

Parivartan : Theory of Constraint Way (Professional to An Entrepreneur)

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Abstract : This article is intended to guide management students, professionals & budding entrepreneurs with a different perspective of how education, qualification & practical experience coupled with acceptance to “Parivartan” (Change) can impact our personal and professional life. As a professional, the expectations from an individual is to play a role in some specific limited part of the whole system, unless one is a CEO. Professional is expected to work in a specific area or domain or may be department. The Entrepreneur is required to play the role of managing the whole system which grows as the business expands. Entrepreneur not only has to drive people for current performance from the system, but also, he/she has to build the system for the future growth. The entrepreneur is expected to work in current system as well as on the future businesses. Article elaborates with author’s personal experiences to accept & manage changes at various stages of professional life. Article explains thoughts & process of decisions making while accepting to change & undergo change. Article narrates actual life situations & experiences faced during various stages from starting a business with limited resources & I further explain situations & difficulties a Small & Medium scale Enterprise (MSME) faces when it plans to grow in various aspects of business. This will further elaborate on management of a small-scale acquisition, various challenges faced in this process & further merger of entities both in terms of business processes & Human resources. Article gives further insights of Why there is a need to accept to change & How implementation of “Project Parivartan” in operations & business practices using concepts fundamentals of Theory of Constraints (TOC) impacted the entity & obstacles faced. It explain further how TOC approach of, Understanding impact of Constraint in a flow to maximize growth & Implement Process of Ongoing Improvement (POOGI) helped the organization. It further elaborated that for achieving this how company has established mechanisms for avoiding Bad multitasking, and implementing Full kits. Business requires visibility of key indices which is captured with Project & Product planning engines, Monitoring reports, defining items & products Buffers, along with new ways of analyzing & decision making with Alternate approach, to accounting with Financials in terms of Throughput (TP), Truly Variable Cost (TVC) & Operating Expenses (OE) with different Ratios & Monitoring via Score card. This article will also give brief insight of effects of socio-economic situations on MSME businesses due to changes in Government policies & Laws like demonetization & Implementation of GST and other allied policies.

Keywords: - Change, Decisions making, Acquisition, Merger, POOGI, TOC, TP, TVC, OE

Introduction

CHANGE (Termed as PARIVARTAN in Marathi language) is defined as difference in a state of affairs at a different point of time.

Change management is defined as a collective term for all approaches to prepare and support individuals, teams and organizations in making organizational changes. It is rightly said “Change is the only constant in life”. As an individual, team or organization, in our personal and professional life we all go through various changes in all aspects of life at different stages of life. At times, such changes are forced on us by factors which are not under our control and we have to deal with it, accept and adjust with it. As a human nature, we tend to resist to such changes as we are more comfortable in status quo or present situation.

There are situations when as an individual, team or professional, we willingly initiate the process of change (Parivartan) accepting and realizing the fact that the present

situation is not the way we want or not giving us desire results. This willing of acceptance to the need to change is the first and the most important stage in the process of Parivartan.

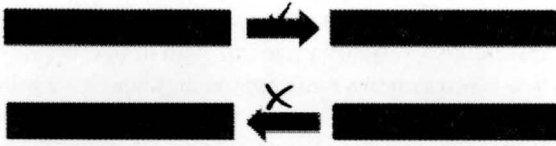
“The way to get started is to quit talking and begin doing” ... Walt Disney

There is also an inherent dilemma that must be resolved for ensuring buy-in from all stakeholders and for any Change Management to succeed.

Dilemma

- Every improvement is a Change.
- Every Change is not an improvement.
- Every stakeholder judges the improvement from their own perspective.

Improvement & Change



Objectives

Objectives of this article are to give insight to the process of change in our personal & professional life. It explains the changes & challenges faced in our professional life when one chooses to become an entrepreneur.

To share experiences about authors journey from a professional to entrepreneur, what challenges were faced to start, run, grow business, practical situations & obstacles faced by MSME in the process of Acquisition & merger.

To inspire readers to become entrepreneurs and / or adopt entrepreneurial mindset in their present role.

To create awareness amongst students about Theoretical & Practical implementation of TOC (Theory of Constraints) in both Products & Projects Operations.

How various TOC concepts & Tools like DBR, CCPM etc. along with alternate accounting approach is implemented to streamline business processes & to enhance overall business.

