Managing Talent at Lupin Limited

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The HR President and the Head of Learning and Development of Lupin, were looking with satisfaction at the latest attrition figures of the company. The annualized attrition rate for managers had been showing a steady decline, and was pegged at 12 per cent for the first quarter of 2010-11, much lower than the industry rate of 30-35 per cent. It had been a long, arduous journey and figures were looking decent for now. However, the HR President knew that this was just the beginning. With competition intensifying in the industry, the war for talent was going to heat up further. He wondered how they were going to manage talent in an industry which was fast-growing, insular, and obsessed with domain knowledge.

PHARMACEUTICAL INDUSTRY

The pharmaceutical industry in India had experienced phenomenal growth, especially since 2005. The industry had grown at a rate of 14 per cent in 2005-2010, which was a significant increase over the 9 per cent growth witnessed between 2000 and 2005. Global management consultants, McKinsey & Co. had predicted that the Indian pharmaceutical market would grow to $55 billion in 2020 (from $21.6 billion in 2009). According to Palash Mitra, Partner at McKinsey & Company, and leader of the Pharmaceuticals & Medical Products Practice in India, “The scale and complexity of the market is increasing as India is moving towards the global top tier in the pharmaceutical industry.”

The pharmaceutical market in India was highly competitive and fragmented with the top 10 players accounting for 36.1 per cent of the total sales in 2008. Tier-1 markets, which constituted 60 per cent of the total market, had been growing at 14-15 per cent throughout 2005-2010. This trend was expected to continue. Rural markets, on the other hand, were predicted to account for 25 per cent by 2020, up from 20 per cent in 2010.

An increased patient pool due to increased urbanization and lifestyle changes, increased accessibility to drugs, greater acceptance of new medicines, greater

3. ibid
4. Following McKinsey & Co.’s classification, Tier 1 markets are defined as metros (population 1 million), Class I towns (0.5 million to 1 million), and Class IIA towns (0.1 million to 0.5 million). Tier 2 markets are the remaining urban markets (Class II, III, and IV towns) and rural areas.
affordability due to rising incomes, increasing insurance coverage, growing investment in healthcare infrastructure, introduction of product patent legislation along with cost advantage were driving the growth of the domestic market. Beyond the domestic market, Indian pharmaceutical companies had a large portion of their revenues coming from exports as well. While some firms were focused on the generic market in the US and Europe, others were focused on custom manufacturing for innovative global firms.

A major factor that had contributed to the success of the Indian pharmaceutical industry was the patent regime that had existed prior to 2005. Reverse engineering, facilitated by process patent (and exclusion of product patent) coupled with high quality yet low cost generic drug manufacturing allowed many pharmaceutical firms to achieve near global-player status. With the signing of WTO and TRIPs agreements by the Government of India (effective 1995), the scenario changed. In particular, the Third Amendment to the Indian Patent Act (2005) ushered in an innovation-focused phase. Consequently, the number of patents being filed by the Indian pharmaceutical firms began to double almost every year, not only in India but in the US as well. On the one hand, increased local competition and subsequent price erosion posed serious threats; on the other hand, a new threat emerged in the form of global pharmaceutical firms who were expected to launch their new products in India backed by the new product patent regime. Nevertheless, the market still held a lot of promise for domestic firms. One reason was the patent expiry of a number of major drugs in the immediate future. Drugs having estimated sales of over US $108 billion were expected to go off patent between 2009 and 2013. This was expected to open up a huge generic market for the Indian pharmaceutical industry abroad, especially in the US and other developed countries where governments aimed to cut down healthcare costs by facilitating speedy introduction of generic drugs into the market.

Contract research and manufacturing services (CRAMS) was another area where pharmaceutical firms in India held an edge. India’s competitive strengths in research services, along with English-language competency, availability of low-cost, high-skilled doctors and scientists and large patient population with diverse disease characteristics, provided a fertile ground for medical research. In addition, both global innovators and generic majors had found it profitable to outsource production to India given its adherence to international quality standards. Although there had been a slowdown in this area, the scenario was expected to improve as the pressure to prune costs increased in developed countries.

**LUPIN LIMITED**

Headquartered in Mumbai, India, Lupin Limited was Dr. Desh Bandhu Gupta’s dream-child. In Dr. Gupta’s words, “My dream of contributing to the process of nation-building and vision to fight life-threatening infectious diseases by manufacturing drugs of highest national priority were the compelling reasons and guiding principles that led to the formation of Lupin.” After completing his Master’s in Chemistry, Dr. Gupta started his career as an Associate Professor at the Birla Institute of Technology and Science (BITS), Pilani, and later on became a catalyst in setting up Lupin in 1968. Started with seed money of just Rs. 5,000 (US $111 approx.), Lupin Limited had emerged as the second fastest growing pharmaceutical company in India with sales worth US $477 million in 2010.

Lupin Limited was a transnational pharmaceutical company that had grown faster than most of its peers in a number of growth markets. It had the fastest growing and largest prescription base among all generic players in the US (ranked eighth by prescriptions and growing at 72%). The company ranked among the top three in market share in 18 (first in 8) of the total 22 products it sold in the US generic market in 2009. The company’s presence in the Japanese (ranked seventh and growing at 23%), European, South African (ranked sixth and growing at over 30% annually), Philippines, Australian and other emerging markets was expected to drive growth in the years ahead. In the domestic market, the company’s 3 per cent market share by revenue made it the fifth largest player (in FY10). Its domestic revenues had consistently risen at over 20 per cent annually from 2005-2010, as against the industry’s growth rate of 10-12 per cent. Lupin employed 10,500 people in India in 2010. Key milestones in Lupin’s organizational growth are given in Exhibit 1. Lupin India’s summarized financial information is provided in Exhibits 2A and 2B and details on select HR performance parameters are given in Exhibit 3.

