cheap water, it wouldn't be financially smart for the company to move somewhere else to start a new factory and have to pay more for water.

Although stockholders directly affect the company, Nestlé customers are also directly affected when it comes to the water increase.

How will this proposal affect customers and society?

According to INC.com, two of the top nine most important elements of every start up, which continue to be just as important as the business grows, are customer relationships, and customer segments. Nestlé defines the customers, according to its shared value report, as those “who are our primary business partners, in direct contact with consumers” (Nestlé Company Report [Review], 2011, pg 7), meaning those who buy the products for their users, like parents buying water for their child's baseball team after practice. Nestlé also defines consumers as those “who buy and drink our product to cover their hydration needs”(Nestlé Company Report [Review], 2011, pg 4). Nestlé's purpose “is enhancing quality of life and contributing to a healthier future. We want to help shape a better and healthier world. We also want to inspire people to live healthier lives. This is how we contribute to society while ensuring the long-term success of our company” (Nestlé , About Us, n.d.). The purpose statement centers on the idea that the company will create a positive impact in the lives of their residents citizens. Nestlé takes this idea of contributing to the public good, a step further by stating its ambitions, that by 2030 they would like to have accomplished “Helping to improve 30 million livelihoods in communities directly connected to our business activities, help 50 million children live healthier lives, and strive for zero environmental impact

in our operations” (Nestlé , About Us, n.d.). As the world moves toward a sustainable lifestyle, many consumers are demanding a higher standard from the companies and the product consumers use everyday. Nestlé is trying to meet that standard with its purpose statement and company ambitions.

Although these are inspiring goals, like all goals, Nestlé would need funds to allocate toward accomplishing these goals; this is where Nestlé’s water proposal comes in. In order for Nestlé to meet the needs of its sustainable customers, they have to increase revenue to be able to allocate to any number of their causes. Increasing their water pumping levels creates more revenue for Nestlé, which in return gives Nestlé the option to use those funds to accomplish its goals for creating a sustainable earth and healthier customers. Since Nestlé is a large corporation with headquarters all over the world, the company going green would reduce the amount of waste, carbon dioxide, and toxins released by the Nestlé’s factories. Improving their factory creates a positive impact of the earth, and makes the customer satisfied knowing that they are supporting a company that is contributing to the world wide struggle to leave this earth better than what this generation was given, for all future generations. Since Nestlé has made it publicly clear that they are committed to helping local communities, Nestlé has donated 6.5 million bottles of water to the Flint area (Facts About Nestlé water in Michigan, 2018). Although most consumers in Michigan may not see or feel Nestlé contribution, all around the world, Nestlé is having a positive impact on less fortunate communities. In communities such as Cote d’Ivoire in West Africa, Nestlé has contributed a total 181 water pumps, helping to deliver clean water and sanitation to almost 110,000 people in the Cote d’Ivoire’s community over the past 10 years (Nestlé, Wash Your Hands, n.d). This is just one example of Nestlé’s demonstrating its commitment to serving the public good. This a good example of how Nestlé has already honored its commitment to its customers in Africa. With more revenue, this could benefit Michigan-based customers, allowing Nestlé to continue their efforts in Flint, Michigan. Donating more water bottles and possibly donating to help fix the Flint water pipes are just a few ways Nestlé could give back to Michigan customers. Other positive factors includes Nestlé reaching out into new market segments making their

water available in more places for their customers to buy. Also because Evart water is so inexpensive, this means lower prices for customers.

An increase in market segments would also mean more revenue, which directly affects Nestlé's employees.

How will this proposal affect Nestlé employees?

Nestlé is an international company, which currently pumps water in five counties in Michigan. These include Kent, Mecosta, Montcalm, Newaygo and Osceola Counties. These water plants employ 242 residents of those counties (Economic Impact Study for Michigan | Nestlé Waters North America, n.d). When a company decides to increase production, it not only affects the resources used to make that product, but also all those people who have direct contact with making that product. Nestlé choosing to increase its water supply would create a need for more employees to help with the new increase in work that has to be accomplished. According to Nestlé's economic impact study in Michigan, the water increase is estimated to create 20 additional jobs at its plants, and create 41 jobs indirectly throughout Michigan (Economic Impact Study for Michigan | Nestlé Waters North America, n.d). Increasing employment not only is great for the new hires but also for the current employees. As Nestlé grows and expands the Evart Michigan water plant, it will need to create a new chain-of-command that can accommodate the increase of employment and to help keep the plant running efficiently and sustainably. This could call for promotions and pay raises for all current employees. The plant expansion will also bring the company total economic impact in Mecosta and Osceola counties to \$14.2 million annually and an estimated \$170 million statewide (Economic Impact Study for Michigan | Nestlé Waters North America, n.d). Nestlé states in their company report that their employees are "the core of the company and our most important asset"(Nestlé Company Report [Review], 2011, pg 7). According to the most recent data from Glassdoor.com, which is a company review site, one of Nestlé's top five problems was lack of ability for advancement.