To help budding entrepreneurs, in knowing challenges faced by MSME to run & grow business & how change in socio-economic & government Policies affect various aspects of business.

Professional to Entrepreneur

Most of the professionals enter corporate life after basic professional and management education which gives us the strong foundation in terms of qualification to be eligible to get employed and also educates us in basic fundamentals of theory in our field of chosen operations. At the start of our professional career, one mostly have limited options as per our credentials but as we gain knowledge and experience we start to move upwards in terms of our professional position enhancing our accountability, responsibility and authority (ARA) to perform our role.

I had to go through this process of change since beginning of my professional career of 15 years till I decided to be an entrepreneur. During these phases some life changing decisions changed my line of profession from teaching to defense (Navy) to join corporate life to finally being an independent entrepreneur. As a part of our eco-

system surely our any such decisions to change affects our family and related associates. One of the most important parameters of success of decision to change and its implementation is involvement of all stakeholders who will directly or indirectly get involved and get affected either positively or negatively.

In my 15 years of experience in corporate sector, I had willingly accepted assignments in various areas of operations – Engineering, Finance, production, logistics. This journey was started with employee with small Indian start up and grown to achieve coveted recognition to establish greenfield plant for a reputed MNC engineering company. Before I decided to be an entrepreneur, my last assignment was with MNC to head worldwide business operations.

This journey takes us through the process of YOU DO IT (YDI) to DO IT YOURSELF (DIY). As professionals we are expected to play a specific role in part of the whole system which is mainly managed by various functions and departments headed by Head and CEOs along with their teams. As an entrepreneur, we have to manage the entire system and is expected to work as well as manage business.

Being an entrepreneur, from well-settled growth oriented professional life in a corporate world is not an easy decision particularly for a person with middle class family background and with no previous credentials of business in family. In our professional life, we plan our career in line with our education and professional skills. Being a technocrat, I was driven by my interest and liking in jobs involving engineering or technical aspects of job profile. At various stages, analyzing my strengths and weaknesses along with seeking professional guidance from my seniors and well-wishers I reviewed my path & created my career plans to become techno-commercial professional. This later became my strength as a professional and an entrepreneur; I got theoretical and practical experience of both technical and commercial aspects of business.

Entrepreneurship

As it is said, “If you don’t build your dream someone will hire you to help build theirs”.

Most of us feel the urge to become entrepreneurs or you may have seen your friends or acquaintances discuss about becoming entrepreneurs but few end up actually becoming one. Why? What is the dilemma?

On one hand, in order to protect stability / ensure regular flow of income – there is pressure to continue with a job in an organizations in order to grow and maximize growth – the required action is to become an entrepreneur / start own venture.

The data is not in favor either. Very few entrepreneurs end up becoming successful. Only 20% survive after first 5

years and only 4% after 10 years. A small fraction develops into high growth firms.

Main reasons

1. One is lack of clarity on what value is being provided to customer. Value is only provided when it diminishes significant limitation for a customer or creates new possibilities. In Business to Business context, the product or service must help customer to make more money.
2. Second reason, in an organization, there are 2 flows which need to be managed. One is the current flow of orders and second is developing customers / products for future orders. The owner entrepreneur has limited time and hence he is in a dilemma of whether to focus on current orders, current cash flow and employee issues or focus on the future. Urgency always trumps important. In most companies, there is considerable fire-fighting required to manage current orders. Owner Entrepreneur ends up spending considerable time in fighting these fires as a manager or at times working as a technician (technician is a person who actually does the work). This leaves little time for working on technology, product and market to get future orders. This ultimately leads to stagnancy and ultimately closure of business.

To be an entrepreneur, one needs critical self-analysis of our strength, weakness, opportunity in our area of business. If we analyze family history of any line of business we can clearly see the hierarchy in line with either family based growth or promoters or employee based growth. We see more success in such entrepreneur growth as technology & experience helps to start & grow.

“You do or should do what you know” is the basic principle we all follow. During my eight years of professional life at Thermax surface coatings Private Limited (TSCL), I got introduced to field of surface coatings and further it became an integral part of my life till date. I along with two professional colleagues at TSCL started a firm Triologics in year 2002 for trading and manufacturing of products and services in surface coating industry. The first learning of entrepreneurship is to be self-disciplined and independent in all aspects of your life. You need to learn, adopt and enhance your all capabilities in do it yourself (DIY) mode. As an entrepreneur one has to manage all aspects of business, drive current performance and also must build a system for future growth. Our company Triologics had lots of ups and downs in the process up till now being a Private Limited Company.

