The current shift in the marketing strategy is work by multinational pharmaceutical companies. It is a high-end development carried out by leading companies. Increasingly, other companies are finding themselves competing against, or working with, new innovation-based companies.

Dorabji Tata, who brought his father's dreams to friction, said in 1917, "The welfare of the labouring class must be one of the first cares of every employer. Any betterment of their conditions must proceed more from employers downwards rather than be forced up by demands from below, since labour, contented, well-housed, well-fed, well brought up and generally well-housed after, is not only an asset and advantage to the employer, but it also serves to raise the standard of industry and labour in the country. In looking after the labour of today, we are also securing a supply of healthy and intelligent labour for the future."

Table 1.1 Introduction of 'Firsts' in the field of Labour Welfare by Tata Steel

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Introduced by Tata Steel</th>
<th>Enforced by Law</th>
<th>Title of Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eight-hour working day</td>
<td>1912</td>
<td>1948</td>
<td>Factories Act</td>
</tr>
<tr>
<td>Free Medical Aid</td>
<td>1915</td>
<td>1948</td>
<td>Employees State Insurance Act</td>
</tr>
<tr>
<td>Creation of Welfare Department</td>
<td>1917</td>
<td>1948</td>
<td>Factories Act</td>
</tr>
<tr>
<td>Schooling facilities for Employees' Children</td>
<td>1917</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Formation of Works Committees for handing complaints concerning service conditions and grievances of employees</td>
<td>1919</td>
<td>1947</td>
<td>Industrial Dispute Act</td>
</tr>
<tr>
<td>Leave with pay</td>
<td>1920</td>
<td>1948</td>
<td>Factories Act</td>
</tr>
<tr>
<td>Scheme/Act</td>
<td>Start Year</td>
<td>End Year</td>
<td>Description</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>------------</td>
<td>----------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Worker's Provident Fund</td>
<td>1920</td>
<td>1952</td>
<td>Employees' Provident Fund Act</td>
</tr>
<tr>
<td>Workmen's Accident Compensation Scheme</td>
<td>1920</td>
<td>1923</td>
<td>Workmen's Compensation Act</td>
</tr>
<tr>
<td>Technical Institute for training of apprentices, craftsmen and engineering graduates</td>
<td>1921</td>
<td>1961</td>
<td>Apprentices Act</td>
</tr>
<tr>
<td>Maternity Benefit</td>
<td>1928</td>
<td>1946</td>
<td>Bihar Maternity Benefit Act in 1961 by Govt. of India</td>
</tr>
<tr>
<td>Profit Sharing Bonus</td>
<td>1934</td>
<td>1965</td>
<td>Bonus Act</td>
</tr>
<tr>
<td>Ex-gratia payment for road accident while coming to or returning from duty</td>
<td>1979</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


The ultimate aim of good personal and industrial relations programme should be to find a solution to the problem of better relations between the management and labour or between labour and capital, which will be potentially the greatest reward one can have in the long run. Man is, no doubt, the core of industry or enterprise. The success and prosperity of any industry depends on how well satisfied, contended and motivated are the men behind it. The present generation of workers consists of young men and women-born free, non-conformists in their outlook, rebellious in their nature and angry and discontented – yet endowed with an alert and receptive mind and bubbling over with energy to try out original ideas and new concepts.
Swami Vivekananda believes that throughout the history of mankind if any motive power has been potent than another in the lives of all great men and women, it is that of faith in themselves. Born of the consciousness that they are to be great, they became great.

In the day-to-day industrial working, the human factor exhibits a variety of traits and characteristics and there is no uniform pattern of behavior amongst all the individuals working together. It is unfortunate that one gets disturbed and pained not so much by one's own problems or troubles as one does out of jealousy and enviousness to see other person's prosperity. An employee may be happy with himself, but the other person's growth haunts the employee. When one seeks to sympathize or shed so-called crocodile tears on seeing other's sufferings, one does in the process of that, feel relieved that they are better off than the person with whom one is pretending to sympathize.

Every person working in an organization is an independent entity having own ideas and sense of values. Every person in the organization has one's own sense of ego, urge for survival, desire for self-improvement and fulfillment. It would not be wrong to achieve and materialize their own individual needs and objectives and in the process of that the organization's work gets done. And various persons simultaneously doing this do not necessarily make homogeneous group. Expectations and aspirations of one person may stand in the way of ambitions of another.
Similarly, satisfaction of an expectation of one person might create frustration and disappointment in another and vice-versa. Therefore, inspite of their allegiance to the common objective of the organization, the mutual relationship of employees may become ambiguous and in certain cases abrasive. Interpersonal conflict situations are thus evident. The working as a joint team for achieving organizational goals, therefore, gets difficult and complicated. Persons unable to manage themselves have not come to terms with their own aspirations and frustrations and are unable to trust others and have problems in participation and delegation, which are most vital aspects of man management. Certain numbness in work-relationships, therefore, creeps in and by and by it results in a strange kind of 'obsolescence' in human activity.

The pharmaceutical industry is the world’s largest industry due to worldwide revenues of approximately US$2.8 trillion. Pharmaceutical industry has seen major changes in the recent years that place new demands or payers, providers and manufactures. Customers now demand the same choice and convenience from pharmaceutical industry that they find in other segment. Indian pharmaceutical industry is poised for high consistent growth over the next few years, driven by a multitude of factors. Top Indian companies like Ranbaxy, Glaxo Smith Kline, Cipla and Dabur have already established their presence. The pharmaceutical industry is a knowledge driven industry and is heavily dependent on R & D for new products and growth. However, basic research (discovering new molecules) is a time
consuming and expensive process and is thus, dominated by large global multinationals.

Indian companies have only recently entered the area. The Indian pharmaceutical industry came into existence in 1901, when Bengal Chemical and Pharmaceutical Company started its maiden operation in Calcutta. The next few decades saw the pharmaceutical industry moving through several phases, largely in accordance with government policies. Commencing with repackaging and preparation of formulations from imported bulk drugs, the Indian industry has moved on to become a net foreign exchange earner, and has been able to underline its presence in the global pharmaceutical arena as one of the top 35 drug producers worldwide. Currently, there are more than 2,400 registered pharmaceutical producers in India. India has more drug manufacturing facilities that have been approved by the U.S. Food and Drug Administration than any country other than the US. Indian generic companies supply 84 percent of the AIDS drugs that doctors without borders use to treat 60,000 patients in more than 30 countries.

