

B.K. RAMESH

THE NEW EGALITARIANS: CEO G.V. Prasad (centre) flanked by (right) COO Satish Reddy and HR chief Saumen Chakraborty

Dr. Reddy's Lab

It's The People, Stupid

For long entrepreneur-driven, Dr. Reddy's Lab is now focusing on building an organisation with leaders at every level. The idea: become a marketing and research powerhouse. BY E. KUMAR SHARMA.

IN HIS BLACK LEATHER SATCHEL, G.V. PRASAD CARRIES a small diary. That's not to keep appointments, but to record his work-day goof-ups. One of these recent days, the 41-year-old Vice Chairman and CEO of the Hyderabad-based Dr. Reddy's Labs made an entry that reads like this: "Lost my cool at the supply chain team, and threatened to rate their performance over the next 90 days. A big mistake. Should have realised they were all senior and responsible people who knew their

job. Must learn to keep my cool."

The diary is a recent addition to Prasad's accoutrements, but one that perfectly reflects the dramatic organisational overhaul underway at the New York Stock Exchange-listed pharma major. Take, for instance, its new corporate digs at Hyderabad's Ameerpet (the old office next door is being renovated). There's more glass, fewer walls, open cubicles, and a washroom that Prasad shares with the others. The idea, of course,

is to make Dr. Reddy's a more open, transparent, and hierarchyless organisation. There are more MBAs, PhDs and technologists than before sitting in the cubicles and research labs, and there is greater transparency in performance measurement and rewards. Notes Prasad: "I have changed myself personally and become less intimidating than before."

At the core of all this is the realisation that the 18-year-old company, founded by a research scientist, Anji Reddy, cannot propel itself into the global big league if its organisational structure is not geared to provide a bottom-up thrust. Therefore, Dr. Reddy's HR initiatives specifically over the last two years are driven by a three-pronged objective: innovation, entrepreneurship, and globalisation (See *Dr. Reddy's HR Model*). Admits Prasad: "This is not fuelled by a desire to seem employee-friendly alone, but by a clear understanding that a self-sustaining, high-performance organisation is a business imperative."

FROM GROWTH TO SYSTEMS

All these years, Dr. Reddy's was a company driven by its founder's insatiable appetite for growth (Between 1995 and 2002, the company's growth rocketed from Rs 198 crore to Rs 1,557 crore.) But as Dr. Reddy's

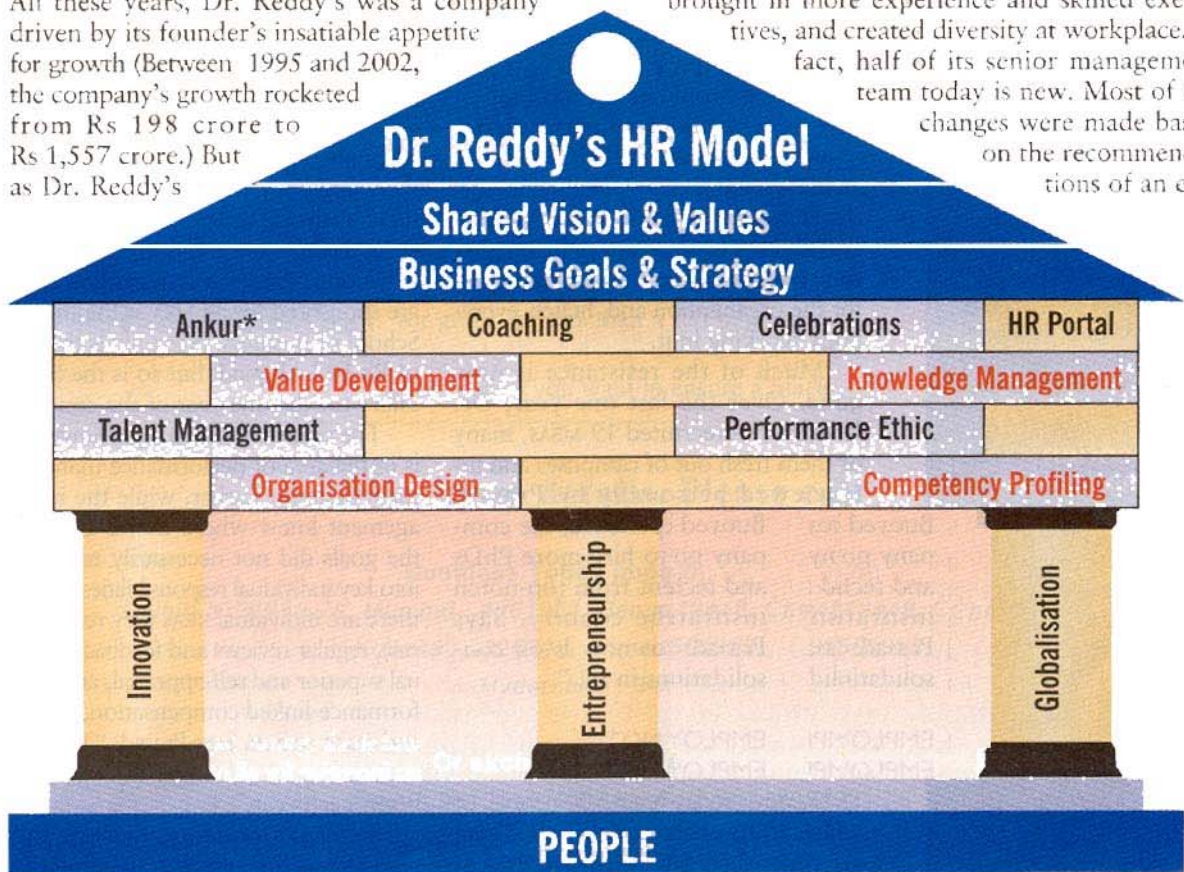
DRL's high growth was unsustainable without a new organisational structure to support it

