Benchmarking of HR Practices in Select Pharmaceutical Companies

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Benchmarking of HR practices in Select Pharmaceutical Companies

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Abstract

Best HR Practices enable the company to effect radical improvements, not just incremental ones. The quest for Best HR Practices is important for corporate India today precisely because it offers a way to vault into the global league. With a view to ascertain the emerging trends in HR practices, a survey of HR practices of ten select Indian companies was conducted. The study focussed on HR practices in three areas - HR and Strategic Plans, Organization climate, Training, and Performance Management Systems. Good HR practices were found in the surveyed companies. Notable among them was some unique HR practices in three areas namely reverse mentoring, performance evaluation, and employee satisfaction.
Introduction

The Society of Human Resource Management defines a "best practice" in HR as a particular method, approach, or practice of managing people, which has a positive impact on a company's overall business performance by improving employee satisfaction, customer satisfaction, and also the bottom-line business performance. Best practice is a difficult concept to define because it depends on many variables. These include but are not limited to what is accomplished, within what framework, within what environment and under what economic conditions. Studies have identified the major categories for best HR practices as: Management Practices; Selection and Placement; Training and Development; Compensation; Benefits; Employee Relations; and Health/Safety Security.

Best HR practices expose managers to practice what they would never have developed on their own, beating the not-invented syndrome in the process. Unlike ski in the pie targets, seeking the best practice offers a goal that is attainable, for after all someone has achieved it.

The objective of this Paper is to study the prevalent HR practices in select Pharmaceutical companies. This paper is presented in two parts; part one discusses the conceptual framework of Best HR practices and part two deals with the survey of ten pharmaceutical companies to examine their HR practices. In this paper three major areas of best HR practices were selected namely: HR and Strategic Plans, Organization climate, Training, and Performance Management Systems.

HR and Strategic Planning

Sisson (1994) defines the strategic level contribution of HR as “the overall and coherent long term planning and shorter term management, control and monitoring of an organization’s human resources so as to gain from them the maximum added value and to best position them to achieve the organization’s corporate goals and mission”.
A Strategic HR Plan enables organisations to align resources to corporate strategy. It provides information on how the HR functions will support the goals and strategies of the organisation and ensure that HR planning and practices are consistent across the organisation. It outlines how the gaps between future and present capability will be addressed.

The strategic HR plan supports and is aligned to the corporate mission, vision, values and strategies. It is an essential planning document. It is important that the strategic HR plan is developed only after a clear direction is established and understood. It is important that you avoid the situation where the strategic HR plan drives strategy.

**HR and Performance Management System**

The HR function is increasingly important in shaping the new organization in which the quality and commitment of people is key to survival. Gordon (2000) says each aspect of HRM needs to be reassured but none is more pivotal or difficult than Performance Management System. Employees at all levels experience a need to know clearly what they should be doing and what is expected of them in terms of quantity and quality of output. Performance appraisal should lead to identification of training and development needs. It also creates a new basis for improvement and development. Performance Management System provides some of the essential components of effective motivational strategies. In particular feedback that permits an employee to learn how well he or she is performing. Performance Management System provides relevant information required for validating selection methods.

The performance management process is the sequence of actions supervisors take when interacting with employees about their job performance and includes: determining the key elements of the job, developing performance expectations, providing and interim review of job performance, and providing an annual performance appraisal. Interaction between supervisor and employee is required at each step of the process.

**HR and Training**

Jeff Hyman (2000) defines training as a planned process to modify the attitude, knowledge or skill behavior through learning experience to achieve effective performance in an activity
or range of activities. Its purpose is to develop the abilities of the individual and satisfy the current and future needs of the organization. Tom Peters says the competitive edge will be maintained by those organizations, which use their workforce more efficiently. From this it follows that effective training is paramount for survival and growth.

Many organizations communicate their training and development goals and initiatives. Within a training and development plan, the following components are taken into consideration:

- Mission statement
- Stated goals and objectives of the training function
- Training strategy of the organization
- Yearly training initiatives

Hyman (2000) says organizations may gain the following benefits from training:

- Greater productivity and better quality
- Better job satisfaction (as evidenced by lower absenteeism and lower turnover) and greater motivation
- Greater versatility of workforce
- Reduced need for supervision
- Greater understanding and thereby adherence to company values
- Reduced accident rates
- Development of more confident and competent workforce

**Methodology**

With a view to ascertain the emerging trends in HR practices, a survey of HR practices of ten select Indian companies was conducted. Annexure 1 gives list of respondents. A questionnaire was administered to HR managers of select pharmaceutical companies. The questionnaire is shown in Annexure 2. The sampling technique was convenience sampling. The survey covered companies whose corporate offices were in the city of Mumbai. The HR managers of the companies were the respondents. Since the objective of the study was benchmarking HR practices specific references to a company has not been indicated in the discussion and tables of findings.
### Results

