

Interview : In Conversation with Mr.Sharad Gangal, VP - HR, IR & Admin of Thermax Ltd., Pune

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Sir, we had the opportunity of meeting with you at the 2nd National Level HR Meet as well as the AAB Meeting, so it gives us all immense pleasure to get a chance to interact with you one on one and get to know a little more about your experience.

Elria: Sir, we have read your profile and are interested to know about your journey from Asian Paints to Thermax?

Mr. Gangal: I started off my career with Bennett Coleman as an assistant, where I worked for 6 months after passing out in 1984. Even before I did my Post Graduation in HR, I worked in Asian Paints in the materials function. So when Asian Paints had an opening, I was called back to work there.

At Asian Paints I worked in the High Technology Plant which was a diversification project of the Company and I was with the company for four and a half years.

Then I worked with a German Pharma Company called Boehringer Mannheim for seven and a half years. I was responsible for IR and the Medical Representatives at the factory. I got tremendous exposure in terms of overall Business Processes, Green Field Projects, Acquisition of land, setting up of policies, selection of people etc.

Then I moved to Cadbury India at Mumbai as an Employee Relations Manager where initially I was responsible for Employee Relations and later my role was enhanced to Compensation Strategy and Recruitment. Thereafter I also worked at Cadbury Schweppes in Australia where I was responsible for Employee Relations, Compensation Strategy and Organizational Effectiveness.

Then I moved to HDFC Life where I was the Head of HR. When I joined the company they were 8000 employees and within 18 months I had to scale up to 18000 employees. I built the HR Team at HDFC and brought in all HR processes

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like creating a Competency Model, Aligning all HR process to the Competency model. Then I moved to Thermax.

In my career I have made conscious changes where I moved to different industries from Asian Paints which is Process and Consumer Durables to Pharma to FMCG. Then I moved to Financial Services and now Infrastructure and Capital Goods. I made it a point to go into a role where I will learn and the learning will not be incremental but differential.

Tarun: With 26+ years of experience, what were the different cultures experienced by you, in different organizations, you have worked in?

Mr.Gangal: What I always believe is that HR people should always look for a company where they feel culturally comfortable. There is no point going to a company and then saying that the culture is not right. The culture choice is made by the company, you choose whether you are going to be compatible with the company or not. I have made a point in my career to see and select companies where I'll feel culturally comfortable. So culturally this does not mean that you should be working in a comfort zone but you should be able to, at end of the day, feel satisfied. You should not be worried as to what is going to happen in the company etc. So you should track all these brands, Asian Paints, Cadbury, HDFC Life and Thermax. You will find they are culturally similar in terms of dealing with people. What you should definitely look for is a different industry where you will learn, Learning is more important. You should not be joining the company for changing the culture of the company or if the company calls you for changing the culture. But all these companies have a wonderful, well set and nice culture, so why join a company where you will not feel comfortable.

Hitesh: Sir, as employee engagement and change management are your areas of specialization, what is your role in these areas?

Mr. Gangal: Employee engagement to me is a process which is not limited to celebration and salary. It starts with you establishing a contact with your prospective employee, what is the experience that you will give it to him that will



make the first contact, are you nice to him?, are you looking at him as prospective potential customer or somebody who wants a job? The moment you start looking at him or her as somebody who wants a job, I think you have not made the right beginning. So for the employee, engagement starts with job clarity, career opportunities what you will give it to him, learning and development opportunities which the organisation offers, performance management system what you have, feedback mechanism, etc. It is also about the communication model, culture, fair compensation, celebrations, etc. of the company. All this are the primary anchors of the employee engagement. According to me employee engagement is about all these things. It's not just about giving birthday cards and cutting the cakes, neither it is only about compensation. Fairness of compensation is what employee looks for. By fairness what I mean there should internal parity and external benchmarking. There should be learning opportunity that will help the employee to create value for him. A matured well evolved employee will look for many dimensions rather than only compensation.

Change management is about a change of mind set, it's a behavioral change, and it cannot be brought by simply saying that we have to change. First of all why we want to bring about a change? What is happening? What has necessitated some kind of change? Therefore what is going to be the partnership we are going to seek with the employees? How are we going to communicate to them? And then taking them through certain programs by which they are able to embrace the change. The change should not be sudden unless market conditions compel or there is external event which has happened and you have no choice. Otherwise it has to be planned, it has to be phased, it has to be paced at which employees will feel comfortable to make that change. One should seek their partnership in change, do programs by which they will get accustomed. In this way you know that they will get a fair understanding of how to work in a changed environment and then do it in a phased manner.