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6 Company reports, IIFL Research
7 IMS (March 2009)
Lupin produced a wide range of quality, affordable, generic and branded formulations and APIs (active pharmaceutical ingredients) for the developed and developing markets of the world. It first gained recognition when it became one of the world’s largest manufacturers of tuberculosis drugs. Over the years, the company had moved up the value chain and had not only mastered the business of intermediates and APIs, but had also leveraged its strengths to build a formidable formulations business globally. Lupin’s product portfolio covered a wide range of therapeutic segments, including cardiovascular, diabetics, respiratory, pediatrics, CNS, gastrointestinal, anti-infective, and NSAID therapy segments, and held leadership positions in the anti-TB and cephalosporins segments globally. Five of Lupin’s brands ranked first in FY09 in their respective categories in the domestic market. The company’s R&D endeavours had resulted in progress in its NCE (new chemical entity) programme and its advanced drug delivery systems led to the development of platform technologies that were being used to develop value-added generic pharmaceuticals.

Lupin’s world class manufacturing facilities, spread across India and Japan, played a critical role in enabling the company to realize its global aspirations. It had nine manufacturing facilities and one R&D centre. Five of its manufacturing facilities were approved by the US Food and Drug Administration (FDA), and three of them by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The company had expanded production facilities in the last few years, which had provided it with enough bandwidth to achieve higher production volumes in future. Details about Lupin’s facilities and locations are given in Exhibit 4.

**Talent Management at Lupin**

Dr. Desh Bandhu Gupta (DBG) believed that Lupin’s people were its core strength and in order to realize its ambitious growth plans, Lupin would have to create a consistent pipeline of talented future leaders. Talent management was one of the most important pillars on which the future growth of the company would rest. Lupin’s vision and values are given in Exhibit 5. Dr. Gupta’s vision was being translated into reality by his team of senior executives.

The HR team had launched the Talent Management project in 2006 and in the following three years they had worked tirelessly to ensure that the talent management programme gained acceptance across the organization. In 2010, Lupin comprised 5 customer facing divisions – IRF with responsibility for Formulation Sales in India, LPI with responsibility for North America and Europe, CIS for the undivided USSR, AAMLA for the rest of the world, and API for the intermediaries sale. Each division was run by a President and his own management team. Some central functions such as corporate Manufacturing, R&D, HR, Finance, Legal, Communications, Business Development and Strategy were located in Mumbai and had cross-divisional presence. Exhibit 6 gives details of the firm’s governance structure.

Two things characterized Lupin: a centralized approach to management and an emphasis on a relationship-oriented culture. HR faced the challenge of retaining these essential Lupin characteristics, while identifying the firm’s top performers, holding their talent to stringent performance measures, and ensuring that Lupin continued to remain the employer-of-choice for the best and the brightest in the industry. The HR team was very clear on the fact that attracting, retaining, and developing talent was an imperative for Lupin to achieve its growth plans.

**Talent Management Initiatives**

Lupin’s talent management programme rested on a participatory approach, with the company and the employee sharing responsibility for the employee’s development. Development plans aimed at encouraging employees to take charge of their careers, with the company supporting the employee fully in this process. According to Lupin’s Annual Talent Review Document, “Lupin is putting time and thought behind the development of talent. Employees have the primary responsibility for making their career happen, and it will happen initially by proving themselves in the job they are currently in. Lupin will make sure that employees’ progress is examined systematically at least once a year. If employees succeed early in their career, they will come to the attention of senior leadership, and as their success continues, they will come to the attention of the top leadership team.” As the HR President summarized, “It is not a leadership driven plan. It’s the employee’s prerogative to work hard, deliver results and get recognized.”

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*8 Lupin website: www.lupinworld.com (accessed December 15, 2010)*
Once committed, employees could benefit not only from several formal development programmes, but also from a host of informal networking and development opportunities. Lupin offered a bouquet of Top Talent initiatives such as Lupin’s Manufacturing Business Leaders Programme, AMEX for Frontline Sales Leaders, Leader Plus for Frontline Leaders in Manufacturing, leadership effectiveness programmes for potential leaders in Research. The Lupin Learning Centre and the Buddy Programme were aimed at inducting employees into the Lupin way. Identifying the top 100 managers and supporting their career growth and development through education, training, and job exposure were the key components of this strategy.

All new recruits were covered by an orientation programme called “Udbhav”. This fortnight-long programme introduced new recruits not only to the company and their role, but also provided self awareness and life skills and ensured a smooth transition from academics to industry. This had a significant favourable impact on their early life stability and productivity in the organization. The strong benefits realized by all teams across all locations guaranteed that none of the new recruits missed this powerful induction programme. This programme also proved to be a step forward in building Lupin’s brand as a preferred employer in the pharmaceutical sector, and also helped talent acquisition in the process.

**Buddy Programme**

In addition to a formal induction programme for new employees, Lupin had put in place a Buddy Programme to accelerate a new employee’s ability to deal with early disconcerting issues such as understanding the organization’s culture and climate, insecurity while dealing with colleagues, handling of queries regarding basic operational issues and the like. Connecting the new recruits with a ‘Buddy’ (an existing employee who had been in the organization for over a year) was expected to assist in cultural integration and orientation. The new employee would thereby begin to add value more quickly, leading to increased confidence and self-esteem. At the same time, managers and supervisors would find that working with new recruits was much simpler and in tune with basic organizational values.

Any employee of E2 or above grade who had been in the organization for at least a year could qualify to be a Buddy. The employee was required to be a consistent performer in her/his role, have aspirations to be a leader, feel a sense of pride and belonging towards the organization, and reflect a positive outlook to be eligible to become a “Buddy”. She/he also had to be perceived as a leader or a role model within her/his team. The aspirant had to undergo a special two-day training programme and get certified as a Buddy in order to take up this responsibility. Exhibit 8 gives details on the Training Module for the Buddy Programme.