It is very much evident from the table given below that chronic therapy area (Gastro Cardiac, Respiratory, Neuro Psychiatry and Anti Diabetics) is dominating the market in the long run. However total pharmaceutical market is as follows:
Table 1.2 The Status of Total Pharmaceutical Industry

<table>
<thead>
<tr>
<th>Category</th>
<th>Value Market Share (in Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-Infective</td>
<td>16.4</td>
</tr>
<tr>
<td>Gastrointestinal</td>
<td>10.9</td>
</tr>
<tr>
<td>Cardiac</td>
<td>10.3</td>
</tr>
<tr>
<td>Respiratory</td>
<td>10.2</td>
</tr>
<tr>
<td>Vitamins/Minerals/Nutrient</td>
<td>9.6</td>
</tr>
<tr>
<td>Pain/Analgesics</td>
<td>9.5</td>
</tr>
<tr>
<td>Dermatologics</td>
<td>5.4</td>
</tr>
<tr>
<td>Gynaecology</td>
<td>5.3</td>
</tr>
<tr>
<td>Neuropsychiatry</td>
<td>5.3</td>
</tr>
<tr>
<td>Antidiabetics</td>
<td>4.0</td>
</tr>
<tr>
<td>Opthologicals</td>
<td>1.7</td>
</tr>
<tr>
<td>Others</td>
<td>11.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Since 1970's the Indian pharmaceutical industry has been experiencing rapid growth with significant advancement in domestic technological capabilities. Many Indian companies have emerged as global players with India experiencing ever increasing trade surplus in pharmaceutical products. An industry that was almost non-existent at the dawn of independence is now a global competitor. The main factor responsible for this aimed at promoting indigenous technology and production. Starting of the public sector companies to assume the leading role in enhancing local capabilities in bulk drugs production, adoption of a process patent regime, and regulating activities of foreign firms were the important policy initiatives.
While there is a growing appreciation about the role at strategic government policy on the competitiveness of Indian pharmaceutical enterprises, the issue is less analyzed in the case of small pharmaceutical procedures. The Indian pharmaceutical industry is strongly represented by a large number of small firms that are essentially producers of technology-intensive bulk drugs and have clearly contributed in enhancing indigenous capability in the sector. Under the process patent regime, these firms had effectively utilized the technological imitation, reverse engineering, and process development as means of advancing their firm-specific competitive capabilities. They made rapid technological advancement in developing own cost-effective processes and successfully competed with foreign firms in the domestic and overseas markets. Apart from enjoying a favourable patent, small producers of pharmaceutical products in India had received special policy focus in industrial, trade and pricing policies. The social relevance and the pivotal role of small firms in employment generation, regional and economic de-concentration, local resource utilization and mobilization of skill, etc. have been well recognized. From the very beginning of industrial policy like the first Industrial Policy Resolution (IPR) 1948, these firms have been accorded protection from large firms as well as provided with various support measures and incentives. Several policy measures like provision of finance, training, technical, marketing and other support measures, access to raw materials, preference in government procurement and reservation of products for exclusive development in the sector have also been implemented.
In the case of pharmaceutical sector, small firms have been facilitated by various favourable policies like exemption from the Drug Price Control Order (DPCO) and drug policy parameters, reservation of drugs for exclusive production in small scale sector\(^1\), preferential procurement by government health programmes, etc. As a result of these strategic interventions, small firms in spite of their resource disadvantage were able to respond to the changing business environment and emerged as significant market players.

1.1 The Problem

With the world becoming a global market, organizations in different countries are striving to make their presence felt. The long awaited change in the economic policy in its trial has opened up many challenges and opportunities to every walk of life in the entire country\(^2\). The newness in some manner is transparent in everything and hopes are gradually building up that 'quality' will be the watch word for Indians in the 21\(^{st}\) century. The old generation is thinking out and the new generation is bubbling with energy, knowledge, confidence, dedication and willingness to give their best for the national development and well-being of the society.

Amongst the many variables that go into the making of an organization the ‘people’ factor is most important and crucial. Unless the people are developed and satisfied, it is unlikely that any improvements can be made in

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1 Drugs such as Paracetamol, Parabenes, Calcium Gluconate, Benzyl Benzoate, Pyrazolones, Lanolin Anhydrous, Halogenated Hydroxy Quinolines, Nicotinic Acid/Amide, Glycerophosphoric Acid and Glycerophosphate, Citrates and Aluminium Hydroxide gel were reserved for exclusive development in the small scale sector.

terms of production, productivity, quality or customer service. A man’s merit is no longer measured by his family connections but by his accomplishments on the job. Adam Smith believes that of all the baggages, man is the most difficult to transport. The success of an organization is dependent upon its performance. The entails develop a performance based system and culture in the organization, where people are continuously striving to improve organizational effectiveness. A survey was conducted and found that rapidly changing technology, specially revolutionary change in I.T and widespread concern for performance and excellence are effecting the content and approach to human resource management and development. The employees – individually and collectively – qualify for handsome awards based on their individual and collective contribution to the value they create and the contribution they make to the profitability and growth of the company.

Performance management assumes a pivotal role in the face of rapid changes such as globalization, liberalization, technological and market changes. All people management efforts are directed towards enhancing performance of employees and thereby improving the bottom line of the organizations. A discussion had taken place that the emperors of the Wei dynasty (Ad 221-265) in China had an ‘Imperial Rater’ whose task was to evaluate the performance of the official family. The history of performance management dates back to the early 20th century which can be traced to Frederick Taylor’s pioneering time and motion study. Organizations today

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4: see 4 and 5
5 Koontz, H. (1971) pp. 29
have evolved from performance appraisal or measurement to performance management. Some organizations are now looking beyond performance management and are seeking to achieve a performance culture. A performance culture is one in which everyone knows the goals and consistently values and achieves high performance. The development of performance management was accelerated by the human resource management, a realization that it was a concern of everyone, a shift from top down to upward appraisal, dissatisfaction with performance related pay and allied factors.

### 1.2 Nature of Performance Management

Performance management is defined as the process of establishing shared understanding about what is to be achieved and an approach to managing and developing people in a way which increases the probability that it will be achieved in short term as well as long term. It is a process of designing and executing motivational strategies, interventions and drivers with an objective to transform the raw material of human resource into performance. Performance management is another form of MBO. It is a strategic and integrated approach to achieve success. Performance management is a process of identifying, measuring and developing the performance of individuals and teams and aligning performance with strategic goals of the organization.\(^6\)

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\(^6\) Armstrong Michael and Baron Angola (2006) pp. 7
Performance management is a means of getting better results from organizations, teams and individuals by understanding and managing performance with an agreed framework of planned goals, standards and competence requirements. It is assumed that significant performance gains are possible if management arranges the work environment so that the vast majority of employees performing below their potential can improve\textsuperscript{7}. In most organizations when people are asked what they do, they ask their boss, all too often they get two different lists.