Elria: Sir, you being a specialist in Change Management, can you elaborate on your role in Mergers and Acquisitions?

Mr. Gangal: Every HR has to play an important role in Mergers and Acquisitions. One is the due diligence part. The other things you have to see are, whether the organization has the people capability to be in the business which you are going to acquire. Today times have changed. Over the last 20 years technology can be purchased from anywhere in the world and capital as well is available and purchased, therefore the only differentiator is people. Therefore, one

should see whether the people in that organization at the leadership level have the capability to run the business which you are acquiring. One should never aim to send one's own people to go and occupy positions there. This will not be the right strategy because if the people over there are capable then they should be allowed to run the business. The culture over there may be different, so if you try to do something drastic there is a likelihood that it may fail. HR should understand the culture there and come back and see the common things between the two companies and go back to the employees and tell them that many things are common so we will be able to work together. HR therefore should be able to give confidence to the people and be able to make their life easy. HR person in the acquiring company should communicate with the company which they have acquired in the shortest possible time, if possible in less than 24 hours. The first step in any Merger and Acquisition is exceedingly important from people point of view called "Day-one-Communication". The day one communication to the acquired company has to be immediate, telling them what the justification, what is the road map is, what is the organization, what is the way of working, how do we like to work with you people etc.

Tarun: From generations from Baby boomers to Gen Y, earlier generations were more loyal and Gen Y believe in job hopping. How do you tackle with problems of multi-generational work force?

Mr. Gangal: According to me, loyalty in my mind has different definition. My definition of loyalty is not that if you do not work in a company for 20 years, you are not loyal. In today's age, definition of loyalty is whether you work with 100% commitment. Even if you work for 5 to 6 years, are you giving your 100% is the definition of loyalty according to me. When there are opportunities there is no point in criticizing the Gen Y. One should not change jobs in one and one and half years. One should work for minimum 3 years. First year you learn, second year you contribute and third year you build for yourself in the organisation. But 5 years is good period. At end of 5 years there is no harm in looking provided you gave 110% to your company.

Hitesh: How do you keep the Gen Y engaged?

Mr. Gangal: I am very active on Facebook, I tweet, I get lot of reactions from the companies wherever I worked earlier. I have more than 800+ connections on LinkedIn, I recruit also through LinkedIn, I think that is the best way, as these are the new methods. According to me an for an HR person being visible, approachable and devising a very structured communication model for employees is extremely important. You should constantly go and tell employees as to what do you feel, how the business is doing, what are



their expectation, listen to them as what they want and so on.

Elria: Sir, how do you formulate your departmental strategies in sync with the goals and objectives of the organization?

Mr. Gangal: To put in simply, you have to see the company's plan, the annual plan and the Strategic Business Plan. Annual plan is what you are going to do in the year and Strategic Business Plan is what you are going to do in three to five years. The best things for an HR person are to see what the HR implications out of it are. For example is you are going to go into a new business then, what are the kind of people you are going to require, what profiles are required, are there any people internally who will do the job. Is it going to be a green field project, so you have to select people who can work in ambiguous atmosphere because everything will be unstructured there. The company has to see if they have a set of people who are ready to work in such an unstructured ambience and situations, so select people in that way. According to me HR has to draw from the Business plan what are the implications for it. If it is going to be a steady state then don't change; next year only your goal is to grow say from fifteen percent over and above, the current one. So then, if that is going to be the limited goal then what is the profitability and what is the compensation I can afford to give to my people etc. People may not find anything exciting to live in this one year because nothing is going to change. So what is that new you are going to make and hence the communication has to be even more intensive.

Tarun: As we have Industrial Relations as one of our subjects in HR and employee relations is evolved from IR, what changes have you observed in your organizational strategies?

Mr. Gangal: It has travelled widely from industrial relations to employee relations. The old industrial relations was about trench warfare, looking each other as adversaries. I think after 1990 India has changed. Earlier the union and management used to look at each other as competitors and I do not think that we can afford to look at each other as competitors. Our competition is in the market. Union and Management are not competitors. Your union needs to be on your side and management should show greater maturity in understanding union aspirations. According to me, Industrial relations is nothing but matching the aspirations of people in your company. I have my own views on collective bargaining. In my personal opinion, collective bargaining has lost its relevance because collective bargaining is based on mistrust. Both the words, collective, underlying meaning being coercive that means one is not