The primary ownership of the Buddy Programme rested with the line function in collaboration with the Location HR and Corporate Learning & Development team. Nominations were invited from production / quality / engineering functions at the location. Buddies were allocated in the ratio of one Buddy for four new recruits for the first six months. They were assessed on a range of competencies including communication, interpersonal skills, initiative, problem solving, and organizational awareness skills. Employees were granted incentives to play buddies to new recruits such as primary consideration for the next level promotions and a gift voucher of Rs. 4,000 for every four new recruits assigned.

A Buddy Coach was also assigned to review the Buddy’s performance in order to enhance the effectiveness of the Buddy Programme. To achieve this, the Buddy Coach met with the Buddy once a quarter and conducted a one-to-one review.

**Annual Talent Review**

The Annual Talent Review (ATR) was the primary tool being used by Lupin to integrate the company’s plans with employee goals and organizational decisions. It was a process that enabled Lupin to systematically assess the capability of the organization and its people, examine gaps and plans for the future, and prepare the organization to achieve its ambitious plans. ATR had multi-pronged goals. One aim was to connect every activity to the larger business agenda across the organization. Another aim was to help employees grasp the changing realities of a competitive market scenario and help them move away from a nostalgic longing for Lupin’s old culture. An important function served by ATR was to send out a message to employees that career advance-

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9 A list of Learning & Development initiatives is given in Exhibit 7
ment at Lupin depended on current delivery and demonstrated potential for growth and not past achievements, and that Lupin rewarded results and the people who made their best efforts to achieve stretch targets. Additionally, as the HR President pointed out, “ATR is a discipline imposed on each SBU to make sure every employee and his or her development is given consideration each year.”

Details of the ATR business agenda for 2010-11 are given in Exhibit 9. The responsibility for ATR rested with every manager across SBUs/functions. At the same time, ATR recognized the uniqueness of each SBU and allowed flexibility based on relevant business issues.

Lupin Manufacturing Business Leadership Programme

The company felt that most of their site leaders and their direct reports had either a Pharmacy or Engineering qualification with no formal exposure to management concepts or leadership training. Hence there was a need to enable senior management leaders (who were leading a site or managing large operations on-site) to develop into well-rounded manufacturing leaders. Some key competencies needed in these leaders were, an understanding of the manufacturing industry as a business, leadership competence, and practical in-company application of knowledge and insights. Lupin’s senior management in collaboration with the Indian Institute of Management, Ahmedabad (IIMA) designed the Manufacturing Business Leadership Programme as a vehicle for delivering on these objectives. The Lupin Manufacturing Business Leadership Programme (LMBLP) design is given in Exhibit 10.

The LMBLP had three key elements:

1. **Understanding of business concepts**: A rounded understanding of business which provided leaders with the knowledge, tools, and confidence to determine what needed to be done in any given business situation.

2. **Leadership development**: Guided reflection on the meaning of leadership together with the development of necessary skills and an on-going personal development programme in order to build leadership competencies. The idea was to equip leaders with skills to lead and engage with managers, and to move from day-to-day firefighting to strategic leadership.

3. **Practical In-Lupin experience**: Each of the participants carried out a live project inside the company (under the guidance of IIMA faculty) to internalize their learning. This also helped them shift their perspective from firefighting mode to long-term strategic mode.

The organization believed that LMBLP would not only help in creating leaders for the organization, but would hold value for employees as well, since it would be the first opportunity for most of them to receive formal education post-college. The inputs provided would not only help build critical skills needed for their jobs and a broader understanding of their role beyond the required technical competencies, but would also provide Lupin employees with access to the prestigious membership of IIMA alumni network.

The target segment for LMBLP was site leaders and their relevant direct reports (e.g., Site head + Quality + Engineering + Production/Plant heads). Another benefit from this programme was that it was believed that through this approach the organization would also be able to break its strong hierarchical orientation by putting the entire team together in a learning environment. Approximately 45 participants were covered in a year.

Input areas covered a wide-range of subjects including finance and accounting, marketing, organizational design, leadership and change management, manufacturing practice, quality and information technology, strategy and governance issues. The education was fully funded by Lupin and employees were not required to sign any bond or contract to avail of this opportunity.

Lupin Learning Centre, Lonavala

The organization set up a Lupin Learning Centre at Lonavala (near Mumbai) in order to offer a learning environment, opportunities, and inputs of global standards to the employees at Lupin. The aim was to get Lupin ready for the future and to inculcate and strengthen management capabilities of Lupin managers. It was seen as a key step forward towards institutionalizing the people development process. Having scaled up significantly in manpower numbers and size of operations in the last eight years, Lupin felt it was the time to make the most of the momentum with a greater focus on upgrading skills and processes, along with individual capability. Lupin planned to put in place world-
class infrastructure facilities for its learning centre which would include state-of-the-art training auditoriums, accommodation for participants (double and single occupancy), video conferencing facilities, venue for outdoor sessions, library, recreation centre, yoga room, canteen and garden.

**Informal Networking and Developmental Opportunities**

In addition to formal development programmes, the company offered a host of opportunities to employees to develop through informal channels, such as sharing of practices by senior leaders in cross-functional or cross-level team meetings or through video conferencing. The cross-functional and cross-level teams helped employees bypass a deeply-entrenched hierarchical culture, sit together, brainstorm, and be heard. Employees were also provided with a platform to display their competence in areas beyond their assigned functions and job roles. The Head of Marketing for domestic pharmaceutical business said, “In meetings of marketing department, operations people are given 2-3 products to demonstrate. Thus they can move from field to training to marketing.” Lupin also provided exposure to global practices to its best performers through participation in international conferences. The HR President pointed out another effect of the industry’s obsession with domain skills, “A lot of anxiety and insecurity exists with respect to talent scarcity in the industry. In order to avoid attrition, people are pumped up into higher level jobs in their own companies. Worse, they become senior managers in other companies although not appropriately qualified for the job. And companies are possibly forced to manage sub-par talent today. The impact is not encouraging for the industry as a whole.”