grew, it soon became evident to Reddy that much of it would be unsustainable if a new organisational structure was not created to support it. Technology, products, markets, regulations, and consumers were all changing rapidly. And a company that had

built its generics business by reverse engineering drugs, had to build not just marketing muscle but basic research capabilities too.

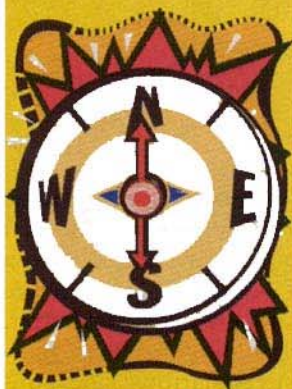
When Dr. Reddy's started retooling its HR, it found that there were no ready models in the industry to follow. Looking outside, Prasad (also Reddy's son-in-law), COO Satish Reddy (Reddy's son), and Chief of Human Resources, Saumen Chakraborty, found the revolutionary HR systems at leading IT companies inspiring. What followed was a blitzkrieg of initiatives: performance management systems, performance-linked pay, culture building, and leadership development were all pushed with great zeal.

The next step was to modify the existing structure. This was done by resorting to more lateral recruitment, which enriched Dr. Reddy's talent pool, brought in more experience and skilled executives, and created diversity at workplace. In fact, half of its senior management team today is new. Most of the changes were made based on the recommendations of an ext-



*Learning Centre

KULDEEP FIKAROWAL



TOOLS

• 360-Degree Feedback

This goes under various names like multi-rater appraisals or multi-source feedback, but the objective is the same: To give an employee feedback from peers, direct reports, and managers. Feedback can include ratings against questions or statements, and also comments and suggestions.

• Competency mapping

This helps identify an individual's strengths and weaknesses in order to better match his/her competency with the job. Mapping also allows a company to invest in required training or education of the individual for career development. For example, how to prepare a manager for a general manager's role.

• Retention Management

Simply put, it's all about keeping your star performers happy. The assumption being that a happier executive is more likely to perform better and stay on at the company. (This was a big issue with software companies until recently.) Therefore, at most companies, retention is still a key HR function.

ernal consultant, but it was apparent that to make things stick, a senior HR champion was needed. It was in response to this need that Chakraborty was brought in. His first move was to change the department's agenda: from recruitment to driving change. Recently, the department even ran a "Kaun Banega Change Manager?" programme for its HR executives. Says Chakraborty: "HR is not about back-room operations, but about impacting the business of the organisation."

Like most change initiatives, Dr. Reddy's had to face its share of opposition. For example, when the drive to recruit management graduates began, many senior managers were afraid that costly hires would upset the salary balance within their business units. Ditto with performance-linked pay. The fear was that targets would be set too high or that adverse industry performance would unfairly affect their own rewards. As an answer to such resistance, the company began to showcase success stories both inside and outside to prove that change is actually good for the organisation and, hence, everybody working in it.

Much of the resistance is now gone. Over the last one year, Dr. Reddy's has recruited 19 MBAs, many of them fresh out of campuses and interviewed personally by Prasad. Buoyed by the experience, the company now wants to hire more PhDs and technical talent from top-notch institutions in the country. Says Prasad: "Our focus now is on consolidating the gains in HR."

EMPLOYABILITY, NOT EMPLOYMENT

Dr. Reddy's today has 5,500 people, of which 500 are foreign nationals. There are more than 500 scientists, 260 of

whom focus exclusively on discovery research (read: discovering new molecules). More importantly, HR philosophy has moved from job security to employability, with focus on learning and development, talent management and performance orientation. Neither is it trying to outpace others in the marketplace, relying instead on its competitive and employee-friendly atmosphere (Dr. Reddy's ranked No. 13 on BT-Hewitt's *Best Employers In India* survey, in 2002). A big reason why it has been able to lure people like

G. Raj Kumar, GM (Learning & Development) from Infosys and Timothy Crew, Executive Vice-President (US Business Development) from Bristol-Myers Squibb. To achieve long-term impact of HR initiatives on business performance, Dr. Reddy's is pulling out all stops to help its employees grow. Competency-based development programmes are offered to employees at all levels. For example, there are courses on communication skills, analytical ability, and negotiation skills. Then, there is support for higher education. Executives with potential are sponsored for an MBA at the Indian School of Business. Not only is the fee of Rs 10 lakh paid, but so is the basic salary for the one year of the course.

