

**Course Name: Business Fundamentals for Entrepreneurs – Part 1 – Internal Operations**

**Professor Name: Professor Devdip Purkayastha**

**Department Name: Management & Entrepreneurship**

**Institute Name: Indian Institute of Technology Bombay**

**Week – 02**

**Lecture – 03**

Week 2 Module 3 Part 2

Moving on to the next module, company values. What are values? Values are fundamental beliefs that each of us live by. So you can say my value is I will not lie, I respect my elders, I pray to God, or I love my country. These are values, personal values. But companies also need to have certain values which all the employees of the companies can collectively live by. Otherwise you will have some employees doing this, some employees having other kinds of values and there is no consistency in the company.

The values also have to be guiding but also inspiring. They have to guide day to day action, they have to guide day to day decisions or long term decisions. They have to guide what to do and what not to do. And if you read on the slides, the values of a company have to be sacrosanct.

It cannot change day on day, month on month, year on year. And it should not change just because I have to achieve some financial objective. Good times, bad times. When you are growing or declining, you can change your action but you should not change your values. And if you read on, typically, the values are set by the company's founders.

Like you saw in the case study that I shared earlier, Mr. Charles Pfizer, when he set up Pfizer had actually defined those values. And if you want to set up your own company as an entrepreneur, when you set it up, you should define the purpose of your startup and the values that you live by and the employees that you recruit later on will also live by. So those are values. Let's look at some examples of values.

They are quite similar to personal values as well except that companies work internally where employees are working with each other and externally when employees are working with customers, suppliers, investors, government officials and so on. So, if you read on the slide, what are some of the internal values a company can have? Obviously, honesty and integrity. You can cheat your way to a good business for a few days, a few weeks, a few months, maybe a few years. Or if you're cheating in a business, sooner or later the government will catch on and your customers will leave you and your investors will leave you. The company will die.

So, honesty and integrity. As you work with each other and you read on the slides, respect for each other where every employee respects other employees. You can discuss and dialogue plans, but you cannot insult each other. More importantly, functionally within the company you have to have a culture of innovation and a passion, a passion to do things, a passion to win, a passion to serve. And then excellence.

You must have a value and many companies have this where they say we will chase excellence. We'll be the best in our industry. That's a value. Resilience because times will be good and times will be bad. The difference is that even if the times are bad, the company as a whole, we will continue, we will survive and we will prosper once times improve.

Those are internal values of when people are working with each other in the company. External values, working with customer supplies, investors, government. A focus on customer. No company can survive without customers unless you are a not-for-profit. The focus on the customer and then if you read on.

Doing good. You cannot build your business destroying the environment or exploiting society. Another value is win-win partnership. So when we work with suppliers or customers or channel partners, it's good for you, it's good for us. That's a value.

Transparency. A company has to declare the results, good or bad, to the external world, especially if they're listed. It's required by the law. So hiding the bad news is not a good idea because sooner or later, external stakeholders will find out and then thought leadership. A company should be seen as someone by external parties as, not just a supplier of goods and services but as a thought leader who is improving the industry itself and the country. So these are some examples of values.

Let's look at a few cases on how companies have defined their values, their mission, etc. But before I get into the examples, there are another couple of ideas and operating principles that go hand in hand with purpose and values. The first of them is called vision. A vision is actually a picture of the future, maybe three to five years out. So you say the company is here today, this is the size, this is what we're doing, this is how many employees we have, this is how much money we make, but in three to five years time we will look like this.

So, painting a picture of the future. So, all the employees know where the company is headed and where they themselves are headed. So that's called a vision. So purpose, values, vision. And then you come to mission.

A mission is a bit more descriptive of how companies work. And if you read on, it talks about now, not the purpose; the purpose may last for ten years, twenty years, hundred years, hundred fifty years, but the business objectives. And if you can read on who the customers are. And what are the activities that the company and the employees do. So here's the first case study.

This is a case study about Procter & Gamble, a company I worked for almost fifteen years. It's a leading FMCG company, consumer goods company in the world. It turns around,

which means it has sales of about eighty billion US dollars, which is about in Indian rupees six lakh fifty thousand crores. That's the revenue and the sales. And the profits or the net income that they do is about fourteen to fifteen billion dollars, which is about one lakh twenty five crore in profits.

They employ about one hundred thousand employees, one lakh employees. And they have been in business since eighteen thirty-seven, which means they're in business for about one hundred and eighty ninety years, almost getting to two hundred years. They have lived, this company has lived through second world war, the first world war, the American Civil War, depressions, etc. So it has seen good times and bad times. So this is a company which has prospered and served customers around the world and today it has got a hundred thousand employees, one lakh employees.