**Talent Management Challenges at Lupin**

While the talent management programme was gaining steady acceptance across the organization, a few challenges related to industry characteristics, recruitment, competency requirements, and performance and potential appraisal emerged along the way.

**Industry Characteristics**

The first major hurdle was the nature of the pharmaceutical industry, which held serious challenges for attraction, identification, and selection of talent in non-technical functions. As explained by the HR President, “Unfortunately pharma is not seen as a ‘desirable’ industry. In the US and in Europe it is considered a highly aspirational industry because it is led by research there. But here in India, it does not have that ‘oomph’ because of focus on reverse engineering primarily. So it does not attract the brightest of people. This has a significant impact on the quality of talent available in the industry. Talent also feels very secure because there are not enough bright people to provide competition.”

But the challenges were more complex than merely a lack of candidates with the right talent. The pharmaceutical industry was also known to be a more inward and domain focused industry. Managers were not willing to pick up professionals from other domains. The typical managerial mindset was to exclude any candidate with non-pharmaceutical experience, irrespective of the skills brought to the table. While pharmaceutical firms stuck to domain specific skills, other sectors were not averse to recruiting from them. Sectors such as retail, hospitality, financial services, telecom and other emerging industries were able to poach talent from pharmaceutical firms with great ease. These sectors offered higher remuneration and the social prestige associated with these jobs was higher amongst youth in the country. All these factors led to a high attrition rate in the industry. Migration from one company to another within a short duration had become the norm. Lupin had been hiring aggressively, both, fresh candidates (who could be trained) and professionals with experience from other pharmaceutical companies as well. But it mostly hired from ‘A-list’ companies like Cipla, Dr. Reddy’s and others, and did not take in professionals from ‘B-list’ companies.

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**Recruitment**

Lupin had put in place some systems to tide over talent acquisition issues such as competitive entry-level salaries, summer internships, and direct recruitment through campus interviews. Lupin mainly recruited people with a graduate or postgraduate degree in science or pharmacy through university recruitment programmes, but
did not recruit as many business school graduates. There were some concerns about the quality of recruited talent. The Co-Head of Marketing and Sales, opined, “Our competitors are very strict when it comes to recruitment. They take in M.B.A.s rather than B. Pharmas. Their talent is coming in through design because their recruits are careerists in the first place. In our organization many people come by default also. They might not be talented. In the beginning they may appear fine, but after 2-3 years they might not turn out to be so.”

There were some concerns about the recruitment criteria as well. According to the Head of Operations – API, “At the entry level, talent hunting and recruitment decisions get sidelined. We end up compromising on criteria because of inadequate clarity. For example, we end up hiring candidates with less than 50% in B.Sc. even when a candidate with a first class in other disciplines is available. Now guidelines have been put in place such as which institutes are we going to target and what entry criteria must we adhere to. So things will improve.” Sometimes there were concerns even about the recruitment process. According to the Head of Operations – API, “We put people in respective roles after induction. But no psychometric testing is carried out to identify an employee’s appropriateness for a role, to identify his strength areas. No formal process exists. We have not matched inherent strengths to role. For example, sometimes good people with poor quantitative skills are put in MIS.”

**Mapping Competencies**

While the company did not have a job evaluation and competency mapping process in place, there was some awareness related to identifying and developing competencies required in different roles. The Head of Marketing and Sales said, “We need people with communication skills, especially scientific communication because of our hi-tech products. They need to communicate with doctors in medical language. But beyond product knowledge and regular work, they should also be able to participate in implementation of strategies. They should be allowed by the company to contribute to the strategy. Their role should not be limited to numbers. For example, their deliverable is to promote our products to ten doctors and four gynaecologists. They can go beyond it. The company should be able to communicate this to them.” He also felt that compared to their competitors, Lupin employees needed to work on their presentation skills. As explained by him, “There was no need to focus on these competencies earlier because meetings focused on numbers only. Now I see and feel that they need to improve their presentation skills vis-à-vis competitors’ teams.”

Senior management also recognized the need for new competencies as their people progressed through the organization. According to the Head of Operations, “In the pharmaceutical industry, the sales function is typically led by Medical Representatives. So we look for sales skills when recruiting for the role, but when the employee becomes a manager, the competencies required are different. The challenge is – how do we develop these competencies?” Other senior executives also expressed a concern that in a functional competency focused company, it would be difficult to manage the transition of an employee from a functional specialist to a ‘multipurpose jack’. He believed the root of the problem lay in the nature of their business, “Because we are USFDA approval led, we do not focus on creating manufacturing leaders. Instead we are cost-focused and we focus on cost-led initiatives. This has led to a lack of innovation as well. In a world led by compliance, there is no focus on innovation. Assessment of people as wholesome leaders is based on technical competence and compliance because manufacturing metrics are all compliance led and compliance driven.”

**Performance and Potential Appraisal**

The differentiation of talent, best-from-rest, had started four to five years ago in Lupin. The HR President had attempted to put in place a performance management system in his first stint at Lupin, but it had created a lot of heartburn. According to the Head of L & D, “We were obsessed with not being seen as harsh. Now it has been resurrected because there is no other way out. Now the Chairman is focused on picking the top 100 people.”

The performance and potential appraisal process had got stabilized in the last couple of years. The Head of Marketing and Sales said, “In the last four years, we have moved from no system to a paper-pencil system to an online performance management system. The move has been towards higher transparency. The targets are set and can be quantified and the managers have the flex-
ibility to change weightages on parameters as well. Post-appraisal, we are willing to meet and sit for a review with the employees. The process is very fair. Of course there are some issues such as using a bell-curve in a high performance company. But people are learning to deal with it.”