\textsuperscript{7} Boyett, H., Joseph and Conn, P, Henry (1997) pp. 17
There are four technical ingredients of expectation setting process:

a. Action: tasks or responsibilities to be carried out.
b. Output: desired result or outcome.
c. Standards: criteria used to judge the outputs.
d. Timeframe: when output and related task and responsibilities are to be completed.

The outcome of the process is used to identify better performing employees who get the majority of available merit pay increase, bonus and promotion. Performance management is a comprehensive discipline that consists of strategies to address the entire motivational need structure of human resource such as physiological, security, social, self esteem and self actualization through appropriate interventions and drivers. Performance management is an integrated and continuous approach. It is a vehicle to validate and refine organizational action and to provide feedback to employees with an eye on improving future performance. Performance management acts as a agent in converting the potential into performance by removing the intermediate barriers. It helps in motivating and rejuvenating the human resource.

Performance management serves six purposes: strategic, administrative, informational, developmental, organizational, maintenance and documentational purpose. The purpose of performance management system is to help top management achieve strategic business objectives that is by linking the organizations goals with individual goals. The administrative purpose includes salary adjustment / promotion / training, employee retention
or termination, recognition of superior individual performance, identification of poor performance, layoff and merit increase. There is a saying that in Japan, out of first 10 years of a worker on a job, two are spent on training. No wonder Japanese are such competent workers. The Koreans, the Taiwanese, etc. have followed suit. Indians often do not relate success of an organization to its people.

Performance management system serves as an important communication device as it provides information regarding the organization’s and supervisor’s expectations. Feedback is an important component of a well implemented performance management system. Managers use feedback to coach employees, improve performance on an ongoing basis as well as identify strengths and weaknesses. The organizational and maintenance purpose served by performance management system includes assessing future training needs, evaluating performance achievements at an organizational level and evaluating the effectiveness of human resource interventions. Performance management system allows organizations to collect useful information that can be used for several documentation purposes like test development and administrative decisions.

Under the Gilbert’s Principle, performance management review process is thought of as a positive interaction between a ‘coach’ and employee, working together to achieve maximum performance. Performance management is a continuous process including prerequisites, performance planning, performance execution, performance assessment, performance review, performance renewal and recontracting.
Many companies have stated in their employee handbooks and salary administration manuals that emphasize their commitment to paying for performance. Yet rarely do pay for performance systems do just that, for several reasons.

a) Performance is not measured appropriately. Supervisors are often uncomfortable evaluating performance without quantitative information. Indices of performance are difficult to develop. A rater's discretionary judgment is called for, but it may be viewed as capricious. For some positions, it is difficult to determine not only what to measure but how to measure performance accurately, consistently and fairly.

b) The wrong measures are used or poor performance is actually rewarded. Senior employees or those who do not 'rock the boat' are often reviewed more favorably even after their contributions are marginal. Each time a less-than-outstanding person receives a promotion, the organization takes another step towards mediocrity by building the next growing generation of poor managers.

c) There is little trust in performance ratings. Employees often do not believe that supervisors are properly informed about their performance or have adequately observed it. Many supervisors are not trained to provide feedback constructively, without attacking subordinates personally. Ratings often fail to differentiate between people, with most distributions skewed considerably towards positivity. Managers can
take several actions to effectively manage employee performance and link performance to rewards.

d) Assess practices for rewarding performance. Managers can audit their past practices of rewarding performance to determine the real basis for rewards. Employees may not be induced to unlock their potential if seniority, non competence and results, is the basis for rewards. Employee turnover is often related to the absence of rewards or of acknowledgement of a job well done.

e) Make rewards contingent upon performance. Giving all subordinates the same compensation reward (that is, merit increase or incentive) does not indicate that individual (or team) performance counts. Managers must differentiate among employees (or teams) to signify the importance of actual contributions. Dealing with performance problems and addressing them swiftly alleviates the concerns that top performers may have an organization's commitment to excellence.

f) Provide rewards within control. If compensation rewards require levels of approval, immediate supervisor provides necessary and thorough documentation. This enables higher management to make informed and timely reward decisions. Many organizations are increasing the reward options available to supervisors, allowing them to distribute spot cash awards, prizes, merchandise, or bonuses. If there is insufficient latitude with respect to compensation rewards, other rewards should be considered. Extra vacation days, off-site seminar attendance and
training, a special luncheon, or public recognition and acknowledgement are extremely effective rewards for employee performance. Money is important to all, but there are other rewards as well that can make a person feel valued by organizations.

g) Determine which rewards are valued and important to each employee. Most people are excited by monetary rewards. But many other rewards go a long way towards making employees feel valued and acknowledged for their contributions. To some people, written documentation of individual success is important. To others, verbal recognition offers more encouragement.

The two most important prerequisites that are required before a performance management system is implemented are knowledge of the organization’s mission, strategic goals and knowledge of the job. Performance planning includes the consideration of results and behaviour, as well as development plan. A discussion of results needs to include key responsibilities and performance standards. Both the employee and manager are responsible for performance execution. The employee is responsible to be prepared for performance review by conducting regular and realistic self appraisals. The responsibility of the supervisor includes observing and documenting performance, updating the employees on any changes in the goal of the organization and providing resources and reinforcement so that the employee can succeed and continue to be motivated. In performance assessment, both the employee and the supervisor evaluate employees performance which helps in increasing their ownership and commitment to the
system. Performance review is when the employee and the manager meet in the appraisal meeting to discuss employee performance. This meeting usually emphasizes the past – what the employee has done and how. The present involves the changes in compensation that may result from the results obtained. The future involves a discussion of goals and development plans that the employee will be expected to achieve during the period before the next review session. The final component involves performance renewal and recontracting. Performance renewal and recontracting uses information gathered during the review period to make adjustments as needed.

Performance management signifies competitiveness, business-HR partnering, fulfilling HR needs, core of HR, optimizing human capital, renewal of competencies, managerial equity, sustainable results, collective development, integrated motivational tool and institutionalizing high performance and business.

Performance management has multiple objectives. It helps management in clarifying roles, accountability and effectiveness. Performance management aims at improving performance and building competencies. It institutionalizes high performance work culture. It contributes in identifying the potential strengths of the organization and reaching individual level expectations and targets. Performance management helps organizations to exist, survive and succeed in a competitive, globalized and uncertain business environment. The basis of this proposition is that when people know and understand what is expected of them, and have been able to take part in informing those expectations, they can and will perform to meet them.
Performance management is concerned with outputs, outcomes, processes, inputs, continuous development and improvements. It’s main concern is planning ahead to achieve future success. It is believed that if one can’t measure it, one can’t manage it. It pays emphasis on communication and stakeholders. The ethical concerns of performance management are respect of individuals, mutual respect, procedural fairness and transparency.

