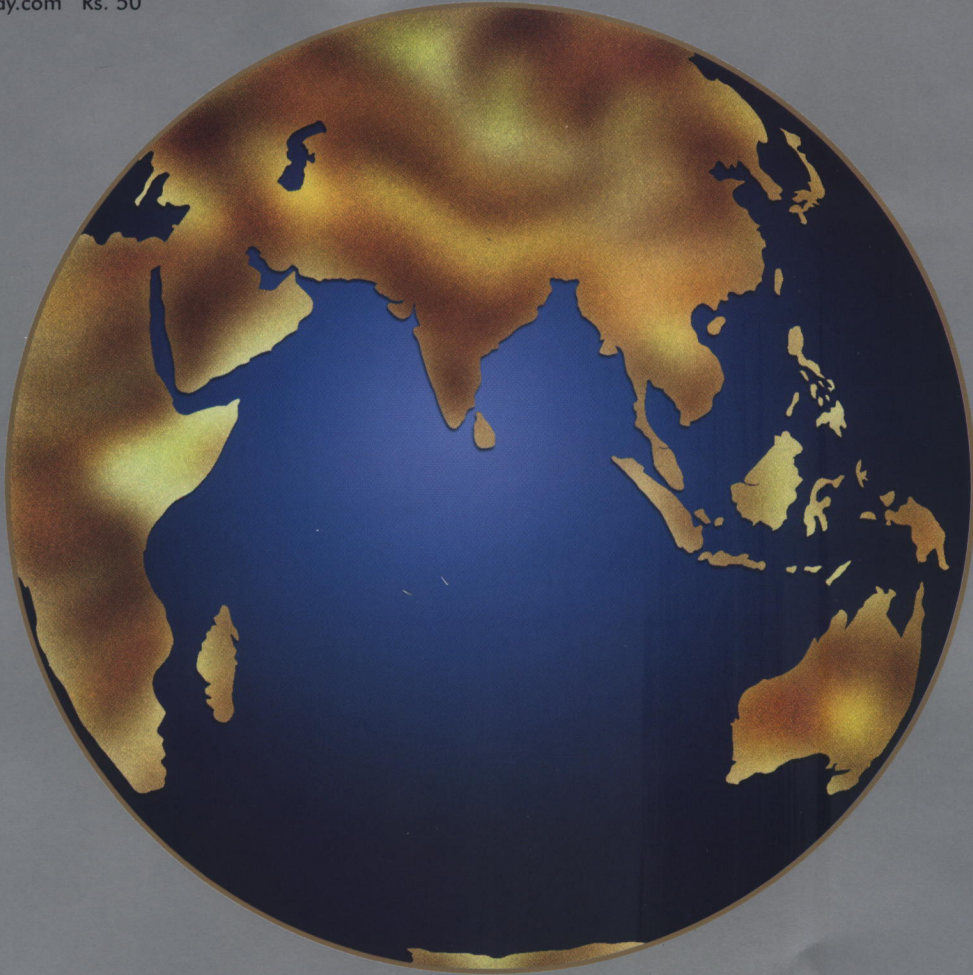


INDIA INC: GOING GLOBAL

COLLECTOR'S EDITION VOLUME II

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How We Went

**Global**

CORNER ROOM PERSPECTIVES

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BY G.V. PRASAD

EXECUTIVE VICE CHAIRMAN AND CEO/ DR. REDDY'S LABS



A. PRABHAKAR RAO

# RELENTLESS MARCH FORWARD

Since its inception in 1984, Dr. Reddy's has been focussed on being a global organisation, relentlessly moving up the value chain by improving its value proposition of cost and quality, integrating with local cultures and ethos, and attracting the best global talent. All this with an eye to fulfil the vision of becoming a discovery-led, global pharmaceutical company.

**G**LOBALISATION IS NOT A CHOICE—IT IS AN IMPERATIVE FOR GROWTH. Indian companies, since independence, have had the luxury of functioning in a protected but growing local market. While this may have helped a few companies, many of the older generation of companies did not see the writing on the wall, and failed to





build global competitiveness and acquire the skills that are required to survive in a global economy.

Globalisation is an imperative for any company operating in a small domestic market. Aggressive expansion internationally leverages a company's assets to create growth. And companies are now moving into the global arena with a greater degree of confidence. A combination of low costs, high quality and intellectual capital is powering the emergence of a new breed of powerful competitors from India.

Globalisation is a very positive thing for companies to embrace and build upon. If you draw out a history of Dr. Reddy's, you will see that we started this process of globalising by exporting right from the inception of the organisation.

### The Drive Towards Globalisation

Dr. Reddy's has resolutely moved up the value chain, always improving its value proposition. In the early 1990s we diversified into formulations and started exporting to markets such as Russia, and by the late 1990s we started exporting generic formulations to regulated markets such as the US. Today, Dr. Reddy's sells branded generics in around 35 countries and bulk actives in 53 countries. We are now increasing our focus on innovation-based products and on developing new IP (intellectual property). Dr. Reddy's also has a strong drug discovery programme with several molecules at various stages of clinical development. This will provide the company a long-term competitive advantage not only in India but also globally. Which, in turn, will enable the company to achieve its vision of becoming a discovery-led global pharmaceutical company.

### The Next Step

The next challenge for Indian companies is in building an attitude towards quality. Achieving global standards, becoming globally competitive with global standards of excellence in everything: quality, productivity, corporate governance, ethics and work practices, and investing in good quality practices. A factory worker sitting in a small village in Andhra Pradesh has to service a market that is highly regulated by the US FDA. It's very important for our workforce to understand that market and adapt in order to meet those requirements.