By creating more jobs, and promoting from within, Nestlé will benefit employees with will also have a positive impact on Evart and its surrounding communities.

Indirect Stakeholders

Indirect stakeholders are those individuals or groups that do not have a direct contact with the company, but are still affected by its presence (Black's Law Dictionary, 2014).

How will this proposal affect public interest groups?

During the process of Nestlé's proposal evaluation, many environmental groups made their comments about the logistics of the proposal. Groups such as the Michigan Environmental Council expressed their concern for the lack of guidelines that Nestlé was currently following to maintain water standards, made by the Michigan Department of Environmental Quality (MEDQ).

The MEC mission statement is, "Michigan Environmental Council drives the environmental agenda in Michigan. We develop innovative policy ideas; communicate them to key audiences in a compelling fashion; and engage our members, community leaders and residents as effective local advocates for shared goals. By leading powerful, diverse collaborations, we inspire state leaders to adopt pioneering solutions that set a global standard for environmental leadership" (About Michigan Environmental Council, n.d). Another environmental group affected by this withdrawal is the National Wildlife Federation. The NWF mission statement talks about the organization, "sacred duty and obligation to protect and build upon our conservation heritage for the sake of wildlife, ourselves, our neighbors, and—most of all—for future generations" (National Wildlife Fund Mission and Strategic Plan, n.d).

It stands to reason that when a group like Nestlé proposes a large water increase, it raises concern from these groups. In The MEC advisory letter they state, " In most permit actions before the state, the MDEQ staff will review the application and prepare for public comment the "proposed" decision by the

department. This could include a permit denial, a proposed permit subject to conditions, or a permit approval. In this matter, the only document from the department is a request for more information. We agree the information was needed. However, we have concerns that MDEQ does not provide the public with any more insight regarding their review of the materials ” (Nestlé Waters North America, Inc., Permit under section 17 of the Michigan Safe Drinking Water Act, 2017). The MEC expresses its concern for the lack of transparency information given as public knowledge.

Not only does Nestlé have to worry about state laws but also Native American treaty guidelines as well, as discussed in the next section.

How will this proposal affect Native Americans?

Public interest groups will also be affected by Nestlé's water increase. The MEC goes on to state in its advisory letter that other groups such as, “National Wildlife Federation, Tip of the Mitt Watershed Council, Michigan Trout Unlimited, and Michigan League of Conservation Voters have been actively involved in the regulation of large water users in Michigan for more than a decade, and have invested in ensuring that our regulation of large water users complies with the regulations set forth by the legislature in 2008” (Nestlé Waters North America, Inc., Permit under section 17 of the Michigan Safe Drinking Water Act, 2017). Groups such as Chippewa Ottawa Resource Authority, (CORA) which represents the five tribes in Michigan. In 1836, the Michigan government wanted the land to be declared a state, but since they did not own the land they had to convince the Native American tribes to relinquish their rights to the land to gain statehood. That's when the 1836 treaty was signed between the government and the Native American tribes. The treaty relinquished the Native American rights to the land of Michigan so it could be declared a state, but this treaty didn't take away any fishing or hunting rights the Native Americans have on this land. In an interview with Michigan Radio, the environmental coordinator for CORA, Mike Ripley, said “ At 400 gallons per minute, we believe there will be significant impacts on the headwaters of that watershed, which is the watershed of the Muskegon River” (Tribes concerned

proposed Nestlé water pumping increase would harm environment, violate treaty, 2017). The degradation of this land would be in direct violation with the treaty the government made with Native Americans. If Nestlé water increase does affect the surrounding watersheds that are protected by the 1836 treaty, they are liable for all damages and any lawsuits filed against them by CORA. This is a big factor for Nestlé to consider. The decision to move forward with the proposal to pump more water leads one to believe that Nestlé is taking the appropriate steps to measure and prevent any land or water degradation that they would cause by moving forward with this increase. In the same interview, Ripley says “CORA tribes have met with state officials three times since the beginning of 2017. He says he’s satisfied with the access CORA has had to data from the Michigan Department of Environmental Quality” (Tribes concerned proposed Nestlé water pumping increase would harm environment, violate treaty, 2017). However, “they would like more information from Nestlé regarding real-time pumping data from the well in Osceola County. He says the state should get that information from Nestlé” (Tribes concerned proposed Nestlé water pumping increase would harm environment, violate treaty, 2017). Not only will the government protected Native American lands be affected but also the local town of Evert where Nestlé has one of its water pumping facilities.