The single-biggest change, however, is in the area of performance management systems. Earlier, while the management knew where it was driving, the goals did not necessarily translate into key individual responsibilities. Now, there are individual KRAs (key result areas), regular reviews and feedback, annual superior and self-appraisal, and performance-linked compensation, bonus and stock option. Says Prasad: "There is an incentive for all of us to do better and better each year."

Better performance measure and talent spotting systems are opening

The pharma company's HR philosophy has moved from job security to employability

newer vistas for the talented and ambitious. Take the case of Seshu Srinivas. Barely three years after joining the company as product manager, the 36-year-old landed in New Jersey as the business development manager for Dr. Reddy's in North America. Today, he is one of the success stories sold on the company's website (drreddys.com).

In some other cases, it can simply be a question of helping out an employee in her time of need. Ask Shobha Vijayaraghavan, a 29-year-old Assistant Manager (Corporate Business Development) at Dr. Reddy's. Until a couple of months ago, Vijayaraghavan was allowed to work flexi-hours to take better care of her new-born baby girl, Anusha.

In the case of those who do not come up to the company's expectations, broad indications are given during the annual performance rating, and in some cases, personal counselling is also done. In fact, in January this year, Dr. Reddy's introduced a voluntary retirement scheme to "reduce overall employment levels".

Those who are talented but not competent enough for bigger responsibilities within the company are out-placed. But where the employee shows strong entrepreneurial skills, Dr. Reddy's doesn't hesitate to chip in with cash and advice. T. Giridhar will vouch for that. When Dr. Reddy's merged subsidiary Cheminor with itself, Giridhar—who had spent 16 long years at the latter—wanted out. Instead of simply cutting him loose, the company gave him a soft loan to set up his own bulk drugs unit.

When BT visited Dr. Reddy's, Chakraborty was in the thick of an employee climate survey, which includes questions on satisfaction and motivation, among others. The feedback will determine how the HR policies are shaped in the future. To prove that the top-most managers are interested in employee performance and growth, every year the top 50 management positions and some 150 star performers are monitored by Prasad and Satish Reddy. "Over the last few years, we have given a serious thought to our HR issues and today have a clear HR document before

us," points out Chakraborty.

A cornerstone of the HR initiatives is information technology. Over the last five years, Dr. Reddy's introduced various stand-alone HR applications on different platforms such as Lotus Mail and SAP. In July this year, all these were rolled into an enterprise information portal called mydrreddys.com, which carries MIS, communication, e-learning and corporate information, besides knowledge management and HR. The idea behind the enterprise information portal is to streamline and enable real-time workflow of the company in all its functions.

Thanks to the integration and people development, a

lot of ideas are flowing from below, not just in R&D, but even in manufacturing, where raw material efficiency is up, and cycle time down. There is even a "talent team" (read: cross-functional team) comprising people from pharmacology, intellectual property, medicine, biology, chemistry, statistics, and legal backgrounds that works on product development. "We are in a collaborative mindset now," quips Prasad.

And that's not just limited to work. As part of its employee benefits, the company offers a learning centre, called Ankur, for the employees and their families. On offer is a variety of vocational and personal training programmes, including Reiki, stress management, language classes, and special programmes for children.

Still, Prasad is willing to admit that there's a lot to be done before Dr. Reddy's be-

comes "a great place to work" compared to the best pharma companies globally. One of his regrets is that the move towards lateral recruitment did not allow leaders to be grown from within. But he says that the new emphasis on leadership and management development will resolve that issue in due course of time.

An immediate area of focus: building a critical mass of thought leaders. Over the medium term, the company wants to improve its career management and job rotation systems so that its employees get a more holistic view of the organisation. If that doesn't happen soon enough, you can be sure of reading an entry about it in Prasad's little diary. ■

TALKING STRAIGHT

How Dr. Reddy's communicates with its employees.

Connect Forum

This is a forum where the CEO and the COO interact with employees at all levels at all locations. It's a great way to build a sense of oneness.

Open House

This allows senior management of a location to interact with their specific employees.

Mydrreddys.com

An extranet that facilitates seamless flow of information across the organisation and locations. It heightens transparency and trust.

Elixir

The in-house magazine, it not only talks of developments within Dr. Reddy's but also vital issues affecting the industry. Helps present a single face to the organisation.