truthful. Nowadays communication has improved so much, employees know what companies are doing. There is no point in hiding from people if you are doing good profits. Pay them well. Many things that were not part of employee-industrial relations, i.e. dimensions like disparity of salary are today very relevant. Those times disparity of salary was not so high though there was collective bargaining. Nowadays disparity of salary is very high. If the difference in salary between a blue collared employee and a high paid employee is 200-400 times, you cannot expect peace and harmony in your organisation. You have to maintain that equilibrium. If the business is not doing well, one should have the guts to say honestly that we can't pay you this kind of money. You can go to the extent of telling that salaries have to be reduced. First management needs to play the lead role. You should be honest, upfront, and blunt and you should be backed with solid logic and data. That is the change that has happened. That is the hard part of it. The soft part of it is that employees want constant communication. They want to be a part of decision making process. So involve them in quality, safety, productivity and investment.

Hitesh: What do you think is the most difficult challenge faced by you as Executive-VP HR at Thermax?

Mr. Gangal: Not difficult but according to me as you move to the top you have to realize only 50% of your role is going to be of your domain, 50% you have to do business role or at least 40%. If you're not able to do 40% business role organizations will not see you as leadership. One's knowledge about the business in terms of what is it and what is the competitive positioning of your company, what is happening in market and what is that you need to do to achieve company goals and objectives. Your contribution there is closely watched. And it's most challenging task for HR; so you have to be on the top of it. It is not that other domain doesn't face this challenge but one's you reach on top i.e. President, VP level you have to understand the business.

Elria: Sir, Thermax Started off with a group of just 40 odd employees and now moved on to 4500+ employees and your turnover as well has been increasing over the years so where do you see the future of this huge Industry?

Mr. Gangal: We will operate in Energy and Environment space. Our insistence on Green will continue to be there so wherever it is possible we would like to be environment friendly. But these are the five chosen businesses that we are into that is, Heating, Cooling, Chemical, Water and Air pollution Control. So this is the space in which we operate.



It is about infrastructure, it is about capital goods and we will continue to focus on that because that is our strength.

Tarun: With Thermax being a 5300 crore leader in energy and environment solutions, could you brief us regarding upcoming expansion plans for Thermax?

Mr.Gangal: We have expansion at our Vadodara factory. We acquired in 2010 and now is the time for consolidation. No company is speaking of expansion right now. We can see the GDP is coming down. Right now it is more about consolidation rather than expansion. We have to see how we can take out the best from our investment. We have to see that we stabilize, that is more important.

Hitesh: What is the IR challenge that Thermax is facing currently? What strategies are you planning to overcome this challenge?

Mr. Gangal: We have good relations with our employees and it's an internal unit and the challenge is not for the management. The challenge is for the employees, as to how do we make our price competitive, because salaries are going to be high in cities like Pune, therefore the biggest challenge is that to offer the best to the customer at a competitive price. The model of industrial relations has completely changed as I said earlier.

Elria: Sir, we have studied regarding the Motivation and Hygiene Factors and Compensation and Benefit is one of the important Hygiene factors. So Sir how would you perceive it – as a motivation or Hygiene factor?

Mr. Gangal: My definition of 'Hygiene' is that in the absence of it, it will be a big problem but if it is present nobody bothers. You should pay compensation which is fair that is Hygiene and on Compensation you should differentiate, while there should not be disparity. Compensation should be used as one of the tools of segmentation of employees. Employees who deliver greater value have to be given a differential compensation. So I will call it motivation for those who perform at the same time it should be a Hygiene factor for those who are solid citizens and those who are non-performers you cannot afford to pay them to match the market. So these are the three levels which I work in the company. High performing employees you have to differentiate, solid citizens you have to pay which is fair and in line with the market and those who don't perform, you cannot pay them. My definition of Motivation is one who uses discretion. We come to office to do a job which is defined. A motivated employee will always try to do something more so; there he uses discretion to do more. Compensation according to me is not going to motivate

employees because the moment you pay something, there will be somebody else in the market today in India who is ready to pay something more.

Elria: Sir the next set of Questions is regarding the recent Mergers and Acquisitions of Thermax. So before we go ahead with that, would you like to sum up your experience in the HR Domain?

Mr. Gangal: Yes largely what I said like you have to look into people capabilities and you have to see that they don't get a shock of culture. Secondly is integration process of people, which has to start with Day one Communication and you, have to go in for gradual integration. You should not say that within 6 months everything will be done. You should instead take a paced approach in terms of integration and while doing that you should notice some good things which they maybe having which you can adopt as well. It's not that wisdom lies with you because you have acquired the company. The acquired company will also have people who will be good, so you have to be open and embrace what they have.