**Table 1: HR and Strategic Planning**

<table>
<thead>
<tr>
<th>Number of respondents/companies who</th>
<th>Completely Agreed</th>
<th>Mostly Agreed</th>
<th>Moderately Agreed</th>
<th>Mostly Disagreed</th>
<th>Completely Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR plays an important role in formulating the business plan</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Business Plans and Policies are communicated to employees at all levels</td>
<td>5</td>
<td>3</td>
<td></td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

**Table II: HR and Organization Climate**

<table>
<thead>
<tr>
<th>Number of respondents/companies who</th>
<th>Completely Agreed</th>
<th>Mostly Agreed</th>
<th>Moderately Agreed</th>
<th>Mostly Disagreed</th>
<th>Completely Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Satisfaction Surveys / Work climate study is conducted periodically</td>
<td>3</td>
<td></td>
<td></td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Formal system for redressal of employee grievances does exist.</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table III: Handling of Employee grievance**

<table>
<thead>
<tr>
<th>Mode of Handling Grievance</th>
<th>Number of Respondents / Companies who handled grievance through</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal meetings</td>
<td>8</td>
</tr>
<tr>
<td>Union meetings</td>
<td>5</td>
</tr>
<tr>
<td>Surveys</td>
<td>3</td>
</tr>
<tr>
<td>Suggestion Schemes</td>
<td>5</td>
</tr>
</tbody>
</table>
### Table IV: HR and Training

<table>
<thead>
<tr>
<th>Scope of training in the induction training included:</th>
<th>Number of respondents / companies whose scope of training included this</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Structure</td>
<td>10</td>
</tr>
<tr>
<td>Organization Policy</td>
<td>10</td>
</tr>
<tr>
<td>Product Knowledge</td>
<td>6</td>
</tr>
<tr>
<td>Specific Skills Training</td>
<td>10</td>
</tr>
<tr>
<td>Career path</td>
<td>5</td>
</tr>
</tbody>
</table>

### Table V: HR and Career Planning

<table>
<thead>
<tr>
<th>Level of awareness among employees about their career path:</th>
<th>Number of respondents / companies where level of awareness was among</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees</td>
<td>4</td>
</tr>
<tr>
<td>Most employees</td>
<td>3</td>
</tr>
<tr>
<td>Few employees</td>
<td>2</td>
</tr>
<tr>
<td>None of the employees</td>
<td>1</td>
</tr>
</tbody>
</table>

### Table VI: Tools in career planning

<table>
<thead>
<tr>
<th>Tools used for career planning</th>
<th>Number of respondents / companies who used for career planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job rotation</td>
<td>5</td>
</tr>
<tr>
<td>Job enrichment</td>
<td>5</td>
</tr>
<tr>
<td>Feedback</td>
<td>9</td>
</tr>
<tr>
<td>Mentoring</td>
<td>3</td>
</tr>
</tbody>
</table>
Table VII: HR and Performance Management System

<table>
<thead>
<tr>
<th>Frequency of Performance Appraisals</th>
<th>Number of respondents / companies who appraised performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly</td>
<td>2</td>
</tr>
<tr>
<td>Half-yearly</td>
<td>4</td>
</tr>
<tr>
<td>Yearly</td>
<td>4</td>
</tr>
</tbody>
</table>

Table VIII: Performance Management System

<table>
<thead>
<tr>
<th>Number of respondents/companies who</th>
<th>Completely Agreed</th>
<th>Mostly Agreed</th>
<th>Moderately Agreed</th>
<th>Mostly Disagreed</th>
<th>Completely Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees have faith in Performance Management System</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Management System is linked to career Planning</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance Management System is linked to training analysis</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance Management System is linked to compensation and rewards</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance Management System is focussed for growth and development</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Discussion

HR played a key role in strategic planning in all companies except one. Majority of employees in these companies was aware of the business plans. The strategic HR plan supports and is aligned to the corporate mission, vision, values and strategies. It was looked
upon as an essential planning document. HR strategic plan informs and supports policies which align and grow the skills of the people.

A formal system for redressal of grievance existed in all companies. Only 2 of the 10 companies handled grievances through the surveys. Most organizations relied on informal meetings/union meetings for grievance redressal.

All companies conducted induction training for all their employees. All companies included organization Structure, organization Policy, specific skills training, and product knowledge in the induction training. However only 5 of the companies told their employees of the career paths during the induction training. This was however not the case with permanent employees where a majority of the employees were aware of their career path in the company. The most commonly used tool for career planning was feedback, followed by job rotation and job enrichment.

All the companies surveyed had a Performance Management System. Performance Management was looked upon as an integral part of the overall management. Appraisal was commonly done on half yearly or yearly basis. Most Employees had faith in Performance Management System. Performance Management System was linked to career planning in most companies. Performance Management System helped in identifying training needs in most companies. Performance Management System was also linked to compensation and rewards in a majority of companies. Thus the decisions concerning promotions, transfers, training and staff development, discipline and other personnel actions were influenced by information from performance management. Performance salary increase decisions came directly from annual performance appraisals.

