

**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 – 04**

Week 2 Module 4 Part 2

Now that you have practiced writing down in for yourself your strategy or goals, et cetera, let us look at a couple of case studies and. I have purposely chosen very large companies, very old companies, very successful companies, not because I want to endorse any of these companies but so that you can understand the power of what I am talking about. The first case study is about Nestle. It is about a 160-year-old company. It turns around which means it has a sales of about 110 billion US dollars which is about 8 lakh crore rupees and it makes profits of about ten and a half billion dollars which is about 90,000 crores of profits and it employs about 275,000, 275,000 employees around the world. So it is a very large successful old company. Some of the products just so you may not know the name in the Indian market are as follows, Maggie, Nescafe Coffee, Kit Kat, Munch et cetera.

So, with all these brands and the people, hundreds of thousands of people over 160 years, how do you function as one company? How do you become one company? And what ties the company together are the different elements that we talked about, and how does the management, how does the CEO plan the business and report the business and, set objectives and set strategies? Let's have a look at it. What I have done is I have taken as a case study the 2018 annual global report presented by the global CEO. It is in the website. You can see it for yourself in the link which is provided below.

So, this is the full year results as presented by the global CEO in 2018 for that year and I am using this just as a case study. It is in the public domain. Typically, I would encourage you to start looking at annual reports of companies because when you look at the annual reports of companies, be it Tata, Godrej, Reliance, Adani, or any of the companies globally that you are comfortable with, Google or Microsoft or Apple, start looking at the annual reports and you will start seeing how companies set goals, set strategies, define their purpose many years back probably, how do they create a culture and you will see many of these, this kind of pages. So I am also coaching you into how to look at annual reports. So there is a disclaimer which means that there are some forward looking statements which is certain goals are being discussed in this presentation.

So, there is a disclaimer. Let us look at what the CEO is saying or has said in 2018 to the open world which means all the investor community and it came in the newspaper etc. and it is on the website. So this is how the CEO is sharing the results. You can read it yourself but you can see that he is talking about a model and value creation model.

How does Nestle create value for its stakeholders? It talks about organic growth which means for the same products, the same countries etc. without buying new businesses. It talks about increasing margins. It talks about portfolio development which means the collection of brands. A portfolio is a collection of brands that they are operating in or categories that they are operating in. And it talks about earnings per share growth and it talks about cash.

So, if you look back on the goals that I have shared, the 360 degree goals, you will see here a live example of a very large global company talking about its 360 degree goals. Of course there will be many other goals but these are the highlights. And you can see the financial results in some more details. Remember I talked about financial results. A business is a business because he wants to make money, and this is a charitable organization.

And you will see here the financial results being declared by that company. I talked about strategy. Now we get to the action and you see how the global CEO is saying here was my strategy, this is what I said I will do, this is what I had committed to, the company had committed to and this is what we have actually done. And you could see that there are five key steps. So having looked at the financial results, let's look at the strategies or the action that they had given to the market or shared with the market or the investors and how they are reporting progress.

So, you can see on the screen five different highlights of their strategy, what they wanted to do in terms of action. And you will see, you can read it on the screen and you can go to the website and look it up more and you will see that after one year how they have progressed versus their strategy. Now they are forward progressing and you will see this is how the company will progress from where they are in 2018 which means on the left blue box. And they are saying here are the four or five things that I will do and you can read it yourself. In 2018-19 if you look at it they will fix the base business, they will manage the portfolio of brands and they will focus on high growth strategies and because of all of this they will deliver results on the right side.

So here again, you see a global CEO talking about goals and how to achieve those goals. And typically companies will share a bit more details about their strategy. So fixing base business is a strategy; what will they do here? So you can see in this slide the CEO is outlining what is the strategy for fixing the base business. Developing the portfolio of brands because Nestle is an FMCG company, consumer goods company, it operates in categories and brands. And it says they will develop certain categories, certain brands in their portfolio.

They will develop some, they will review some, if they are not profitable they may sell it and they may buy some new brands. So, the portfolio of brands and categories change. Finally I had mentioned that a core strategy for most companies can be innovation, not only for the tech companies like digital company or a hardware company but even for consumer goods company you can innovate on new products. And this is a status strategy of this particular company and you can see it yourself as the CEO lays it out. And then, he sets the goal for the next year.

And you can see here that these are the goals that he is setting and some numbers that are there. A strategy, a 360-degree strategy, or a 360-degree goal cannot only be finance and operations or people. It also has to be about the planet. And you will see here the global CEO of that company talking about purpose and values, living our purpose and values. And what are the priorities? Waste-free future in the middle, healthier lives on the left, diversity and inclusion on the right.

