



I begin my column, this time, in a very somber mood – one of great sadness, pain, disappointment, anger and fear about what happened in Mumbai on November 26th. My heart goes out to all those innocent victims who lost their lives and to their families who have to cope with the loss of their loved ones.

To my mind, there is a lot of hard action required by the powers that be – systemic changes, police reforms well overdue, a lot more coordination, sophisticated intelligence and finally accountability to the citizens of this country. It has been playing on my mind that India, more so Mumbai, has had many attacks, and yet this time we seem to have woken up. Thank God, for that. Up until now, riots, bomb blasts and other crimes have always affected the poor and the lower middle class – those who had their jobs, their next meal or mere survival at stake. The pain was not directly felt and therefore we were numb. The government and business carried on with life as usual, as if it were just another day – a sad reflection on human nature; a society that has forgotten to embrace human life, that has forgotten its moral responsibility. I guess there is no better time than now to channelise our anger and energy to make sure there is accountability to secure a safe India – an India that we can be proud of.

My plea to each of us in these uncertain times is to unite as a country. Terrorism has no religion. It is time for each of us, especially the educated class, to reflect on this. If we bring religion into this, the battle within us will be ongoing and will lead to many unintended consequences in our daily lives. It is important that we think, speak and act in a manner that unifies and maintains a secular India.



I have been meaning to share my thoughts on the current financial crisis that has taken the world by storm. I did meet with some of our senior managers three months ago to discuss this and find some answers. However, since then, the situation has only worsened and therefore the need for a lot of quick, focused action and to keep our wits about us.

The words “the right of any corporation to exist is not perpetual; but has to be continuously earned” is very relevant, especially when the market is tough and unpredictable. As the crisis hits the world, the issue is no longer about “conquest”, but about the meaning we want to give to the word “performance”. And therefore it is a time to reflect and act.

I remember two articles written by my father, the

late Rohinton Aga, called “Death of a Salesman” and “The Profit that Never Was” – both of them very relevant today. I will be borrowing some ideas from these articles – written almost 20 years ago – which have withstood the test of time on how to run a healthy and sustainable enterprise.

As we are all now aware, the financial crisis has spread from the financial institutions into the “real” economy. And India is not as delinked from the developed world as we had earlier imagined it to be. Therefore, although the banking crisis and liquidity crunch could ease in the short to medium term, many experts still believe that companies should prepare for a protracted downturn because of the overstretched debt burden of the developed world. This would lead to an increase in protectionism as well as a clampdown on expansion projects, affecting the capital goods industry. The sudden fall in the price of oil – down to below 50 dollar a barrel – will also perhaps make many “fuel shift” projects unviable today. This is both a threat and an opportunity for us.

Let me come back to the meaning of the word “performance”. The most important sustainable indicator for any company is cash. The financial crisis is a wake up call; an opportunity for us to stand back and reflect on the way we have been doing business. When the going was good, when demand far exceeded supply, companies could afford to work on credit, on low or sometimes no advances, on stocking up inventory, over-leveraging the balance sheet and many more such practices. Some of these have been planned moves over the past three or four years, but others have been largely in response to the market.

The point I am making is this: it’s time for us to get back to basics. Rohinton wrote the article “Death of a Salesman” because he believed that the salesman’s role had to take on a new avatar – from merely generating business to adding value for the customer and for the organisation.

In doing so, there are a number of mindset changes needed. The first basic tenet is that we *are in business not to collect orders but to generate a profit – profits that are realised in cash*. If not realised, further business will require an infusion of funds for working capital and this could go on and on, with profits on paper, but ending up in a debt trap – something no business can afford. The only solution is clear terms of payment and strict discipline in its enforcement.

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The second tenet is that *every enquiry does not merit an offer*. Thankfully we have a strong bid/no bid process in place which we need to follow – especially on evaluation of risks in the current business scenario. The temptation to move away from a robust process will be high in order to meet internal targets. However, you need to remind yourself of the first tenet: our target is cash flow!

The third tenet is *choosing the right product mix* – where we can leverage our core competencies and therefore command a better price. A perception in every organisation is that big is beautiful; the bigger the turnover the better. However, “contribution” is what really matters. And this improves by enjoying a unique competitive advantage, which can be perpetuated only by constant innovation.

We talked about adding value to the organisation; moving on to adding value for a customer, which is the true role of a salesman and everyone else’s role too – from the design engineer to the despatch executive. And here I quote Rohinton’s mission for our company: “Understanding the market in depth, stretching it to its fullest potential, creating new unfulfilled needs, putting all one’s talent and that of the entire team in clear focus, being obsessed in the process, and emerging a leader – this is living a Mission. This is the role and heritage of a value-added society.”

Despite the slowdown, there are segments in the market today which are growing, which need a product that might have to be tweaked, that perhaps needs a different service model. This is where *understanding the market and each customer’s unique need in depth* becomes so important. Good old marketing, market segmentation could throw up new opportunities that we were perhaps blind to in the past.

We cannot but use these tough times judiciously by putting all our emphasis on increasing our operational efficiency and reducing the cost of poor quality – reducing cycle time, providing quicker deliveries, bringing down work-in-progress, reducing inventories, improving quality. As Rohinton often reminded us, “*Quality is not just a product or a package of services, it is a way of life.*”

Furthermore, “Quality is a shop where materials move in an orderly way. Quality is an office where work gets accomplished with neatness and quiet efficiency. Quality is a process where scrap is stored where it should be. Quality is a person who responds to a mail within 24 hours. Quality is a telephone operator who tells the caller to hold on to the line while she makes a

connection. Quality is a sales engineer who does not oversell his product. *Quality is a manager who honours his commitment.*”

Training is an area that the company has always given priority to and will continue to do so. It is only through training our human assets, that we will continue to add value to ourselves, to the organisation and ultimately, to our customers. Maybe it is time we focused our efforts on specific training needs that also includes our supplier partners, channel partners and customers’ operators.

Eliminating waste and reducing costs is a drive started under Pravin Karve. I believe we have coined a catchy name for it – “Project Everlean”. That’s a good start. Apart from cost reduction, which is vital at this point in time, I would urge each of us to look at innovative ways to eliminate waste – which will make our operations sustainable.

Innovation, not just in our products and services but in everything we do. Just as quality is a way of life, so is innovation. How do we find innovative ways to reduce all our overheads – whether travel, communication or stationery? Innovative ways to bring down our product costs, improve our reliability, maintenance downtime, operating costs? There are a number of R&D products we have identified. How do we use this time effectively to make sure we put the right resources behind every project and adhere to the timelines? Ultimately it’s a matter of keeping one’s commitments with good planning and strong implementation.

All the above approaches are “sound business practices” and are not just for the here and now – they are and should be sustained. There is a famous Chinese proverb that goes, “When the wind changes direction, there are those who build walls and those who build windmills.” We could look at these times and feel down and defeated, or we could reflect and act on many good practices we had introduced within the company and which fell by the wayside when the market was booming. The moment has arrived for us to clean up the slate, look out for opportunities and get ready for better times ahead.

All of us in Thermax – let us rise to the challenge and use this time and opportunity wisely.

*With best wishes for the New Year,*

**Meher Pudumjee**

## EXPRESSIONS



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