Conceptualizing and executing performance management in organizations encounters many challenges. These are difficulties in alignment such as linking performance management strategies with business strategies and achieving coherence among strategies, interventions and drivers of performance management, challenge of melting culture with performance management practice, development performance measurement indices, wholeheartedly involving all classes of employees in performance management, shortage of competent human resource professional who can guide organizations through performance management and complexity of performance management as an art and science.

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8 Armstrong, Michael and Baron, Angela, (2006) pp. 10
1.3 Performance Management versus Performance Appraisal

Performance appraisal is the process of assessing an individual’s performance in a systematic way, the performance being measured against such factors like job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, cooperation, judgement, versatility and health. The normal outcome of performance appraisal is a performance rating score. It is normally a one-time activity and is carried out annually, half yearly or quarterly. The performance appraisal outcome is linked to a number of factors such as bonus payouts, salary review, training, promotions and transfers.

Performance management stretches beyond appraisal. Foremost, it is an ongoing process. It includes enabling them to improve their performance, actual and potential, offering feedback to the assessees where the main emphasis of performance management is enhanced employee performance. The table brings out the distinction between appraisal and management to sharp focus.
Table 1.3: Difference between Performance Appraisal and Performance Management

<table>
<thead>
<tr>
<th>Factors of Difference</th>
<th>Performance Appraisal</th>
<th>Performance Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary focus</td>
<td>Assessing performance and potential for performance.</td>
<td>Improving employee performance and development.</td>
</tr>
<tr>
<td>Activities involved</td>
<td>Designing appraisal programmes, build database employee-wise</td>
<td>Set of HR activities designed and executed to assess performance and improve it also.</td>
</tr>
<tr>
<td>Leadership</td>
<td>Directional; evaluative</td>
<td>Facilitative; coaching</td>
</tr>
<tr>
<td>Frequency</td>
<td>Usually once a year</td>
<td>Often can be ongoing</td>
</tr>
<tr>
<td>Degree of formality</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>


Calling down an alphabetical list of customers or prospects, or even planning geographic routes by zip code does work a bit. In order to maintain territory productivity, sales personnel must think more like businesspeople, and less like product pushers. In order to compete in today’s economy, one must provide value beyond product and price. This means, spending more time with customers who are most likely to recognize and reward value-added services, and the least amount of time possible with customers who want a sales representative to simply take orders. Therefore, a salesperson must manage their territory like a business zone and develop a territory strategy that is supported by a tactical action plan to focus on business returns. They need a territory-level business plan.
Knowledge, trainees and skill are needed to plan properly. Most sales personnel are competitive by nature and work very hard to win. The will to win is worthless if one doesn't have the will to deliver. To epitomize, the sales personnel should be provided with knowledge, tools and guidance to deliver the best. To reiterate, a feeling of ownership should grow. A sales territory assigned to a salesperson consists of existing and potential customers. The following factors are considered (a) Abilities of the person (1) Product knowledge (2) Market knowledge (3) Past sales performance (4) Communication skills (5) Selling skills (B) Salesperson's effectiveness in a territory.

It is important for the superior to guide a sales personnel in route-mapping, planning and achieving targets. The sales personnel should identify their prospect and territory potential. Both time-management and cost management are important factors. The superior teaches the sales personnel to make an effective call in minimum possible time. A three-minute business call either clicks or fails. The message needs to be precise, informative and scientific. The superior and the sales personnel should interact with each other at regular intervals at least once in a month. To simplify and work more effectively, the companies are now providing laptop computers and cellular phones. These are tools for time-management and efficient working. Logistic support comes in various forms. Employee satisfaction is very important for an organization to sustain and grow. A healthy work environment and a good work culture will always help a company to achieve its goal.
Acknowledgement of a good work and motivation work wonders. A sense of belongingness and a feeling of security always works as boosters.

One of the best ways to maintain employee satisfaction is to make workers feel like part of a family or team. Holding office events, such as parties or group outings, can help build close bonds between the workers and the management. Money in the form of cash rewards and incentives are very important boosters but holding events can also do wonders to improve employer-employee relationships. In every interaction with management, employees should be treated with courtesy and dignity. An easy avenue for employees to discuss problems with the upper management should be maintained and carefully monitored. Even if the management cannot meet all the demands of employees, showing workers that they are being heard and giving importance helps in easing and building relationship.

Factors contributing to employee satisfaction includes treating employees with respect, providing regular employee recognition, empowering, offering and compensation. Attempting to understand the nature of job satisfaction and its effects on work performance is not easy. For at least 50 years from now, the industrial / organizational psychologists have been wrestling with the question of the relationship between job satisfaction and job performance. The results of empirical literature are too mixed to support the hypothesis that job satisfaction leads to better performance there is a reliable positive correlation between these two variables. Job satisfaction is a complex and multifaceted term. Job satisfaction is usually linked with motivation, but the nature of this relationship is not clear. Satisfaction is not the same as
motivation. Job satisfaction is more an attitude, an internal state. It is associated with a personal feeling of achievement, either quantitative or qualitative.

Labour turnover and absenteeism are commonly associated with dissatisfaction, but although there may be some correlation, there are many other possible factors. No universal generalizations about worker dissatisfaction exist, to offer easy management solutions to problems of turnover and absenteeism. Individual performance is generally determined by three factors. Motivation, the desire to do the job, ability, the capability to do the job, and the work environment, the tools, materials and information needed to do the job. If an employee lacks ability, the manager can provide training or replace the worker. But if motivation is the problem, the manager's task becomes more challenging. Individual behaviour is a complex phenomenon, and the manager may not be able to figure out the reason of the employee not being motivated and changing the behaviour. Thus, motivation also plays a vital role since it might influence negatively or may work positively.

Organizations that only do performance appraisals for the sake of doing them, are wasting their time. But organizations that incorporate performance appraisals into a comprehensive performance management system and use them to implement business goals, have an advantage for accomplishing their goals and ultimately their strategic plan. A performance management structure is the framework used to manage performance. This includes performance management as part of an organization's business
strategy and includes top-down emphasis on performance. The process includes systematic goals, expectations and employee feedback. Training is important both the managers and employees. Managers need to have a good understanding of the process and the expectations for their part in documenting performance and communicating to the employees on how well they are performing. Training for employees is also important so that employees understand their responsibility in job performance and how they will be assessed during the performance appraisal process based on their goal achievement.