How will this proposal affect the greater Evert community?

Evert has been home to a Nestlé water bottling plant since the early 2000s. In Nestlé’s shared value report about their commitment to supporting not only its stockholders but also the communities in which they operate, the CEO of Nestlé Paul Bulcke, states “creating shared value is the basic way Nestlé does business – by leveraging core activities and partnerships to simultaneously create value for shareholders as well as for society” (Creating Shared Value Report, 2005-2010). Their creating shared value initiative is about spreading its values such as, profits, ethics, and company responsibility to all

areas of the business, including those living in the communities in which they have water bottling plants, like Ewart.

Some locals who have been in the town of Ewart for many years say that within the last couple of years since Nestlé has moved in, they have seen significant changes in the water levels, quality, and life. Maryann Borden, a 73 year old, retired teacher who has lived in the town since 1953, said during an interview with Agence France-Presse “ It’s not the same creek,” and “its narrower and deeper and therefore warmer”, compared with the “biting cold” water from her youth (A tiny Michigan town is in a water fight with Nestlé, 2018).

Many locals are concerned they see fewer and fewer fish in the Twin Creek river each year (A tiny Michigan town is in a water fight with Nestlé, 2018). They also recall that the water level has decreased, and that the quality of the water has deteriorated. It used to be a crystal clear river but now is murky and no longer looks healthy. State and local environmental groups have also expressed their concerns about the water increase. According to the Michigan Environmental Council Report (2017), “Nestlé has stated that if its withdrawal impacts any of the neighbor’s, the company will either re-drill the neighbors’ wells or provide them with other comparable supply. However, in the case of water-dependent natural resources there is not an equivalent provision” (p. 3). The Michigan Environmental Council (2017) wrote an advisory review about the legal and ethical decisions pertaining to Nestlé’s proposal application. This was given to the Michigan Department of Environmental Quality, to help inform them of their opinion before any decisions were made. In the end, the Michigan Environmental Council (2017) concluded “It is our conclusion that Nestlé has not provided sufficient information in its application and supplemental filings to meet the requirements of Michigan law to issue a permit for an expanded withdrawal from their well PW-101” (p.4)

Other groups like the Chippewa Ottawa Resource Authority (CORA) have also expressed their opposition to Nestlé’s proposal. Mike Ripley, the environmental coordinator of CORA, in an interview with Michigan Radio says “that the pumping could harm the environment where tribes have fishing rights that are preserved by an 1836 treaty” (Staff, 2017).

There are many stakeholders who hold strong opinions against this proposal, there are those who believe Nestlé’s decision will have a positive impact on the economic community of Evert. The city manager of Evert, Zackary Szakacs, has expressed his support for the Nestlé proposal by commenting that the decision will have a substantial economic impact on the town. Evert has a median income of around \$20,000 a year (Evert, Michigan, 2016). Szakacs said in an interview with PRI, (2017) an online news source, “ Thank God we have two of those wells in the city of Evert because I would have to lay people off”A tiny Michigan town is in a water fight with Nestlé, 2018). Szakacs is also quoted saying, “ They (Nestlé) help maintain and keep our water rates low so our residents that are poor can live in this community can afford to pay their monthly water bill” A tiny Michigan town is in a water fight with Nestlé, 2018). With the added income of the Nestlé plant, there is a potential for a trickle down effect in the Evert community. Nestlé could raise their employee’s wages, which would raise the median income for the community. With the increase in cash flow in the community, Evert could be on an economic rise.

Although Nestlé, in principle, wants to increase shared value, there are many local community members in Evert who are not feeling the effect of Nestlé shared value concept. The local communities disapproval of Nestlé practices stem back before the 2017 proposal. Nestlé applied to build a pumping station to get more groundwater and the township denied its permit, but when it was taken to the county judge, the permit was approved. In a *New York Times* post, Maryann Borden, describes to the reporter about her first-hand experience with the effects of Nestlé water pumping. She said “ the stream that has long babbled along her property is about half the size it used to be, and I suspect Nestlé’s insatiable thirst is to blame”(Where Nestlé Guzzles Water, Michigan Neighbors Take Exception, 2017). Tim Ladd

manager of Osceola Township said, "you don't have to be a geologist or a hydrologist to see those water levels," he added. "The water lake tables are lower today than what they were two years ago" (A tiny Michigan town is in a water fight with Nestlé, 2018).