Tarun: In March 2012, Thermax acquired Rifox, a German subsidiary of Virgo valves and controls. What is the primary goal of this acquisition?

Mr. Gangal: It is strategic fit into what we are doing. They manufacture steam accessories. Strategically, they are line in with our business. You should work on your core competence what you have.

Hitesh: What is the role of HR department in Mergers & Acquisitions?

Mr.Gangal: Integration of culture processes and all other organizational factors.

Elria: Sir how did you communicate the M & A decision to your employees and how did they react to it?

Mr. Gangal: The first acquisition was much bigger while the second one was very small. We have to inform employees immediately by way of written communication and thereafter you have to say as to what has been the logic, what has been the justification for doing that, what is the time within which you are expecting to start getting returns etc. With respect to reaction of employees, we are only communicating to them, we are not seeking opinion. Everything that is done is for the communicated before the acquisition. After the acquisition there is no point in going and seeking employee's reaction. You should always bear in mind that if you can't do anything then, don't go and ask. It is a managerial decision what you have taken so you have to say to the employees that these are the decisions that we

have taken and ask their opinion as to if they see anything that can be changed or anything in our thinking that we need to change. These are a few things which you can seek employee's opinion on.

Hitesh: How do you execute the process of M & A (time frame, policy formation, various steps etc.)?

Mr.Gangal: You have to have a very detailed plan as to what are you going to do , when are you going to do it, and communicate to the employees that these are the things we would like to do on priority basis. Value cascading is very important. What are values of the organisation? What is the vision of the organisation? What does it mean to them? Thereafter the other processes like performance management come into the picture. As far as compensation is concerned, you should never try to impose what is happening in your country. Therefore, you have to see whether it's in line with what is happening in that geography, industry.

Tarun: With 100 employees being inducted in from Rifox, do you think that there are obstacles to cross border mergers and acquisitions? What are Thermax specific strategies to overcome them?

Mr. Gangal: No I do not think so.

Elria: Sir, there are a number of Ethical and Cultural issues faced by the organizations post Merger and Acquisitions. So did your HR department at Thermax face such ethical and Cultural issues?

Mr. Gangal: These issues are to be dealt at the Due Diligence Level. If there are any practices which you find are unethical at due diligence, that time itself you have to take a call.

Hitesh: Sir, there are various legal provisions related to M&A like we have Companies Act, Income tax Act, SEBI guidelines do you think that there are any provision which could be amended, deleted, or added to remove the obstacles to cross border mergers and acquisition?

Mr. Gangal: I can't comment on that, I have limited knowledge of that.

Tarun: What are the firm specific factors, industry factors and market factors that motivate acquisitions?

Mr. Gangal: One is opportunity, entrepreneurial spirit and whether you have the capability of giving the best to the company being acquired and sustain it. These are the three

guiding factors.

Hitesh: Generally too much energy is spent on the "Doing the Deal" and not enough energy is spent on post-acquisition planning and integration. Could you please comment on the same?

Mr.Gangal: We spent lot of time on due diligence, but later on we feel that business will run in such and such fashion. But it never runs like that. So you have to constantly do the handhold deal, do the integration properly. There has to be a plan about what will be done and when. The acquisition is not going to happen as per the agreement only, according to me that is the only legal entity. You are creating a legal entity, the emotional integration has to happen later and that is where you have to be doing more of hard work because due-diligence is a 3 month activity but later on it is going to be the relationship which you are going to look for and that is most important. 8 out of 10 Mergers fail because of people issues, so companies should not neglect it.

Elria: Did Thermax come up with any policy of downsizing prior to the M & A?

Mr. Gangal: No, we have not downsized. We have kept the leadership team as the same. You should give confidence to the company that is getting acquired that you are not going to work something, by which they are going to be prejudiced in terms of, loosing of jobs etc. I don't think that that's a very sound strategy. That is why it is extremely important to openly tell them beforehand what you are going to do, what you are not going to do. If you do that, then you have made the right beginning according to me.

Hitesh: What do you expect from a fresh MBA – HR graduate?

Mr.Gangal: High energy, ready to work for 14 hours, ready to do operational work for first 3-4 years either in factory or in any service business where you're in contact with masses. Knowledge of labour laws if you're working in manufacturing, understand the thinking of blue collar workers, knowing their aspirations, learn group dynamics. People won't learn seating in corporate office, people will learn in frontline interacting with masses.

Hitesh: Thanks a lot sir for your valuable time , we are sure this information will be definitely useful in our professional career. Thank You, Sir.