People have less face to face time together these days. Performance appraisal offers a way to protect and manage these valuable face-to-face opportunities. An advice is to hold on to and nurture these situations. If one is under pressure to replace performance appraisals with some sort of (apparently) more efficient and cost effective methods, one can safely cover all the aspects of performance and attitudinal development that a well-run performance appraisals system is naturally designed to achieve.

In fact performance appraisals of all types are effective if it is conducted properly, and better if the appraisal process is clearly explained to and agreed by the people involved. Managers need guidance, training and encouragement in how to conduct appraisals properly especially the detractors. The circles help anxious managers (and directors) develop and adapt appraisal methods that work for them. Encouraging people to sit down together and review informally removes much of the pressure for managers
and appraisers at formal appraisal times. Leaving everything to a single make-or-break discussion once a year makes things a bit difficult.

1.4 Role of Performance Management in Development Process

Performance management system has a vital role in the development process. Development is defined as a planned, organization wide and managed effort from top to increase organizational process using behavioral science knowledge. Development refers to all activities engaged by workforce which are directed towards building and maintaining health of the organization as a total system. A view about the development component of an employee is that to conduct learning experiences for future jobs. It identifies individuals who enjoy risk and new undefined challenging jobs⁹. Development component is concerned not solely with the individual, or the organization, but with the symbiotic and synergistic relationship between them. Employee development is possible by helping employees in increasing their functional capabilities for present and future roles. It helps employees to improve their general capabilities, harnesses their inner potentialities thereby facilitating self and organizational development. The human skills and capabilities are developed and self growth is assessed as well. It’s scope extends on a micro as well as macro basis thereby benefiting the individual, organization and the nation.

Effective performance management system is an asset to the organization. It is considered as a tool for avoiding misunderstandings

concerning the future by discussing an employee’s inner potential honestly, resolving poor performance problems, helping employees to develop and become more successful. An effective performance management system caters to both sides of the coin. It needs to incorporate objective measures which are appropriate for short term control purposes and needs to formalize the development side for the long term benefits. Performance management system serves as an integral part of the job. It helps in achieving personal development, job satisfaction, perceptions of fair and just compensation, human resource development in improving effectiveness and efficiency, employer relationship, mechanism of control and rational compensation structure. The performance management system helps the organization in defining the performance requirements at individual levels, aligning the organisation’s efforts to meet the organizational goals by setting targets at individual levels, reviewing the performance during the course of the year and taking required action to ensure performance, evaluating the individual performance and development requirements providing feedback to individuals on performance, in taking decisions on salaries, promotions, job transfers and training and development of individuals.

1.5 Review of Literature

Performance management helps to integrate the human resource and development activities. There was a discussion that performance management practices are derived from and its tailored to fit each
organization’s changing requirements which leads to a wide diversity of practices\textsuperscript{10}.

The (IRS Management Review, 1996) report focuses on performance management being a way of translating corporate goals into achievable objectives that cascade down throughout the organization to produce optimum results. Performance management is a systematic approach to improving individual and team performance in order to achieve organizational goals\textsuperscript{11}. Many spiritual gurus consider all development to start with self development and hence self development is the essence of human resource development\textsuperscript{12}. Group performance is an input – process – output model. In such models group members’ individual knowledge and skills, team composition and tasks, objectives and support systems (inputs) and the interactions among group members (process) explain the group’s performance, viability and well-being as well as those of the individual members (output). It is considered that peak performance is an efficient, creative, productive, or in some way better than ordinary behaviour\textsuperscript{13}.

The Development Dimensions International explains performance management system is a key tool that organizations use to translate business strategy into business results. Performance management system influences financial performance, productivity, product or service quality, customer satisfaction and employee job satisfaction. In addition 79 percent of the CEO’s

\textsuperscript{10} Mohrman and Mohrman (1995) pp. 49-50
\textsuperscript{11} see \textsuperscript{11} and \textsuperscript{12}
\textsuperscript{11} Hendry, Bradlely and Perkins (1997) pp. 20-25
\textsuperscript{12} Guzzo and Shea (1974)
\textsuperscript{13} Garfield (1987) pp. 9-54
survey say that performance management system implemented in their organizations drives the cultural strategies that maximize human assets.

At Germany – based Siemens, the performance management system is based on three pillars: setting clear and measurable goals, implementing concrete actions and imposing rigorous consequences. The performance management at Siemens has helped change people's mindset. Thereby changing it to a truly performance oriented organisation.

The (IRS, 1998) survey lists names of companies that follow the performance management systems and the factors that influence it:

Table 1.4 : Factors that influence Performance Management System in Various Organisations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Express Services Europe</td>
<td>Cultural change</td>
</tr>
<tr>
<td>Arts Council of England</td>
<td>Link pay to performance</td>
</tr>
<tr>
<td>British Medical Association</td>
<td>Customer service</td>
</tr>
<tr>
<td>Jamont UK</td>
<td>Improve performance and identify training needs</td>
</tr>
<tr>
<td>London Borough of Bromley</td>
<td>Feedback from staff</td>
</tr>
<tr>
<td>Mansfield Shoe Group</td>
<td>Improve customer service</td>
</tr>
<tr>
<td>Sericol</td>
<td>Improve competence</td>
</tr>
</tbody>
</table>

In When Giants Learn to Dance,\textsuperscript{14} it is described ‘post-enterpreurial’ organizations as representing a triumph of process over structure. A

\textsuperscript{14} Kanter, Moss, Rosabeth (1989)
suggestion came up that relationships and communication, and the flexibility temporarily to combine resource, are most important than formal channels and reporting relationships represented in an organization chart. What is important is not how responsibilities are divided but how people can pull together to pursue new opportunities.

Clear standard is an important intermediary between feedback and changes in performance\textsuperscript{15}. Feedback seeking is composed of two items, one assessing feedback seeking from the supervisor and the other from coworkers\textsuperscript{16}. Researchers have demonstrated relationships between feedback seeking behaviour and role clarity and between role clarity and task performance\textsuperscript{17}. However, despite literature suggesting that (a) feedback seeking is related to role clarity, (b) role clarity is related to task performance, and (c) feedback seeking and task performance may be linked through some mediating mechanism, the intervening influence of role clarity on the relationship between feedback seeking and task performance has yet to be investigated\textsuperscript{18}.