In conjunction with the previous observation, research indicated that companies aligned pay with performance and gave employees a clear line of sight between their contributions and the company’s overall performance or bottom line. Research also highlighted the motivational nature of performance-based pay. Companies which conducted half yearly Performance all had Employee satisfaction/work climate study conducted periodically in their organizations.
The focus of Performance Management System was growth and development in only 50% of the companies surveyed.

**Conclusion**

The companies surveyed had in place good HR practices. Notable among them was some unique HR practices in three areas namely reverse mentoring, performance evaluation, and employee satisfaction. The concept of reverse mentoring is that of filling in the gaps of knowledge and skill of the older employees with regard to emerging trends. The performance evaluation in one company included both qualitative aspects and quantitative aspects. 70% of the evaluation was on quantifiable terms while 30% was for competencies like integrity, leadership, creativity etc. Performance appraisal works best when it is directly connected to the organization's strategic plan - when people see performance appraisal as the engine that helps the company achieve its goals. But too often, it's just an annual event that has to be performed to keep out of trouble with the personnel cops. Today’s innovative companies are replacing independence with integration, transforming best-effort mentalities into a truly results-driven culture and using performance management to effectively reward high performers and directly target poor performers for improvement or termination.

In another company the employees were treated as internal customers. The company practiced a system of Voice of customer. Here the Head of Department would understand the employee grievances, suggestions and then communicate the same to the Managing Director in periodic personal meetings. This served as an organization satisfaction survey. When implementing action plans, most organizations rely on the business unit and line managers to communicate the survey results to employees and to develop and act on employee concerns. Accountability generally lies with the business units, and compensation of senior-management is in some cases tied to survey results.

Improving organizations to a greater level of efficiency and effectiveness requires learning and development professionals to focus on people, creativity, and innovation. In order to achieve this, it is crucial for companies to have effective training and development ownership and structure and to understand how to best measure training effectiveness. Moving forward, it is important for training professionals to also implement creative and
innovative strategies aligned with corporate goals. Research indicates that training functions residing within HR lead to consistent learning in line with overall organizational strategy.

It was been seen from the study that most of the companies have focussed on this aspect of Training and Development.

Thus the research overall focuses on the development of action plans (Human Resource plan) with respect to strategic role played by the HR in Planning for the resources, how appraisals are linked with career development, reward and recognition which ultimately shows the level of trust and communication in the employees.
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Corporate Leadership Council, Employee Climate Surveys, Washington: Corporate Executive Board (1 October 2000).
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Joel Schettler, "Should HR Control Training?," Training (1 July 2002). (Obtained through Factiva).
Sunoo, Brenda Paik. “Tie Merit Increases to Goal-Setting and Employer Objectives.”
Workforce www.workforce.com/archive/article/000/24/44.xci (November 2000).
Watson Wyatt (1998); Corporate Strategies for Creating Competitive Advantage through
People;
2000).

Annexure 1

The ten pharmaceutical companies selected for this study were:
1. Abbott Laboratories (India) Limited (Pharma Division)
2. Rhone Poulenc (India) Limited
3. Aristo Pharmaceuticals Limited
4. Abbott Laboratories (Consumer Division)
5. Sun Pharmaceuticals Limited
6. Elder Pharmaceuticals
7. Wyeth Lederle Limited
8. Unique Limited
9. Crosslands Limited
10. Nicholas Piramal (India) Limited

Annexure 2

Questionnaire

1. Please tick your degree of agreement with each of the following statements

   | Completely agree | Mostly agree | Moderately agree | Mostly disagree | Completely disagree |
---|------------------|--------------|------------------|-----------------|---------------------|
HR plays an important role in formulating the business plan

[ ] [ ] [ ] [ ] [ ]
Business Plans and policies are communicated to employees at all levels

Employee Satisfaction Surveys / Work climate study is conducted periodically

Formal system for redressing employee grievances does exist

Grievances are handled by
- Informal meetings
- Union meetings
- Surveys
- Suggestion Schemes
- Others

2. Do you conduct induction training for all your employees?
   Yes [ ] No [ ]

3. What are the areas of training in the induction training?
   - Organization Structure [ ]
   - Organization Policy [ ]
   - Product Knowledge [ ]
   - Specific Skills Training [ ]
   - Career path [ ]

4. Are employees of the organization aware of their career path?
   All [ ] Most [ ] Few [ ] None [ ]
5. Which of the following tools are used for career planning:
   - Job rotation
   - Job enrichment
   - Feedback
   - Mentoring
   - Others

6. Does the organization have a Performance Management System?
   - Yes
   - No

7. At what intervals are performance appraisals done in the organizations:
   - Quarterly
   - Half yearly
   - Yearly

8. Please tick your degree of agreement to each of the following statements:

<table>
<thead>
<tr>
<th>Employees have faith in the Performance Management system</th>
<th>Completely agree</th>
<th>Mostly agree</th>
<th>Moderately agree</th>
<th>Mostly disagree</th>
<th>Completely disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Management System is linked to career planning</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Management System is linked to training analysis</td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>
compensation and rewards

Performance Management System is focused for growth and development