At Dr. Reddy's we worked on quality first; we over-invested in quality systems, obtained international accreditation from regulatory agencies across the globe for our plants, and upgraded environmental protection systems to meet the demanding requirements of customers from regulated markets. Investing in quality systems ahead of the curve was a crucial differentiator, which will continue to contribute to our long-term growth.

We worked on institutionalising quality in all our major processes through a "business process excellence" initiative across all our businesses throughout the organisation. This enables us to ensure a high level of quality by improving efficiency and effectiveness in all our processes and enables collaboration and uniform processes to achieve operational excellence while meeting business needs. The quality of our manufacturing is ensured by our care for the environment. Dr. Reddy's believes that statutory compliance is a bare minimum requirement in the area of environmental protection. At our company, we believe in going beyond statutory requirements to not only produce the highest quality but also build sustainability.

Another challenge for India is to evolve an innovative mindset. The differentiating factors for

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## COMPANIES are now moving into the global arena with greater confidence. A combination of low costs, high quality and intellectual capital is powering a new breed of powerful competitors from India

companies in knowledge-intensive industries in the future would be the intellectual property they generate, the effectiveness with which they protect their intellectual property and how well they commercialise it.

There are also opportunities in overcoming patent fences erected by others. At Dr. Reddy's, we identified these opportunities early in our evolution and put in place initiatives for the organisation to develop these skills.

### Acquisition Of New Skills

We have now built up significant knowledge on the innovation value chain as well as the means to protect and exploit the innovation. We have also along the way invested in acquiring skills in global regulatory affairs, project management, legal affairs and other areas, which help us compete in the global marketplace. Indian pharmaceutical companies have to move to innovation, where a problem would be defined from the patient's or doctor's point of view.

At Dr. Reddy's, our future pipeline will depend on unmet medical needs and innovation to create greater value. We have set up processes to systematically identify unmet medical needs from the marketplace, and explore drug delivery technologies. We study existing molecules for improvement possibilities and for the creation of product concepts that can be rapidly developed by combining this knowledge.

### Managing A Global Organisation

In managing a global company, the biggest



A. PRABHAKAR RAO

## DR. REDDY'S KEY STATS

- Total revenues (2003-04): **Rs 2,008 crore**
- Expected revenues (2004-05): **Rs 2,200 crore\*\***
- Overseas earnings\*\*: **64 per cent**
- Number of employees: **6,000**
- Number of employees outside India: **920**
- Number of offices outside India: **Wholly-owned subsidiaries in the US, UK, Russia and Brazil; joint ventures in China and South Africa; representative offices in 11 other countries**

\* Proportion of 2004-05 revenues expected from overseas operations

\*\* Analyst estimate



## A FACTORY WORKER in an Andhra village has to service a market that is highly regulated by the US FDA. It's very important for our workforce to understand that market and adapt accordingly

challenge in my understanding is the channelling and focussing of resources, including human resources, in a global setting. The first step was to create a leadership team that comprises of talent drawn from amongst the best, globally. Today, our management council, which makes all major decisions for the company, consists of 18 members drawn from the very best in and outside the pharmaceutical industry. Five among them (including the chief scientific officer, CSO) are based in the US and our latest recruit is a Welshman as the head of Europe.

We have been successful in leveraging our identity as a discovery-led company to attract and retain talent from innovators and large generic companies across the globe. This has helped us enhance our understanding of regulated markets, legal know-how and international regulations to drive growth.

Globalisation, especially in the pharmaceutical industry, needs to address variations in the regulatory environment and regulatory mechanisms, IP laws and technology issues, which are specific to each country. Navigating all this requires painstaking application, detailed knowledge, expertise and above all, tenacity.

The challenge is to have the right people doing the right thing. We have set up operational headquarters in several countries. This has helped us attract local talent, which is critical to understand the market needs and dynamics to access local knowledge and resources.

### Innovative HR Practices

Dr. Reddy's has attracted the finest talent worldwide. Our research scientists based both in the US and India, and other technical talent provide a critical competitive edge: they're highly skilled and highly motivated. Recruiting and training

employees with a view to creating a global workforce, and setting an enabling context for cross-cultural learning, requires significant effort and systematic processes. We take the effort to put all our recruits outside India through a structured induction programme and awareness sessions on respecting cultural and gender sensitivities.

We have consistently developed our technical strength and this has expanded the company's opportunity horizon while building strong managers and leaders who creatively leverage the technical strengths in the marketplace. However, technical talent is mobile, so we innovate on systems and HR practices to compete with the best.

Our HR practices create positive energy at the workplace and help us by consistently creating an environment of innovation and continuous learning, and fostering a spirit of teamwork and collaboration, across levels and across geographies.

### Going Global

Constantly refining and improving the value proposition of cost and quality, developing additional competencies, and attracting or leveraging global talent for moving up the value chain, has been the theme at Dr. Reddy's. If you see the progress of successful companies anywhere, you will see this pattern. Starting with a strong value proposition, delivering operational excellence and driving growth through innovation lead to lasting success.

We are constantly investing in building 'sustainable competitive advantage' to compete and grow in a global marketplace to achieve our vision of becoming a discovery-led pharmaceutical company. For, this is the only way for an Indian pharmaceutical company to take its place amongst the world's great pharmaceutical companies. **bt**