Marketing managers all over the world are under intense pressure to improve the return on marketing investments. To do this, they have to significantly improve marketing performance and demonstrate that marketing is an important function with the ability to contribute positively in the design and implementation of corporate and business strategy. In order to enhance

\textsuperscript{15} Taylor, Fisher and Itgen (1984) pp. 91-124
\textsuperscript{16} Renn, R.W., and Fedor, D., B. (2001) pp. 563-583
\textsuperscript{17} Ashford and Cummings (1985) pp. 57-79
marketing performance, firms need to identify the factors which significantly impact performance in the marketing area and also measure marketing performance systematically.

1.6 Justification of the Study

Liberalisation and globalization is a fact of life. The broad framework has been cast and it is not possible to go back on it. Having tasted liberty and internationalization, a human being cannot be happy if the old chains are brought out again. Problems will have to be met head-on, accepting the limitations; yet answers have to be found within the emerging framework. This basically propositions that organizations can build competitive advantage through creation of a new breed of employees – employees empowered by education, training and development. This study helps in maximum utilization of employment opportunities as well as serves as a source of revenue for sales personnel. The revenue thereby generated adds to sustained national growth. Performance management in turn enhances the level of sales personnel to match the standards.

It is believed that science and technology has contributed much for the benefit of mankind and a new culture of consumerism had made inroad. Leader, of the social change, caused by industrialization are none but engineers, managers, doctors, administrators, trainers, who are responsible to give proper shape for a better tomorrow. Therefore, a culture of innovation and creativity finds expression in employees self-motivation for habitual
creative pursuits in the workplace, arising out of a sense of emotional satisfaction through achievement.

There are dynamic changes and sales pressures in Indian pharmaceutical industry. It is an emerging industry wherein R & D takes place and many MNC’s are operating. Sales is a vital function altogether and selling pressure is present everywhere. The sales personnel have been taken as the focus of study as they do not directly reach the customers through reference groups of medical practitioner’s. The pharmaceutical product is highly technical in nature and not understandable by all. The sales force size is relatively larger and the selling cost to the total cost is relatively higher. Inadequate consumption and defective pricing policy of drugs are two hurdles hindering the growth of this industry. Presently the per capita consumption of drugs in the rural areas is not more than Rs. 3 as against Rs. 23 estimated for urban consumption.

1.7 Indian Scenario of Pharmaceutical Industry

Pharmaceutical industry in India is one of the largest and most advanced among the developing countries. It provides employment to millions and ensures that essential drugs at affordable prices are available to the vast population of India. Indian pharmaceutical industry has attained wide ranging capabilities in the complex field of drug manufacture and technology. From simple pain killers to sophisticated antibiotics and complex cardiac compounds, almost every type of drug is now made indigenously.
An affluent Indian economy cannot be separated from the tremendous growth being witnessed in the Indian pharmaceutical industry. As part of this sector, employees in pharmaceutical companies play their part in sustaining the demand-supply equation. Therefore it is only fair that they receive adequate compensation. Considering the global pressures, new drug delivery systems, lean management, new methods of work and technology upgradation, there has been a tremendous requirement of skills and competencies to give overwhelming outcomes in these dynamic situations. Performance appraisal therefore is the key to sustained performance in the face of increasing competition. Divakar Kaza as President, HR Lupin explains the appraisal procedure as an effective performance appraisal emphasizes on individual objectives, organizational objectives and also mutual objectives. This rule holds true for companies across sectors, including pharmaceutical.

Indian pharmaceutical industry is playing a key role in promoting and sustaining development in the vital field of medicines. Around 70 percent of the country’s demand is for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and vaccines which is met by Indian pharmaceutical industry. A number of Indian pharmaceutical companies adhere to highest quality standards and are approved by regulatory authorities in USA and UK.

Indian pharmaceutical sector is highly fragmented with more than 20,000 registered units. The leading 250 pharmaceutical companies control 70 percent of the market leader holding nearly 7 percent of the market share. There are also 5 Central Public Sector Units that manufacture drugs. These
units produce complete range of pharmaceuticals, which include medicines ready for consumption by patients and about 350 bulk drugs, i.e., chemicals having therapeutic value and used for production of pharmaceutical formulations. More than 85 percent of the formulations produced in the country are sold in the domestic market. Some life saving, new generation under-patent formulations are imported, by MNCs, which they market in India. Over 60 percent of India's bulk drug production is exported. The balance is sold locally to other formulators.

Pharmaceutical industry in India has been de-licensed and industrial licensing for most of the drugs and pharmaceutical products has been done away with. Manufactures are now free to produce any drug duly approved by the Drug Control Authority. Indian pharmaceutical industry did get a major boost by signing the General Agreement on Tariffs and Trade in January 2005 with which India began recognizing global patents. After recognizing the global patent regime the Indian pharmacy market became a sought after destination for foreign players.

India holds the lion's share of the world's contract research business as activity in the pharmacy market continues to explode in this region. Over 15 prominent contract research organizations (CROs) are now operating in India attracted by its ability to offer efficient R&D on a low cost basis. Thirty five percent of business is in the field of new drug discovery and the rest 65 percent of business is in the clinical trials arena. India offers a huge cost advantage in the clinical traits domain compared to Western countries. The
cost of hiring a chemist in India is one-fifth of the cost of hiring a chemist in the West.

The future of Indian pharmaceutical sector looks extremely positive. Indian pharmaceutical companies are vying for the branded generic drug space to register their global presence. Several Indian pharmaceutical companies have acquired companies in the US and Europe and many others are raising funds to do so. For example, Ranbaxy acquired Romania’s Terapia, Ethimed NV of Belgium and GSK’s generic business Allen SpA in Italy. Dr. Reddy’s acquired German generic drug maker Betapharm. Companies like Glenmak Pharma, Lupin, Aurobindo and Jubilant Organosys are on the lookout for lucrative acquisitions.

**Figure 1.2 : Pharmaceutical Marketing**

- **Potential Entrants**
  - Economies of Scale
  - Brand identity
  - Access to Distribution
  - Government policies

- **Suppliers**
  - Concentration
  - Substitute raw materials
  - Threat of forward integration

- **Pharmaceutical Industry**
  - Number of competitors
  - Industry growth
  - Product differentiation
  - Exit barriers

- **Substitutes**
  - Functional similarity
  - Price / performance trend
  - Product identity

- **Threat of substitute**

- **Bargaining Power of Supplier**

- **Bargaining Power of Customers**
  - Buyer’s concentration
  - Number of suppliers
  - Substitute product
  - Threat of backward integration

- **New entrant**
Figure 1.3: Channel of Prescription Drugs in India

- Branch Manufactures
- Generic Manufactures
- Repackages / Marketers
- Wholesalers
- Chain Warehouses
- Group Purchase Depots
- Hospitals
- Independent Pharmacies
- Chain Drug Stores
- Mail Order Pharmacy Services
- NMO "In House"
- Despensing Physician
- Nursing Homes
- Patient
1.8 Objectives of the Study