Now, how does a company like this make sure that it survives for a hundred years, a hundred fifty years, two hundred years? How does it make sure that if it has today a hundred thousand employees, maybe a hundred years back it had fifty thousand employees, maybe a hundred fifty years back, eighteen fifty, eighteen seventy, eighteen sixty, it had ten thousand employees or one thousand employees. How do they make sure this, all these employees are living up to the values and living up to the purpose? This is a great case study, and I would encourage all of you to have a look at their website and I'm going to show you some screenshots of the website. This is their purpose, and if you see on the screen, you will see that purpose, values and principles, if you take all of them together, this is the foundation of Procter and Gamble's unique culture and you see that through their history of one hundred eighty years, people have changed, customers have changed, politics have changed, countries have changed, currencies have changed, there have been wars, famine, drows, good times, bad times, but they have been consistent over time. So, let's look at how they have defined their purpose. If you see on the screen, and the way they have defined their purpose is very simple, it's not about selling soaps, it's not about today, it's not about next year, it's not about ten years later, it's forever.

And if you read on the screen, you'll say, we will provide, Procter and Gamble will provide branded products and services of superior quality and value that improves the lives of the world's consumers for generations to come, not today, not the soap that you buy today, but someone who's not even born, your son, your grandson, your granddaughter and their purpose is to continue to improve the lives of generations through giving superior value consumer goods. And the purpose goes on to say, because they're doing this for the consumer, consumers will reward them, consumers will pay them back through leadership sales, leadership profits, value creation in the stock market and so on. And therefore all the people who work for Procter and Gamble and their stakeholders and the communities that they work with will all together prosper. Imagine the power of that purpose. And that purpose has allowed them to thrive and prosper.

And there are other companies, and I'll share a few other case studies, Indian companies. Let's see how they've defined their values. And I'd urge all of you to go to the website and look at the values and details. And from the day one you join the company, and you may be

in the company for 10 years, 15 years, 20 years, 30 years, 40 years, I was there for almost 15 years. You learn to live by these values.

Integrity, always doing the right thing in the spirit of the law. Look down. Leadership, which also means accountability. I may be a salesperson, I may be a production person, I may be a finance person, but I'm a leader in my area. Ownership, I own it, which means if I'm given a job to do, I will do it.

I will not give excuses. I'm not passing it on to someone else. Look at the other values that have a passion for winning, always to be the best. Remember, not in a way that you lose, I win, but a passion to win so the entire community, all the stakeholders, the customers, suppliers, and P&J itself wins. Passion to win and trust. You have to trust each other in the company, within Procter & Gamble.

And customers and suppliers and the government and governments of many countries have to trust Procter & Gamble. Look at the principles with which they operate. And this is all written down, which helps employees, whenever they're in doubt, to quickly look up the principles and if they're confused, this principle tells them how to behave in the right way, the P&J way. And you can read it yourself.

We show respect for all individuals. Doesn't matter how senior, how junior, how young, how old you are, you respect each other. The interests of the company and the employees are inseparable. What's good for the company is good for the employee. What's good for the employee is good for the company. We are strategically focused, which means we are not doing something for today.

Let's get today's sales, and let's take a shortcut, no? We're doing something which will help us grow and the community and the stakeholders grow. Next ten years, 20 years, 50 years, 100 years, 150 years, and this company has grown for 180 years. And then, if you look at the bottom, innovation. Innovation in processes, products, services. We are a company where every employee is trained and, coached and mentored to become masters, technical and executional in their area of work.

And then we seek to be the best, the pursuit of being the best. So, these are the principles that they live by. And we are externally focused means it's not just about what's good for us, it's also what's good for the community, for the country, for the consumer, for the supplier. We look outside and we also look at the competitor. Mutually interdependence is that (as) teams, we work with each other across functions and because it's a large company working across many brands, many products, many countries, it's also about depending on each other.

So, if I learn something in India, I'll see if I can apply it in Brazil. If I learn something in the U.S., the German team can learn from the U.S. team. And transfer the best ideas across products, across countries, across businesses, mutual interdependency. So that is what Procter & Gamble (is). Let's look at a few other examples.

Let's come to India. Larsen & Toubro L&T is one of India's most successful, most famous, most well-known, most valuable, most admired engineering, manufacturing, construction company, very different from Procter & Gamble, the first example. Let's look at how they have defined their vision and you can look it up yourself in the website. The link is there. And if you look at the vision, it says L&T shall be a professionally managed Indian multinationals. So, it will be Indian, but it will work across the world.

Committed to total customer satisfaction, which means the customers will be happy with everything that L&T does and creating shareholder value. So those who invest in L&T will also get a return in their investment. L&T, which means employees of L&T shall be innovative, entrepreneurial, empowered, constantly creating values and attaining global benchmarks, which will be the best in the world. That's the vision of L&T. But along with that, there will also be a culture of care and, learning and empathy.