Top performers were identified in the revenue generating businesses, from middle and senior management levels. But in support functions, including manufacturing and R&D, a lot of gray areas existed and performance measurement was very subjective, less detailed and a time-consuming process. As a result, growth in these functions usually got stunted. The Head of L & D observed, “Medical Representatives are able to stake their claim earlier because achieving at least 95% of the targets is doable.” The HR President said, “At the GM-VP level, the need for achieving targets is very high. But it takes a toll on the team members’ motivation. Leaders do not invest time in developing team-members. Not even 70:30. Only when HR asks for ‘Ubharta Sitara (rising star)’ they put forth a name. But no feedback is provided otherwise. Because they think ‘sabko kaam karte hai. Disturb mat karo.’ (Let everyone work, do not disturb them).” He added, “Managers think ‘Humari team mein sab acche hain. Bad people? Nobody achieves less than 95%. They achieve up to 120%. Then our concern is when we have to promote people, we wonder if our people are really that good? It’s a sales-driven peculiarity. If targets are achieved, they need to be promoted.”

The percentile basis of grading employee performance was also creating problems. The Head of Marketing and Sales pointed out, “It really disturbs the boys because they work in the same pool. It creates tremendous pressure when it comes to motivating employees. I want my team to have high morale. I would like it if they were pampered as well, of course, within some boundaries. However, the performance management system is demotivating the employees.”

At the middle and senior levels, ambitions were not backed by a formal talent development programme. Rather, the Chairman, Dr. Desh Bandhu Gupta played a very active role in identifying and retaining talent. He was known to get the right people in the right positions. As the Head of Marketing and Sales said, “Our Chairman always gives great weightage to people who are talented. He has good observation. He knows these people are talented. They can be tomorrow’s leaders.” According to the HR President, “Some of our people are seen as domain experts and as superior quality talent. Some of our SBU heads are touted as future MDs in other companies, but they prefer being here. That is our Chairman’s talent - to hold people.” Dr. Gupta also ensured that his people felt comfortable in the firm and were given space to perform. He would say, “I love my people and would like to hold their hand.”

Maintaining good relations and a congenial work culture was paramount for the organization. According to the Head of Marketing and Sales, “We are wary of rocking the boat. If one of my team members gets selected for, say, an NMIMS course, I worry about what I am going to tell the other four so that they are not demotivated.” The Head of L&D added, “Managers think that if I have given a poor rating, how do I face my team members? They fail to understand that the best guys need to be showcased, but the rest are important too. They are the backbone of the organization. So how do we provide them with quality improvements as well?”

The Annual Talent Review (ATR) was the primary tool used in Lupin for performance and potential appraisal. Appraisals were conducted annually, and performance and potential were measured against achievement of performance targets. Reference points for performance and potential appraisal are presented in Exhibit 12. Internal promotions constituted 95 per cent of all new appointments, and people were developed as per requirements. Still, there was no bar on bringing in talent from outside. As explained by the Head of L&D, “In Lupin, there is an openness to recruit fresh candidates in spite of an insular industry. It does not cause heartburn because we go out only when we do not have the right candidate inside. Homegrown is of course our first choice and we do invest big time in our employees. We would want to get our managers to practice accountability on developing homegrown leaders through ATRs and Top 100. All these initiatives have been well-received in the organization. It is not something that is pushed by HR. All is not hunky-dory but employees see value in it; they have accepted it well.”

Lupin was committed to promoting its employees from within and had devised a unique system for creating employee opportunities and employee growth through
creation of new divisions. The Head of Marketing and Sales said, "90-95% vacancies are filled up from within. Employees move from front-line to assistant manager level in 18 months or two years. We realized that one business would not absorb them and so we created new divisions. In six and a half years, we created five divisions. Thereby we are creating opportunities and grooming talent to grab these opportunities. Even when we developed new therapies (e.g. ophthalmology and diabetes), there was a temptation to recruit from outside. We decided against it. We spent more time on developing our employees. Similarly in neuropsychiatry, we allowed only one recruit with the relevant background from outside and the rest were in-house. Eventually, the in-house employees performed better."

Some senior executives felt that there was a need for a formal system for identification of talent. According to the Co-Head of Marketing and Sales, "We could have better structured and effective interviews and a formal selection process. When we start a new division we are in a reactive mode. If one or two vacancies exist, it’s fine to hire candidates through referrals. But the candidate might not be appropriate as a future area manager since we have overlooked the potential assessment. Ideally, we should have a pool of employees within Lupin, whom we can look at for these roles. But that’s not possible because of a dearth of talent in our people. So we have to go outside."

Some executives felt that employees were aggravated when it came to career development. According to the Co-Head of Marketing & Sales, "We wanted to start a new division. Other divisions did and their teams were transferred in one or two years (for example, transferred from FM4 in sales to M1 in training.) So my team was a little upset." But the L&D Head clarified that, "Movement from sales to training is more of redeployment and a rehabilitation-led decision and not growth-oriented." The Marketing and Sales Head further added, "At the same time, rewarding employees through creating hierarchy is a problem. It distorts the structure and everyone wants to become a leader. I have created such hierarchy in the past but I can’t deny that it is a problem."

He felt that the higher education programmes offered by the organization also had a limited impact when it came to career development. He said, "I feel learning has to come from within. There are employees who are eager to learn and they get an opportunity to rise. I was asked to nominate my team members for MBA. I gave the opportunity to all my RSMs. Out of 30, 20 were eligible but only six applied and finally two were selected. Even if you provide the opportunity, not all will develop. The desire to learn should come from within."

While job mobility across functions or locations was not institutionalized, it was not a forbidden practice either. The Head of L&D said, "We need to think of who are our best guys. How do we offer them a variety of experiences and move them? Mobility has not happened by design, but it has happened on occasions. In the past we have had employees moving from manufacturing to marketing or to business development. It’s possible."