Major objectives of the study are as follows:

a) To study the management system used by the pharmaceutical companies and to identify the best practices in the industry.

b) To assess the extent of impact of performance management on the development of sales personnel in the industry.

c) To suggest measures to make performance management more effective tool for development and management.

d) To find out the weaknesses in the performance management process and to suggest ways of aligning personnel organisation’s efforts to meet the human resource goals relating to sales.
1.9 Research Methodology, Source of Data and Limitations

Managing the performance of sales personnel is relatively a new concept. The research strategy proposed to be followed is a combination of qualitative and quantitative methodology, which involves focus groups and questionnaires. Quantitative research shall be based on a descriptive questionnaire to be constructed for the purpose of current research. The objective of this study is to gain familiarity and insights into the dimension of performance management of sales personnel in pharmaceutical industry. This study will involve exploratory research because only a very few studies have been conducted in India on this dimension and that too involving limited factors. The descriptive research would be used for describing the state of affairs of performance management as it exists at present and to describe the characteristics of the factors involved.

Top 3 companies operating in the district of Rohtak have been selected that is Glaxo Smith Kline, Ranbaxy and Cipla from January 2008 to November 2010. These have been chosen on the basis of the maximum number of medical representatives they have as well as accessibility.

Convenience sampling is used for this study and the sample size is 100. For primary data 100 samples respondents were given questionnaires out of which 90 sample respondents had returned it. Out of these 60 questionnaires were complete in all respects and have been taken up for analysis. The sales personnel are selected from different companies and have substantial degree of variance of experience. This variance enhances the
The data collection involves two stages. First, background data was be collected from published sources. Second, primary data was collected through self-administered questionnaire. A pilot for testing the questionnaire was conducted to reveal its weaknesses before administering the questionnaire. Medical representatives were asked to give their views about the importance of various determinants on a five point scale. Absolute average or mean scores of percentage were calculated for each questionnaire. Ranking was also prepared for various sub factors. This was supplemented by semi structured personal interview of around 15 sales personnel to gain a better understanding of the subject. By using a number of key factors from the pharmaceutical industry, the study focused more on the perceptions about the performance management.

Limitations of the Study

1. Most of the data in the survey was based on the information given to us by the medical representatives and suppliers. Any misguidance by them was reflected in our survey.
2. The limited region of Rohtak was a very big constraint.
1.10 Plan of the Study

Chapter I introduces the research problem, operationalizes the concept of performance management, lays down the objectives and methodological approach.

Chapter II examines the growth and structure of the pharmaceutical industry highlighting the special challenges of the selling function. It also gives an overview of the selling techniques and practices prevalent in the different segment of the industry.

Chapter III attempts to capture the techniques and practices of performance management of the sales personnel in the industry and seeks to identify and discuss the gaps and their resultant consequences.

Chapter IV would be devoted to empirical results and critical discussion.

Chapter V would draw the major inferences and implications for the performance management practices and strategies with a view to improve the overall productivity and efficiency of the sales personnel.

Chapter VI provides summary and conclusion.

The study is expected to shed light on certain important aspects of performance management in relation to employee development in the operational area of sales. Some results of the study are expected to be generalized to be of use to other corporate segments as well.
The pharmaceutical industry has made impressive progress in the last two decades in various fields such as trade industry, drug control, salesmanship and pharmaceutical education inspite of various restrictions imposed by the Government. The United Nations Industrial Development Organization, noting the rapid progress in recent years, has placed India in ‘Group V’ which is considered ‘the most advanced stage’\(^{19}\). The performance of the industry, both in multinational and Indian sector is quite impressive. The three pious wishes of global pharmaceutical companies are to produce more effective drugs for a wider range of diseases, making R & D less expensive and speeding up drug approvals and commercialization to ensure longer patent protection. In 1947, there were only a few firms who were manufacturing galenicals like tinctures, spirits or household remedies. Now there are over hundred units manufacturing a wide range of pharmaceuticals.

Small pharmaceutical companies produce only formulations as they are not in a position to afford the heavy investment required for the production of bulk drugs. Medium companies generally prefer to produce formulations because profit margin is higher. Large pharmaceutical companies produce both.

In the pharmaceutical industry of India, Ranbaxy Laboratories has achieved phenomenal success in the present times especially after eighties. Today Ranbaxy is a drug giant with interests ranging from pharmaceuticals to diagnostics, fine chemicals, animals health care, R & D activities, biotechnology and biological research and other innovative programmes with

\(^{19}\) Barjatya, T.C. (1979) pp.12-14
turnover exceeding Rs. 2500 crore (2005-2006) per annum. The company is now country's third largest pharmaceutical company after Glaxo and Cipla.

Ranbaxy has approximately market share behind Glaxo's 5.5 percent and Cipla Laboratories about 4.6 percent. Ranbaxy has made its place in the Indian market and is adopting survival, growth, change, development and diversification strategies. At present Ranbaxy manufactures over 410 projects in 12 production lines.

Late Shri. Parminder Singh, one of the three sons of Bhai Mohan Singh played a key role in running of his father's company. Ranbaxy Laboratories Limited prevails over a decade. He was responsible for transforming a small company into an industry with global ambitions. Bhai Mohan Singh stepped down as chairman of Ranbaxy in April, 1993 and transferred the ownership of his company to his son Parminder Singh. Now the resent dynamic and vivacious M.D. Mr. Tejender Khanna is putting his labour to make Ranbaxy a leading pharmaceutical industry in India. Ranbaxy pays a lot of importance to incentives.

In today's strategic compensation system, incentive forms an integral part of the performance based compensation packages. It is a challenge for organizations to formulate strategies to maintain the internal equity and external equity and provide the most competitive compensation packages to attract and retain the talented workforce. For the purpose effective incentives programs are undertaken. Employees are involved in the process so as to deliver unbiased packages to all the employees.
The compensation strategies should be effective. All the employees should be aware of the organizational goals and objectives. The methods used for evaluating employees performance should be fair enough and easy to understand.

The performance standards established should be achievable. Deserving employees should receive significant rewards. These should be achievable. Deserving employees should receive significant rewards. There should always be scope for improvement. Employees’s performance should be evaluated on the basis of their productivity. Incentive accounts for employees high productivity. Today youngsters believe in performance based pay, thus incentives help to motivate them to produce more. In the hospitality and retail industry, it is the incentive that accounts for the overall package of the employee.