I strongly believe that to be an entrepreneur one must have qualification, knowledge and experience but in addition to this, one needs to be a calculated risk taker and should have street smart approach. Managing all aspects of

business need knowing, finding, doing and learning many new things you have not done before. Mistakes are our best teacher in our Professional as well as business life and not repeating the same mistakes and learning from our mistakes is the ultimate key to manage our limited resources. In the journey of Triologics, we expanded our business in various other related fields in line with core surface coating business. Being a new entrant in our field of operations our focus was always on two main approaches which we follow till date, Customization (To give what customer need and not sell only what we have) and Customer delight (To meet our committed product & service Deliverables)

Take Over and Merger

Journey & Growth of Triologics to Triologics Surface Coatings Private Limited (TSCPL) over the period has created its own brand name in our field of operations particularly being a customer focused entity having own set of dedicated business associates across India.

TSCPL started focusing more on its unique selling proposition of customization and earned reputation in surface coating standard products and surface coating automation which is the need of the industry to achieve quality and quantity output with limited resources. As an entrepreneur, you have to drive current business and need to analyze changes in market economy, technology and competition to keep your business in line with the changes and explore possibility of growth.

Bullows Paint Equipment Private Limited (BPEPL), was a 50 year old renowned and reputed Thane based company having its footprint all across India and overseas in the field of surface coatings. It was looking for buyer from similar field as their plan was to disinvest from few businesses that they were unable to run and manage for some valid reasons. Bullows had a unique combination of having business in both surface coatings standard products which were distributed through their loyal distributors and surface coating turnkey projects/plants which was their major business focus.

When we look for any business growth, few essential parameters to analyze,

1. It should be in line with your existing business line
2. It should enhance your deliverables to the customers

For Triologics, having its own brand in standard products and strength of automation and customization, taking over this business entity should have got few distinct advantages like having established and reputed “Bullows” brand in standard product business & expansion in business of turnkey surface coating plants and projects. Triologics and Bullows together looked like a potential win-win takeover for us as it would expand the market share and business.

Further, we went through a very tedious and exhaustive due diligence process ascertaining mutual credentials and capabilities. When you take over any job or entity you have to evaluate and analyze in depth as it comes with assets and liabilities of that role & business. Takeover in any MSME or non-listed entity involve comparatively less Government hassles and procedures but still Bullows being a 50-year-old entity had to go through lot of obstacles, resolve legal and taxation matters. Takeover or merger involves lot of Government rules, Laws and procedures seeking experienced and qualified professional advice helps to take right decisions at the right time.

Sir Richard Branson, Founder of Global Virgin Group of 400 companies rightly said

“Train people well enough so they can leave but treat them well enough so they don’t want to leave.”

Apart from technical and commercial aspects of business, an important aspect to run any entity is managing human resources. This becomes more critical when you have to manage human resources in a takeover and merger entity. Triologics though took over Bullows operations recently in 2016, as a management policy we decided to run two separate entities with separate physical locations and resources.

These two entities gave us expected market share expansion with our focused and dedicated efforts but within span of two years we understood the complications in managing two business in line with take over arrangements on paper. Sole company management is easy but for combined entity merger of heart, soul and mind of two separate entities in terms of human resources, culture, employees, rules, policies, Government taxations, accounting, suppliers, customers, dealers etc created new set of obstacles and started affecting our operations & deliverables. Learning and experiencing from two years of separate working forced us to change our strategy and finally we merged two entities in financial year 2018-19 under brand Bullows. We also shifted & integrated our manufacturing set up at Pune from Thane. We as a founder of brand ‘Triologics’ had to give away our emotional attachment in the interest of our business sense as Bullows is a reputed and established brand in the market.

Project ‘Parivartan’ – TOC way

Theory of constraints (TOC) is an overall management philosophy introduced by Eliyahu M. Goldratt (Israeli Scientist and Business Management Consultant).

TOC is a management paradigm that views any manageable system as constrained in achieving more of its

goals by a very small number of constraints/root cause. TOC adopts a common idiom “a chain is no stronger than its weakest link”

We, at Bullows introduced to the philosophy of TOC when in our efforts to manage our enhanced business activities of both merged entities we observed our traditional and established ways of operations management was not giving us desired results.