So, this is where this company Nestle is being friendly to the planet and to society. And therefore you see a great company doing great goals, great strategies and reporting back a year later what they said they will do earlier. So this is one case study. I have picked up one more case study, a company I have worked for for almost a decade. It's a German company, DP DHL.

It turns around again about 100 billion in sales, which is about 8 lakh crores in sales, 100 billion dollars. It makes profits of about 9 billion US dollars approximately, which is about profits of 70 to 75,000 crores. It employs 600,000 employees, 6 lakh employees, and it operates in 220 countries. 220 countries. So how does it operate as one company across 220 countries, 6,75,000 employees, 675,000 employees, and keep growing sales on a base of close to 100 billion? Lakhs of crores.

How does it function as one company and what is the strategy? I would encourage you to go to the website of this particular company; the link is there, and have a look at it yourself. And if you look at the strategy 2025, which is two years from now, their strategy is around digitalization. And you can see, and this is on the website, and you can see what they are saying is that the triad, which means the three angles of purpose, vision, and values, drive the group, which means drive the 600,000 employees across 220 countries. And that's the group. The purpose, the vision, the values, etc.

And then the mission. The mission is around excellence. That's how they define it. It's a supply chain company, so excellent, simply delivered. And if you look at what is the core strategy that the yellow box outside is around digitalization. How do you digitalize their existing business? It runs hundreds of airplanes, hundreds of thousands of trucks, has many operations, factories, plants, warehouses.

And they want to put a whole digitalization as a strategy around all of that. So, the strategy 2025, right on the top, delivering excellence in a digital world. And the triad, the 360 degree, as they have defined it, as you can see for yourself, they want to be a provider of choice to

customers. So customers, when they're choosing, they want customers to choose DHL versus competitors. So great customer service, great customer products, great customer experience.

On the left side, you'll see employer of choice. Companies want to work for DHL, not just the 600,000 that they have today, but many people want to work for DHL, which is a great place to work in. And at the bottom, you'll see they want to be the investment of choice, because investors want to buy a DHL share because they get good returns. So happy customers, happy employees, happy investors. And they also want to improve lives.

That's the social aspect of it, by connecting people, improving lives. So it's a complete 360 degree example of a great company with great purpose, vision, mission, strategies, goals, etc. I would encourage you, again, to go to the website and check out for yourself what are the results that they're delivering. So this was the second case study. Let's come to the next part of this module, which is around culture.

Culture is how people are interacting with each other. You're aware of a culture in your family, in your college, in your sports team, in your club. A company also has to create a culture, and a culture evolves. It's a day-to-day behavior of how people work with each other. But it's also driven by leaders, just like the elder of a house, or the principal of a college and the teachers of a college, or the captain of sports teams.

Set the culture. In a company, the leaders, business leaders, also role model the culture. And it is reflected visibly as you walk into a company, outlet, or office. Just like certain people dress in certain ways, eat in certain ways, talk in certain ways, behave in certain ways, the culture reflects itself in different aspects of the business. And it also drives what kind of people are hired, how do they treat each other, how do they treat customers and suppliers. All of that together is a corporate culture.

So how to create a culture? There are many kinds of corporate culture. First is team-based. You may have 100,000 employees, but they're working in teams, a country team, a functional team. It could be task-based, based on a project, or a work to be done. It could be hierarchy-based, where the boss calls the shots.

It could be customer-focused. Everybody wants to focus on the customer. It could be no culture, ad hoc culture. There's no culture. Everybody does their own thing, which is not desirable. So how to create a culture? As you saw, the big thing about culture are the softer aspects, the function or the factory or the technology.

It's about the purpose, the values, the vision, the role modelling from the top, the strategic direction. Are we going to be technologically advanced, or are we going to be okay on technology but great on service? Are we going to be fully automated or fully manual? These are all things that drive the culture. The role modelling, shared responsibility. Only a few people cannot create the culture. All the employees together have to create the culture, and they have to reinforce each other.

If I see good behaviour in great companies, they have a lot of reinforcement mechanisms. Badges, employee of the month, employee of the year, people appreciating each other, oh, well done. People gifting each other, because when they see the right kind of behaviour. Social connect. Getting together beyond work, having functions, events, social events, plus recruitment.

Recruiting the right people who fits into the culture. So everybody new who comes in is a fit with the culture, and companies spend a lot of time making sure that the fit is there, not just the technical skills. And of course, how to resolve conflict. Different cultures resolve conflict in different ways.

So that's how we create a culture. Sometimes, you have to transform your culture, especially when the business is changing. For example, if you are moving from petrol engines to electric vehicles, you need a whole new ecosystem. You need to have new technology, new processes, new ways of selling, new components, new suppliers. And a different way of working together, a different culture. So how do you do that? Also, for those of you who want to be an entrepreneur, you have to create a new culture.