Yet there was an underlying resistance to mobility which emanated from employees and managers alike. There had been occasions when people had refused promotions and their bosses had been unable to convince them. On the organization’s part, the L&D Head said, "We have not created enough opportunities for employees to volunteer/offer themselves because we are apprehensive that it will create turbulence within units. There are other constraints as well. If we force an employee in Ankleshwar (Gujarat) to shift to Goa, he might leave the firm altogether." The Head of Operations observed, "Sometimes the leader refuses to relieve his team member and allow him to shift. Then it is his responsibility."

The Head of Marketing and Sales, admitted, "Sometimes, as managers we are selfish. But in our heart of hearts, we know ‘hona chahiye’ (It should happen)."

The resistance towards mobility had some unintended consequences for other organizational systems and processes. Internal job postings (IJP’s) had to be aborted because of lack of managerial support. Another impact of resistance was the lack of commitment to the organization. The Head of Operations felt that "the prevailing psychology is that my location is the best and I do not care about other locations. A holistic mind-set is missing. People think in terms of ‘my location’ and not ‘my Lupin.’ This happens because we are not moving around."

He felt that the talent management exercises had to make leaders aware of changes in the outside environment such as regulatory compliances, competition, and changing competencies. An alignment between these environ-
mental pressures and talent management practices would help change leaders’ mindsets. Towards this purpose, a new initiative called ‘Expanding Horizons’ was being launched more comprehensively for high potential employees. This was meant to take care of the earlier challenges while offering the employees diverse job exposure for better grooming in order to be a well-rounded professional. The HR President asserted that managers had to move beyond theoretical satisfaction and understand that talent management was now an imperative for the organization to achieve its goals. In his words, “Our pressure comes from our business requirements and not our vision. This is a good vision to have though.”

The Road Ahead

The HR President smiled with satisfaction. Attrition was under control and talent management had got stabilized across the organization. Though it was still too early to measure the effectiveness of the talent management programme, he was sure it would play an important role in ensuring the success of Lupin’s strategic goals.

As he looked at the HR performance figures, he was acutely aware of the long road ahead. There were many questions that raced through his mind. How do you source, identify, and retain talent in a high growth industry which is insular and domain focused? If all companies were growing at a rate close to Lupin’s, where would Lupin get its talent from? If they were not able to match Lupin’s growth with the growth rate of talent, the organization would have to get outside hires at higher costs and would end up creating dissatisfaction in the existing employees. How would this shift impact Lupin’s relationship-oriented culture and hierarchical organizational structure? Would talent management then end up accelerating employee turnover? He had some good results from his initial efforts, but as he looked ahead, he wondered what his action plan should be.

Exhibit 1: Key Milestones of Lupin

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>Founded by Dr. Desh Bandhu Gupta</td>
</tr>
<tr>
<td>1980</td>
<td>Formulation plant and R&amp;D centre commissioned at Aurangabad</td>
</tr>
<tr>
<td>1992</td>
<td>Injectable Cephalosporins plant commissioned at Mandideep</td>
</tr>
<tr>
<td>1993</td>
<td>Lupin goes public and is listed on major Indian stock exchanges</td>
</tr>
<tr>
<td>1997</td>
<td>Three Lupin plants (Mandideep, Tarapur, and Ankhleshwar) receive ISFDA approval</td>
</tr>
<tr>
<td>2001</td>
<td>Lupin Research Park (global R&amp;D hub) commissioned at Pune</td>
</tr>
<tr>
<td>2004</td>
<td>Branded business starts in the US with the launch of Suprax®</td>
</tr>
<tr>
<td>2005</td>
<td>Generic business launched in the US with five products</td>
</tr>
<tr>
<td>2007</td>
<td>Acquires Kyowa Pharmaceutical Industry Company, Japan</td>
</tr>
<tr>
<td>2008</td>
<td>Makes Acquisitions in Germany, Australia, South Africa, and the Philippines</td>
</tr>
<tr>
<td>2009</td>
<td>Becomes the 8th largest generic company in the US (by Rx’s)</td>
</tr>
<tr>
<td>2010</td>
<td>Enters Primary Care space in the US with the acquisition of Antara</td>
</tr>
<tr>
<td>2010</td>
<td>Makes it to the top five in the Indian Pharmaceutical market</td>
</tr>
</tbody>
</table>

### Exhibit 2A: Financial Summary

#### Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>As on March 31,</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOURCES OF FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholder’s Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Share Capital</td>
<td>401.4</td>
<td>803.4</td>
<td>820.8</td>
<td>828.2</td>
<td>889.4</td>
</tr>
<tr>
<td>Reserves and Surpluses</td>
<td>5,831.4</td>
<td>7,929.7</td>
<td>11,976.0</td>
<td>13,420.0</td>
<td>24,788.9</td>
</tr>
<tr>
<td>Minority Interest [31.03.2007 Rs. 27]</td>
<td>15.8</td>
<td>94.5</td>
<td>142.5</td>
<td>254.9</td>
<td></td>
</tr>
<tr>
<td><strong>Loan Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured Loans</td>
<td>4,409.5</td>
<td>3,911.2</td>
<td>7,080.6</td>
<td>7,569.2</td>
<td>8,722.4</td>
</tr>
<tr>
<td>Unsecured Loans</td>
<td>4,839.5</td>
<td>4,736.4</td>
<td>4,948.2</td>
<td>4,663.5</td>
<td>2676.1</td>
</tr>
<tr>
<td>Deferred Tax Liabilities (net)</td>
<td>9,249.0</td>
<td>8,647.6</td>
<td>12,028.8</td>
<td>12,232.7</td>
<td>11,398.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>16,453.7</td>
<td>18,407.9</td>
<td>26,168.1</td>
<td>28,010.6</td>
<td>38,962.1</td>
</tr>
</tbody>
</table>