Even with the many locals opposing the water proposal and the Nestlé Corporation, the company continued on with its proposal and was granted permission to increase its water pumping.

Short and long term consequences

As Nestlé weighed its decision on whether or not to propose the water withdrawal increase a number of stakeholders were considered in its decision. Those decisions have long and short-term consequences no matter which way Nestlé would have decided to continue. In this section, the thesis will look at Nestlé's decision in a pro and con format keeping in mind the principle of stakeholder theory and how each stakeholder is affected by Nestlé's decision in either the long or short term.

Short- term consequences

Nestlé should propose a water increase for its plant in Evert MI for the following reasons:

- With the added revenue to the company, the plant will grow and expand, creating new jobs within the plant and in the surrounding industries.
- The plant expansion will also bring the company total economic impact in Mecosta and Osceola counties to \$14.2 million annually and an estimated \$170 million statewide. (Economic Impact Study for Michigan | Nestlé Waters North America, n.d)

Nestlé should not propose a water increase for its plant in Evert, MI for the following reasons:

- This proposal is having a negative effect on Nestlé Corporation brand image in Michigan. With negative media and news stories all over the state of Michigan, talking about the possible effects of the increase on the environment, there is a resentment that is forming not just for Nestlé's water division but also the Nestlé Corporation and its supporting brands.

- This resentment could turn into a major stock price plummet as Michigan residents continue to create petitions and vocalize their opinions about the Nestlé Corporation.

Long-term consequences

Nestlé should propose a water increase for its plant in Ewart, MI for the following reasons:

- This will increase the company revenues that will then benefit its stockholders by increasing stock price.
- The company could also receive an increase in the overall water bottle market share.
- It gives Nestlé an opportunity to enter into new market segments and expand their brand.
- An increase in funds, could allow them to continue to pursue its ambitions of helping to improve 30 million livelihoods in communities directly connected to our business activities, help 50 million children live healthier lives, and strive for zero environmental impact in their operations.
- The increase in revenue, would give Nestlé the funds necessary to complete their ambition on or before its 2030 deadline.

Nestlé should not propose a water increase for its plant in Ewart, MI for the following reasons:

- With negative media growing around the Nestlé brand, Michigan residents could begin to boycott the Nestlé brand all together.
- Stock prices for the Nestlé water brand Ice Mountain could plummet due to the negative brand perception.
- In the worst case scenario, Nestlé might have to close its Michigan water pumping facilities all together, possibly costing millions of dollars and significantly impact on their brand and corporate image.
- Nestlé could face legal charges if the Native American lands that are protected by the 1836 treaty are violated in any way.

- If the land is violated, that could cause major consequences for Nestlé from paying millions of dollars to the tribe, and having to fund the projects to fix the problems the increase created.