So, how do you create a managed change? Again, it cannot start with just change this part, change this component, change this technology, change the car, change the body, change the software. That will not change the culture. To change the culture, transform the culture, it's good to start with the top. Rediscover the purpose, the vision, mission.

Redefine the strategy. So with engines of the old type, petrol, diesel, we did very well, but the industry is going to decline. So if we went like this, we'll probably go down. But now, if we're going to electric, we are again starting from here, but as a company, we'll go in the new world, in the new way, the industry is headed. So to redefine the strategic definition of the industry, redefine the strategic definition, and therefore what to stop, what to start, what to continue from the old way of doing things.

Above all, there has to be communication. Within a large company, be it 100,000, 10,000, 100,000, 500,000, it is important that every employee, be it in sales, finance, marketing, HR, IT, the top management communicates clearly over and over again. We are making a change, we are making a change, we are making a change. Here's what it means for you because employees will keep asking, what does it mean for me? Am I going to lose my job? Do I need new skills? Can I do it? Am I too old for this? So you have to keep communicating, and you have to answer the question, what's in it for you, a brighter future? We are changing because it's a brighter future, and it requires you to work in a certain different ways, let's adopt it, let's move together, and get feedback.

Change is difficult; it needs patience. Things may not work, things may go wrong. So you need to get feedback, top management needs to get feedback from the employees, things are not working, things are working very well, let's continue. That's transformation. What does that mean for students, aspiring entrepreneurs, or employees themselves in terms of skills development? Cultural skills such as personal skills. It's good to be aware, aware of what is

culture, and different kinds of culture, especially in your company, if you have different employees from different cultures, such as Indian employees, Japanese employees, American employees, African employees, very different cultures.

Or in an Indian company, Tamil employees, Telugu employees, Bengali employees, Kashmiri employees, Gujarati employees, Maratha employees, so on. So you have to be aware, and build that awareness, and have an attitude of tolerance and inclusion. One should not discriminate and say, oh, I'm of this culture, and that is better than that culture. Also, employees should not discriminate based on certain attributes. It should be inclusive, and it's a good skill to have personally, so that one succeeds, all of you succeed, in great companies, you become great employees, or great employers of great companies.

That's personal. There's also interpersonal. Interpersonal is all about working together. Let's work together. It doesn't matter whether you're Indian, German, whether you're senior, junior, old, young, highly qualified, not so qualified. If you're a finance person, or a marketing person, we must collaborate, and we must co-create. So whatever we do for the company, let's work together and create it together.

So personal skills, interpersonal skills. And then there are external skills. Be aware of what's going on outside. Competitors, industry, legal environment, environmental, social. Be aware of what's going on outside the company, and whoever you interact with as an employee, or the founder, or the entrepreneur of that company, you create win-win collaborations with your customer, with your supplier, with your channel partner, with your logistics supplier, with your IT supplier, with your finance service provider, with your raw material and component providers. You create win-win collaboration, irrespective of the culture difference.

You can be an Indian company, or a German company, but you work collaboratively with companies, suppliers, customers, employees, from across the world. And those are cultural skills I would encourage you to learn and practice from today if you're not already doing so. And how do you get to know the culture of great companies? You can go to the website; this is just one case study. You can go to the website of any of the companies and go into a tab, or a section of the website, which says, life in this company. So you can look at Tata Motors, and they have a section which is life at Tata Motors.

And all good companies have that. And there's one more case. Again you can go to the Mahindra website, the link is given below, and look at what does life in Mahindra look like. And that's how you find out about the culture, and if you're an entrepreneur, you can learn from the best companies, some of which I've shared, and others who can discover for yourself and create that culture in your new company. So this is what I had to share in this module, and now I encourage you into the second reflection point of this module, where I would like you to think about a company that you would like to work for or you are actually working for that company, and try to identify elements of the culture. If you are in the company, look around yourself. If you are outside the company, study the website or talk to

the employees of the company and see whether you can find out about these various cultural aspects.

So, is the culture task-based, team-based, hierarchical? Is it customer-centric? Are the employees driven by purpose and values? Do they all know about it? Do the leaders, the CEO, the Vice President, the President, role model the right kind of behavior that's defined in the purpose, values, principles? How do they resolve conflict? If you are a customer of that company, and you have a problem with the company, how do they resolve that conflict? And what are the positive reinforcement, what is the incentive mechanism, the reward mechanism for good behavior? Try to identify that. If you are a student, try to identify that in your college, and write it down in your journal, because it will help you assimilate, learn and practice what I have shared in this module. Thank you. . . . .