#### APPLICATION OF FUNDS

**Fixed Assets**
- Gross Block | 8,561.3 | 9,527.9 | 14,858.8 | 18,200.3 | 22,937.1 |
- Less: Depreciation and Amortization | 2,095.6 | 2,382.1 | 4,697.5 | 6,188.3 | 7,072.2 |
- **Net Block** | 6,465.7 | 7,145.8 | 10,161.3 | 12,012.0 | 15,864.9 |
- Capital Work-In-Progress | 252.1 | 825.5 | 963.8 | 2,239.7 | 3,578.7 |
- **Gross Block** | 6,717.8 | 7,971.3 | 11,125.1 | 14,251.7 | 19,443.6 |
- **Goodwill On Consolidation** | - | - | 1,872.3 | 3,173.7 | 3,196.8 |
- **Investments** | 28.0 | 28.0 | 58.2 | 215.6 | 264.3 |
- **Deferred Tax Assets (Net)** | 17.1 | 1.3 | 141.2 | 222.8 | 195.4 |

**Current Assets, Loans & Advances**
- Inventories | 3,429.1 | 4,298.1 | 7,893.4 | 9,571.6 | 9,714.9 |
- Sundry Debtors | 3,111.6 | 4,038.5 | 7,439.0 | 9,179.7 | 11,265.7 |
- Cash & Bank Balances | 4,774.2 | 3,844.5 | 2,741.8 | 777.7 | 2,015.3 |
- Loans and Advances | 1,999.6 | 2,448.2 | 2,367.0 | 2,779.7 | 4,758.6 |
- **Current Liabilities & Provisions** | 13,314.5 | 14,629.3 | 20,441.2 | 22,308.7 | 27,754.5 |
- **Less: Current Liabilities & Provisions** |       |       |       |       |       |
- Current Liabilities | 3,146.9 | 3,515.2 | 6,018.8 | 10,334.8 | 9649.4 |
- Provisions | 476.8 | 706.8 | 1,451.1 | 1,827.1 | 2243.1 |
- **Net Current Assets** | 9,690.8 | 10,407.3 | 12,971.3 | 10,146.8 | 15,862.0 |
- **TOTAL** | 16,453.7 | 18,407.9 | 26,168.1 | 28,010.6 | 38,962.1 |

**Source:** Lupin Annual Report, 2010.
## Exhibit 2B: Financial Summary

### Consolidated Profit And Loss Account

<table>
<thead>
<tr>
<th>Year ended March 31,</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales (Gross)</td>
<td>17,503.4</td>
<td>20,716.5</td>
<td>27,730.1</td>
<td>38,237.8</td>
<td>47,678.4</td>
</tr>
<tr>
<td>Less: Excise Duty</td>
<td>549.4</td>
<td>579.4</td>
<td>666.4</td>
<td>479.0</td>
<td>273.2</td>
</tr>
<tr>
<td>Sales (Net)</td>
<td>16,954.0</td>
<td>20,137.1</td>
<td>27,063.7</td>
<td>37,758.8</td>
<td>47,405.2</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>669.0</td>
<td>1,733.2</td>
<td>1,853.2</td>
<td>907.6</td>
<td>1,302.7</td>
</tr>
<tr>
<td>Other Income</td>
<td>72.0</td>
<td>257.3</td>
<td>211.3</td>
<td>46.1</td>
<td>142.0</td>
</tr>
<tr>
<td>Total Income</td>
<td>17,695.0</td>
<td>22,127.6</td>
<td>29,128.2</td>
<td>38,712.5</td>
<td>48,849.9</td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Materials</td>
<td>8,259.2</td>
<td>9,320.8</td>
<td>11,638.0</td>
<td>16,043.1</td>
<td>19,694.2</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>1,689.6</td>
<td>2,199.9</td>
<td>3,076.0</td>
<td>4,871.3</td>
<td>5,871.5</td>
</tr>
<tr>
<td>Manufacturing and Other Expenses</td>
<td>4,769.6</td>
<td>5,694.1</td>
<td>7,991.2</td>
<td>10,359.2</td>
<td>13,303.3</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>14,718.4</td>
<td>17,214.8</td>
<td>22,705.2</td>
<td>31,273.6</td>
<td>38,869.0</td>
</tr>
<tr>
<td>Profit before Interest, Depreciation and Tax</td>
<td>2,976.6</td>
<td>4,912.8</td>
<td>6,423.0</td>
<td>7,438.9</td>
<td>9,980.9</td>
</tr>
<tr>
<td>Interest and Finance Charges</td>
<td>312.8</td>
<td>372.2</td>
<td>373.5</td>
<td>498.6</td>
<td>384.9</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>408.8</td>
<td>466.1</td>
<td>647.4</td>
<td>879.9</td>
<td>1,239.1</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>2,255.0</td>
<td>4,074.5</td>
<td>5,402.1</td>
<td>6,060.4</td>
<td>8,356.9</td>
</tr>
<tr>
<td>Current Tax</td>
<td>402.6</td>
<td>779.6</td>
<td>1,022.6</td>
<td>727.0</td>
<td>1,109.8</td>
</tr>
<tr>
<td>Deferred Tax</td>
<td>28.0</td>
<td>128.5</td>
<td>180.6</td>
<td>106.2</td>
<td>250.4</td>
</tr>
<tr>
<td>Fringe Benefit Tax</td>
<td>90.7</td>
<td>80.0</td>
<td>114.8</td>
<td>149.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Profit before Minority Interest and Share of Loss in Associates</strong></td>
<td>1,733.7</td>
<td>3,086.4</td>
<td>4,084.1</td>
<td>5,077.4</td>
<td>6,996.7</td>
</tr>
<tr>
<td>Minority Interest</td>
<td>3.8</td>
<td>0.8</td>
<td>1.3</td>
<td>28.6</td>
<td>111.6</td>
</tr>
<tr>
<td>Share of Loss in Associates</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>33.4</td>
<td>68.8</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>1,729.9</td>
<td>3,085.6</td>
<td>4,082.5</td>
<td>5,015.4</td>
<td>6,816.3</td>
</tr>
</tbody>
</table>

**Note:** Figures for the previous years have been suitably regrouped to make them comparable.  
**Source:** Lupin Annual Report, 2010.