See how powerful the vision of L&T is, and no doubt they are such a successful company. Let's look at one of the most admired groups conglomerates in India, an Indian multinational really, the Tata Group and you can look up their website, the link is there below. Tata Group works across industries. They've got probably 100 plus companies. They are working in technology, companies like TCS, steel, companies like Tata Steel, automotive like Tata Motors, hotels like Indian Hotels, chemicals like Tata Chemicals and many others.

It's very complex, very large, very successful, very respected conglomerate. Let's look at what the values and purposes are and if you read on the screen and go to the website, it talks about integrity, responsibility, excellence, pioneering. Pioneering means we will show the way, we will be the first and unity. So Tata Group is united.

That's some of the values and purpose. They have defined a very detailed code of conduct and I would encourage each of you to actually go to the website and look at the Tata Code of Conduct because you can apply to yourselves in your daily lives. And if you go to the website, you will see a quotation from Mr. Ratan Tata in 2006. It says, and I'm reading it from the screen, business as I've seen it places one great demand on you. It needs you to self-impose which means you have to impose on yourself a framework of ethics, fairness and objectivity on yourself at all times.

The focus, as per Mr. Tata, is on yourself and you look at the core values of Tata. The five core values, it's a small print but you can go to the website. It talks about integrity, responsibility, excellence, pioneering, unity. So if you look at all the great companies of the world, you'll find one common thing, values, principles, a purpose which is not just for a year or two. It is for the next 50, 100 (years), next generation, next two generations.

That's what's common again across all these great companies. Gold Ridge, another very successful, very large and very respected group and these are all 100-year-old groups. And if you look at Gold Ridge at 125 years, you can read it yourself. Purpose, pioneer progress for generations.

Pioneer means be the first. Progress for generations, not this year, next year, next year, not for you, your sons, your grandsons, your daughters. Look at the vision. Admired for sustainability practices, which I'll talk later on, but sustainability basically says I'm not just working in it for my profit but also take care of the planet, society and the environment. So, if you look at the vision, you can read it from the screen. Admired for sustainability practices, innovative solution and superior business performance.

I mean, look at the mission. Unlock experiences. So when you buy a Gold Ridge product, a refrigerator, a washing machine, an almira, a furniture or a heavy engineering product or a lock, a Gold Ridge lock, it builds trust and loyalty to Gold Ridge. And look at the values on the screen. Again you'll see a consistency, similar purposes across companies in India, outside India, across industries, across decades and hundreds of years. And that leads to IIT Bombay, which is an academic institute of eminence and excellence, which is about 60 years old, and it is the leading engineering college and I'm a faculty there, and I've come to you as a faculty of IIT Bombay.

Let's look at IIT Bombay's own vision and mission. I encourage each of you to go to the IIT Bombay website and have a look at it for yourself. So, if you look at the screen, the vision for IIT Bombay is to be a leading global technology university that provides a transformative education, not just education. A transformative education to create leaders. So you may be a student who comes in as a student in IIT Bombay, but if you leave IIT Bombay as a future leader, you go out as an innovator. You may come in with some high school knowledge or undergrad knowledge, but you leave IIT Bombay with knowledge with which you can build the nation and build society.

That's the vision of IIT Bombay. And if you look at the mission, you can read it yourself. An ambience of research to address problems faced by the nation. Learning students. And if you can read at the end, to collaborate with industry and other colleges. Again, what we'll see consistently across great organization, be it in business, be it in academia, be it in India, be it outside India, be it American, German, Indian, you see a consistency of purpose, principles, values, and a very clearly defined mission.

This is Microsoft. Again, you can go to the website. We believe in what people make possible. And they want to empower every person on the planet to achieve more. So when you use a Microsoft product like Word, PowerPoint, Excel, or the search engine, hopefully you achieve more. And there are other great companies in the same space. All the examples that I've given, there are other great companies in the same space.

I'm just citing a few examples to help you appreciate. IKEA is a company, a global company, which makes furniture. But if you look at the vision of IKEA, it's not about just selling furniture. And you can read it. And you can go to the website and read it. And if you look at the screen, you'll say to create a better everyday life for the many people.

So, the vision is not about furniture. The vision is about making your lives comfortable every day. And that vision is far more powerful than just selling a product. With that, now

let's come to the next three minute reflection. The first one was about your own purpose statement. Now I encourage you to think about a company you work for or a company you'd like to work for and try to visit its website and see if you can find out and document in your journal what is the purpose of that company.

What are the vision and the mission, the principles, the ethics? And as you go through several of these examples, you will imbibe it in your own mind. And the other thing I encourage you to do is that if you want to start your own company, you may not start it today. You may want to start it one year, two years, five years, ten years down the line. But if you are to start your own company in a certain field, whichever you are an expert in or comfortable in, how would you define your purpose of your company? What values will you set as the founder of the company for yourself, for your company, and for all the employees that you will hire? And what values will you establish? And you will role model it every day in your company.

So, I encourage you to reflect on these few points. Thank you.