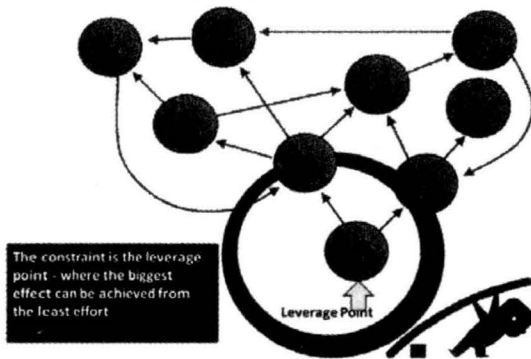
Under the merged entity we had enough resources and integrated ERP system to run and monitor our business but to take advantage of integration we needed to establish system to ensure guaranteed timely Availability of our products and on time completion of our Turnkey projects. Firefighting, shortages, wastages delays, employees’ unhappiness, loss of confidence of dealers, customers, associates etc. These all started affecting our operations and working capital and created chaos in our business. We as a team of professionals and entrepreneurs had enough experience to understand negative effect of this chaos and our previous conventional ways of operations management were not giving us desired results.

We got team YESS (Yagna Entrepreneur Success Services LLP), a team of qualified and experienced professionals to understand, evaluate and then implement philosophy of TOC (Theory of Constraints) in our business. Together as a team both Bullows and YESS we had exhaustive brain storming sessions to run through our existing processes, trained our team in basics of TOC.

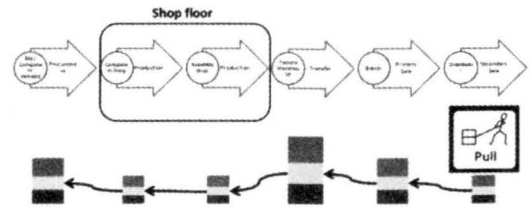
TOC is based on a very simple, yet very profound and powerful insight: In any complex system, the output is determined by one limiting factor. In other words, a chain is only as strong as its weakest link. Any complex system of production is made up of multiple linked activities, and one of them will be the bottleneck that determines the output of the whole system.

The reason why this is so profound is that most entrepreneurs spend their time trying to improve every part of the system they oversee, often with very mixed results. But if the output of the whole process — even an improved process — is still limited by the bottleneck, then any effort spent optimizing anything else is basically wasted (and can even be counterproductive). The theory of constraints therefore says that the entrepreneur’s job is to identify what the bottleneck is, and then systematically improve it until it is no longer the bottleneck — at which point, something else will be the bottleneck, and the job of identifying and optimizing the bottleneck starts over.

Inherent Simplicity

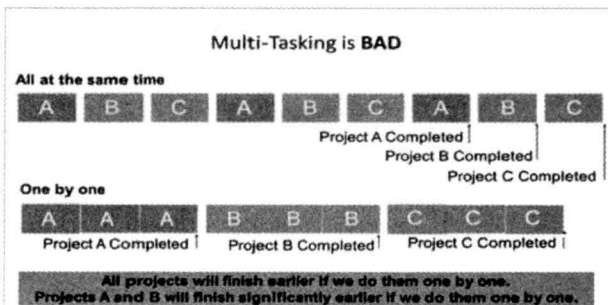


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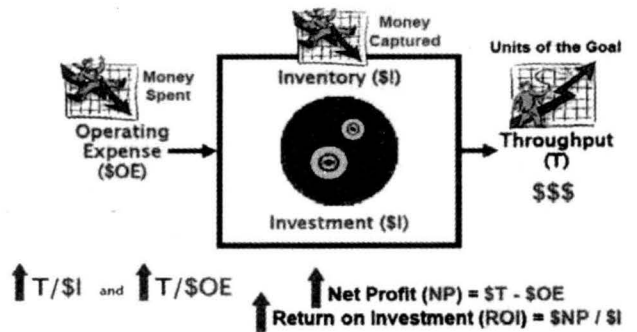
For our project business, though it involved lot of interdependent processes affecting input and output from both internal and external resources, we started defining project planning process and developed a task based Project Planning Engine for focused monitoring of projects and obstacles of each project. We implemented first phase of CCPM (Critical Chain Project Management) by identifying constraint in process and introduced full kits in all the processes with well-defined project sequence. Project sequence and full kit helped us to avoid bad multi-tasking. We introduced visibility of our project management with monitor reports to escalate obstacles in each process.