## Exhibit 3: Select HR Performance Parameters

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Lupin (India) Ltd</th>
<th>YTD March 10 (Rs. Mn)</th>
<th>Q1 YTD June 10 11 (Rs. Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (gross)/Turnover</td>
<td></td>
<td>36,661</td>
<td>10,040</td>
</tr>
<tr>
<td>Personal Expenses (Manpower Cost)</td>
<td></td>
<td>3,766</td>
<td>1,150</td>
</tr>
<tr>
<td>Personal Expenses/Turnover</td>
<td></td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Direct Cost of HR Function</td>
<td>33</td>
<td></td>
<td>8.5</td>
</tr>
<tr>
<td>Training Cost (% of Total Employee Cost)</td>
<td></td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Employee Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without Contract</td>
<td>8,924</td>
<td>9,421</td>
<td></td>
</tr>
<tr>
<td>Attrition Data Annualized</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>17%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Sr. Management</td>
<td>6%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>HR Strength</td>
<td>47</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exhibit 5: Lupin – Vision and Values

**Vision:** “An innovation-led, transnational pharmaceutical company”

“Our aspiration is to become a multi-billion dollar transnational company and be counted amongst the top generic pharmaceutical companies in the world. Going forward, we have to consistently set ourselves standards and benchmarks that will be world-class but uniquely Lupin.”

Dr. Desh Bandhu Gupta, Chairman

Exhibit 4: Locations and Facilities

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10 www.lupinworld.com (accessed December 12, 2010)
Exhibit 7: Learning and Development Initiatives

**UDBHAV** - Aimed at value coaching for new recruits in Operations and R&D. It orients new talent towards ‘Workforce/Workplace Preparedness’, before one is put on the job.

**ACE** - A cutting edge – a result of Lupin’s strategic tie-up with Indian Institute of Management, Ahmedabad, (IIMA). A training programme specially designed for HR Managers. This initiative imparts training scheduled at a gap of a month and a half.

**LEAP** - Four-day training programme for High Potential and High Performing executives scheduled at a month’s gap. This has been designed to enhance the skill and competence level of executives, so that they take on higher responsibilities.

**I LEAD** - As a learning intervention for Managers, it focuses on increasing self-productivity, enhancing strategic leadership input and building as well as leading diverse teams.

**EXCELL** - Aimed at executives, Excell focuses on personality development through self-understanding, self-management and communication skills, organization alignment and implementation of effectiveness, efficiency and productivity.

**FINANCE FOR NON-FINANCE** - A 2-day finance training for non-finance managers, which focuses on the Company’s decisions and their financial implications.

**FIRST TIME MANAGERS** - Aimed at grooming individuals to take up managerial roles and responsibilities, enhancing their efficiency and productivity.

**THE ICEBERG** - Specially designed programme for managers. It is about knowing and managing oneself in a demanding work environment, managing relationships with people, processes, and customers in a complex workplace, managing emotions and the art of dealing with others for productive results and ultimately, achieving the desired output.

**SAMPARK** - An employee communication channel aimed at bridging the gap between the top management and the employees. Through this initiative, the Chairman and the Managing Director speak to Lupinutes at regular intervals in order to share with them the Company’s performance, mission, values, and philosophy to strengthen the value-based work culture at different locations of the Company.

**LUPINYTE** - The Company’s internal magazine for employees globally works as a medium to develop bonding amongst its people through information sharing.

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11 www.lupinworld.com (accessed December 12, 2010)
Exhibit 8: Buddy Training Module

Training Duration: 2 Days

Training Content:

**Day 1:** Lupin’s location history, Achievements, Key supply chain points, Key customers, Business models, Cross-functional linkages, Important HR policies.

**Day 2:** Soft skill training on Art of Assertiveness, Listening, and Interpersonal Skills.

**Facilitation:** Once a quarter for a day with focus on implementation related experience – successes and challenges.

Exhibit 9: ATR Business Agenda (2010-11)

**Growth**
- Review organizational plans of the SBU to change/alter to ensure achievement of strategic business objectives
- Describe 2008-09 actions/results and 2009-10 plans for dramatically upgrading talent, realigning the organization, and adding resources to support growth
- Describe special projects/initiatives to be undertaken and assess the talent/management bandwidth

**Leadership**
- Review performance/promotability of direct reports and other members of the team
- Provide and update quality assessment on each employee, i.e., opportunity, intensity, results in the SBU
- List best replacements for each manager and their direct reports

**Pipeline**
- Evaluate current depth and diversity of succession talent
- Create high potential talent pool for employees at Manager and above grades
- Identify early career Hi-pots
- Build organizational capability to achieve 2013 plans

**Reward**
- Review recognition and retention strategy for high-performing talent (e.g., top 10-15%)
- Focus on stretch assignments, rewards, training, and nominations for Management Development Programmes

**Attrition**
- Identify attrition drivers across employee grades and arrive at plans to contain them
- Focus on specific retention measures for top performing employees
- Institute long-term incentive plans to retain and reward key/critical job holders
**Exhibit 10: LMBLP Programme Design**

Kirti Sharda is an Assistant Professor in the Organizational Behaviour area at IIM Ahmedabad. Her primary teaching interests are in the areas of leadership skills, interpersonal dynamics, self awareness and change, entrepreneurship, and interorganizational relations and networks. Her current research focuses on issues related to outsourcing, interorganizational relationships, talent management and sensemaking in organizations.

e-mail: kirti@iimahd.ernet.in