Conclusion

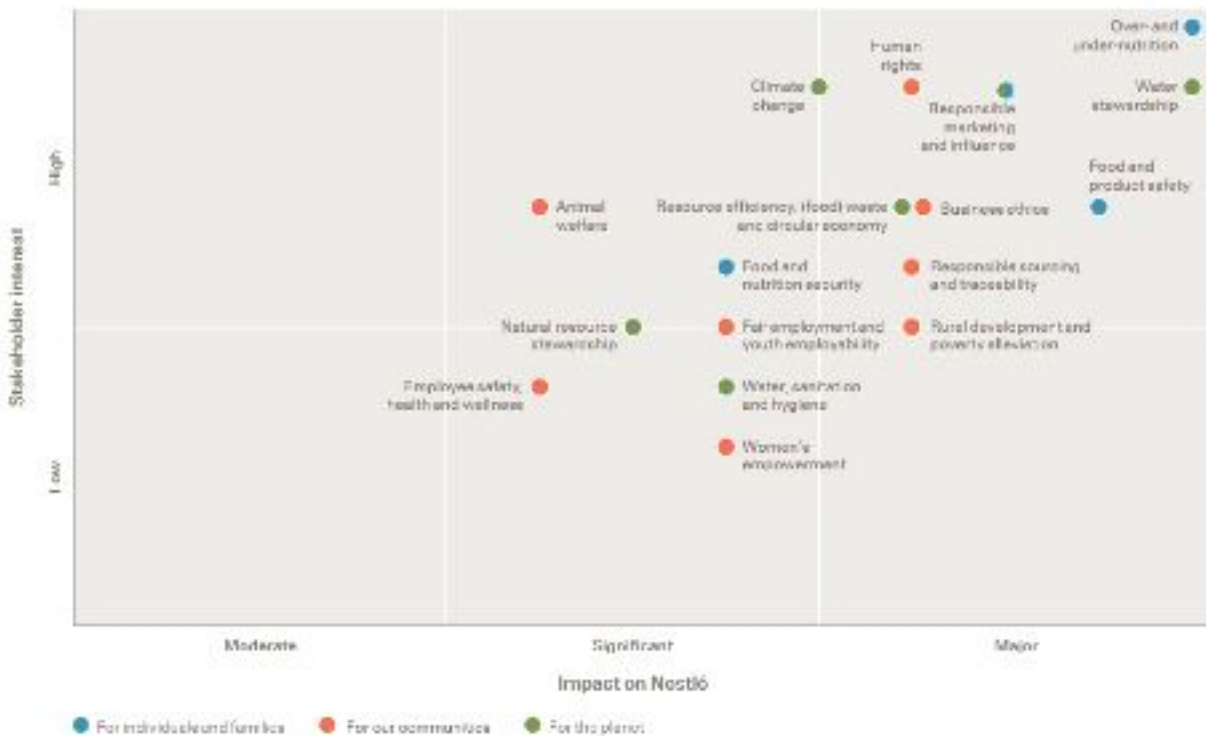
In conclusion, this thesis, based on stakeholder theory, looks at different groups that would be affected by Nestlé water proposal. There is no way to know how Nestlé prioritizes its stakeholders. The corporation does an extensive job at communicating that all their stakeholders are important, which makes it difficult to tell which group Nestlé believes is most important. From direct stakeholders like stockholders, employees, and customers to indirect stakeholders like the Evart community, CORA, and Michigan Environmental Council, all are affected by Nestlé decision. Although ultimately the approval of this proposal was up to the Michigan Department of Environmental Quality, it is still Nestlé's responsibility to consider all stakeholders before applying for such a large water increase. Although Nestlé has made it public that its ambitions are to create zero environmental impact, many Michigan residents and interest groups are having a hard time believing the company and have instead circulated petitions to revoke the Nestlé water proposal.

There is no right or wrong answer to whether or not Nestlé should or should not pump more water; it all depends on where people fall on the stakeholder spectrum when it comes to the Nestlé water division and corporation.

In my professional opinion

It is my professional opinion that Nestlé should have been denied their initial water proposal increase and the Michigan Department for Environmental Quality should have taken the MEC advice to clarify and make stricter water permit rules and regulations necessary to be approved for a water increase. It was briefly mentioned in this thesis there are other large water users in Michigan such as farmers who also use Michigan fresh water. If the government doesn't set regulations for big corporations like Nestlé, it will be difficult for the state of Michigan to also say no to other large users from proposing their water increases. Although I also would like to believe that Nestlé has made a commitment for creating zero impact where they get their water from, that just isn't realistic. Every two years, Nestlé conducts a Materiality study. To better understand concerns of importance to their stakeholders and juxtaposed. Those concerns with concerns of the firm. The matrix, derived from their study is represented below. In 2016 Nestlé conducted this study, "to ensure we prioritize the issues that have the most impact on the economy, society and environment, and that most influence the decision-making of our stakeholders" (Materiality, n.d).

Materiality Study



According to the study, water stewardship, the use of water in a way that maximises its possible efficiency, and business ethics are among the two major concerns (Materiality, n.d). I mention these two points because these are the exact issues Michigan is having with Nestlé right now. This study is accumulative of every stakeholder around the world, in every region, and area. This communicates to me that this is not just a problem in Michigan, but Nestlé has these same issues in a majority of the communities where they operate. This study was conducted in 2016 and the concerns for Nestlé's business ethics and water stewardship have not changed. Nestlé has done very little to improve these areas that have been deemed major concerns, and nothing I have found on their websites depicts any plans to address these issues.

Nestlé is pumping water out faster than it can be replaced which, unless Nestlé intervenes and helps speed up the natural process of regeneration, the wetlands will always be in a state of degradation. There are also no measures in place to hold Nestlé to their ambitions. If Nestlé doesn't meet their goals by 2030 what measures are in place to create incentives or punishments if they don't accomplish their goals? I do agree that Nestlé having a plant in Evart, MI does have a positive impact on the local and state economy, but I also feel that the potential negative effects on the environment outweigh the economic potential Michigan has by Nestlé having a plant there. It is in my professional opinion, the MDEQ should have denied Nestlé's water proposal in 2018, and then asked them to re apply again after the Michigan Department of Environmental Quality had time to council with the MEC and CORA to create strict and definite rules and regulations for Nestlé to follow in order to even apply for a permit.

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