As a management and an entrepreneur, we must manage and review our accounts and financials based on traditional practices which sometimes either needs subject knowledge of accounting and taxation which is in line with the government & accounting laws. TOC provides Through put accounting (TP accounting) a simpler and an alternate approach to business financials with financial measures like TP (Through Put), TVC (Truly Variable Cost), OE (Operating Expenses) and other such related terms and ratios which helps the senior management in decision making.



For product business we had to change our way of thinking to manage our vendors and dealers from traditional PUSH system of selling to PULL system. Demand driven Product Planning Engine was developed which gave us online visibility and improved our delivery cycles to dealers.

Cash Machine



Through Put (TP) = Rate at which system generates goal units. TP is a rate.

Truly Variable Cost (TVC) = The cost that vary one to one for every increase in number of units produced or the cost/expenses spent to execute that project.

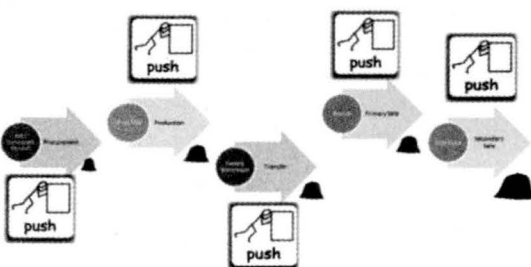
Operating Expenses (OE) = All the money system spends in order to turn investment in through put (TP), simply OE = Fixed cost to run the entity.

The TOC way of accounting majors help us in taking day-to-day business decisions and investment decisions.

Challenges & Benefits in TOC implementation

1. It is total cultural change in way of doing business than traditional so need lot of education & mentoring of senior team.

Forecast based misalignment



2. TOC thinking needs you to give away focus on individual & department performance but it enables us to focus on final GOAL of company & aligns all functions.
3. TOC tools & system helps you to get visibility across functions giving you clarity in finding obstacles in process.
4. TOC tools introduce Buffers in time & quantity to safe guard business process from contingencies.
5. It gives us clarity in our obstacles in business.
6. It helps to maximum utilize our resources.

Socio-economic changes & Effect on MSME

For MSME, being with limited resources have to manage and keep track of changes in the market as related to changes in Government laws and policies. Introduction of Goods & Service Tax (GST) and Demonetization were two major changes we faced in recent years. Both being perceived as very progressive and positive decisions in the long run had its initial adverse impact on MSME sectors. Both these changes affected the traders and retailers as cash economy or unorganized economy which then& still has a footprint in Indian economy had to readjust its business practices as they had to transit in organized sector via GST rules and regulations. It also affected working capital and cash flows of companies as new rules and policies took away some advantages of time line of paying taxes as before. Though in long term both of these changes will give much needed stability and transparency in MSME business those who could not sustain will have to take alternatives. MSME sector is backbone on Indian economy which supports large capital OEMS and also employees' major resources in India. All Government rules, policies, laws and changes should be supportive to this sector to achieve ease of doing business.

Conclusion

How does one resolve the dilemma of continuing in professional job vs becoming an entrepreneur is a big question. Not everyone can immediately become an entrepreneur but everyone can start adopting entrepreneurial mindset. What does it mean to adopt

entrepreneurial mindset? This means to look holistically at the organization and understand the cause-effect within an organization to identify few leverage points and focus on these points. TOC provides the processes, tools and applications to put holistic thinking into practice.

All of this involves Change or Parivartan in thinking/ mindset.

Our journey of professional to entrepreneur has thrown up many challenges. The biggest of them was to realize that while every improvement is a change, but not every change is an improvement. After a lot of search, we seem to have found a process of ongoing improvement (POOGI) in Theory of Constraints, which helps us to methodically answer the questions. Such as What to Change? What to Change to? and How to cause the Change?

We have a method to focus on the most important aspect of the business at the present moment which impacts the current and future well-being of the business.

Partnership with YESS has shortened the learning cycle and helped our organization to work smoothly as their skill and knowledge had helped the organization on the implementation of TOC which would have been difficult to be managed otherwise by any MSME.

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