Perhaps the most tangible way in which companies put motivation theories into action is by instituting incentive systems. Incentives are reward systems that tie pay to performance. There are many incentives used by companies, some tying pay to individual performance and some to company wide performance. Pay for performance plans are very common among organizations.

Financial incentives may be considered powerful motivators if they are used properly and if they are aligned with company wide objectives. The most frequently used incentives are listed below.
(a) Piece Rate Systems: Under piece rate, incentives are rated as payment to employees made on the basis of their individual output. Employees are paid on the basis of individual output they produce. For example, a manufacturer may pay employees based on the number of purses sewn or number of doors installed in a day. In the agricultural sector, fruit pickers are often paid based on the amount of fruits they pick. These systems are suitable when employee output is easily observable or quantifiable and when output is directly correlated with employee effort. Piece rate systems are also used in white collar jobs such as check proofing in banks. These plans may encourage employees to work very fast, but may also increase the number of errors made. Therefore rewarding employee performance minus errors might be more effective. Today, increase in employee monitoring technology are making it possible to correctly measure and observe individual output. For example, technology can track the number of tickets an employee sells or the number of customers complaints resolved allowing a basis for employee pay incentives. Piece rate systems can be very effective in increasing worker productivity. For example, Satellite Auto glass, a nationwide installer of auto glass, moved to a piece rate system instead of paying workers by the hour. This change led to an average productivity gain of 20 percent per employee.

(b) Individual Bonuses: Bonuses is one time reward that follows specific accomplishments of employees. They are one time rewards that follow
accomplishments of employees. For example, an employee who reaches the quarterly goals set for them may be rewarded with a lump sum bonus. Employee motivation resulting from a bonus is generally related to the degree of advanced knowledge regarding bonus specifics.

(c) Merit pay: In contracts to bonuses, merit pay gives employees a permanent pay raise based on past performance which involves giving employees a permanent pay raise based on past performance. Often the company's performance appraisal system is used to determine performance levels and the employees are awarded a raise, such as a 2 percent increase in pay. One potential problem with merit pay is that employees expect pay increase in cost of living, merit pay ends up serving as a cost of living adjustment and creates a sense of entitlement on the part of employees, with even low performers expecting them. Thus, making merit pay more effective depends on making it truly dependent on performance and designing a relatively objective appraisal system.

(d) Sales Commissions: In many companies, the paycheck of sales employees is a combination of a base salary and commissions. Sales commission is like rewarding sales employees with a percentage of sales volume or profits generated. Sales commissions should be designed carefully to be consistent with company's objectives. For example, employees who are heavily rewarded with commissions may neglect customers who have a low probability of making quick
purchases, if only sales volume (as opposed to profitability) is rewarded, employees may start discounting merchandise too heavily, or start neglecting existing customers who require a lot of attention. Therefore, the blend of straight salary and commissions needs to be managed carefully.

(e) Awards: Some companies manage to create effective incentive systems on a small budget while downplaying the importance of large bonus. It is possible to motivate employees through awards, plaques, or other symbolic methods of recognition to the degree these methods convey sincere appreciation for employees contributions. For example Yum brands Inc. the parent company of brands such as KFC and Pizza Hut recognizes employees who go above and beyond job expectations through creative awards such as the seat belt award (a seat belt on a plaque) symbolizing the roller coaster like fast moving nature of the industry. Another alternative way of recognizing employee accomplishments is awarding gift cards. These methods are more effective if employees have a choice among alternatives (such as between restaurants, or between a restaurant or a retailer). Thus, these awards may help create a sense of commitment to the company by creating positive experiences that are attributed to the company.

(f) Team Bonus: In situations where employees should cooperate with each other, isolating employee performance becomes more difficult, companies increase resorting to tying employee pay to team performance. For example in 2007, Wal-Mart gave bonus to around 80
percent of their associates based on store performance. If employees have a reasonable ability to influence their team’s performance level, these programs may be effective.

(g) Gainsharing: Gainsharing is a company-wide program in which employees are rewarded for performance gains compared to past performance. These gains may take the form of reducing labour costs compared to estimates or reducing overall costs compared to past years figures. These improvements are achieved through employee suggestions and participation in management through employee committees. For example, Premium standard farms, LLC, a meat processing plant, instituted a gainsharing program in which employee initiated changes in production processes led to a savings of $300,000 a month. The bonus were close to $1000 per person. These programs can be successful if the payout formula is generous. Employees can truly participate in the management of the company, only if employees are able to communicate and execute their ideas.

(h) Profit Sharing: Profit sharing are programs involving sharing a percentage of company’s profit with all employees. These programs involve sharing a percentage of company's profits with all employees. These programs are company-wide incentives and are not very effective in tying employees pay to individual effort, because each employee will have a limited role in influencing company profitability. At the same time, these programs may be more effective in creating
loyalty and commitment to the company by recognizing all employees for their contributions throughout the year.

Stock Options: A stock option is giving an employee the right, but not the obligation, to purchase company stocks at a predetermined price. For example, a company would commit to sell company stock to employees or manager 2 years in the future at $30 per share. If the company’s actual stock price in 2 years is $60 employees would make a profit by exercising their options at $30 and then selling them in the stock market. The purpose of stock options is to align company and employee interests by making employees owners. However, options are not very useful for this purpose, because employees tend to sell the stock instead of holding onto it.

In the past, options were given to a wide variety of employees, including CEO’s high performers. In some companies all employees for example, Starbucks corporation was among companies that offered stock to a large number of associates. Options remain popular in start up companies that find it difficult to offer competitive salaries to employees. In fact, many employees find it difficult to offer competitive salaries to employees. In fact, many employees in high tech companies such as Microsoft and Cisco systems Inc. became millionaires by cashing in stock options after these companies went public. In recent years, stock option use has declined. One reason for this is the change in options accounting. Before 2005, companies did not have to report options as an expense. After the changes in accounting rules, it became more expensive for companies to offer options. Moreover, options are less attractive for employees when the stock market is going
down, because the cost of exercising their options may be higher than the market value of the shares. Because of these and other problems, some companies have started granting employees actual stock or using other incentives. For example, Pepsi Co Inc. replaced parts of the stock options program with a cash incentive program and gave managers the choice of getting stock options coupled with restricted stocks.

Companies use a wide variety of incentives to reward performance. This is consistent with motivation theories showing that rewarded behaviour is repeated. Piece rate, individual bonuses, merit pay, and sales commissions tie pay to individual performance team bonuses are at the department level, whereas gainsharing profit sharing, stock options tie pay to company performance. While these systems may be effective, people tend to demonstrate behaviour that is being rewarded and may neglect other elements of their performance. Therefore reward systems should be designed carefully and should be tied to a company’s strategic objective.

Designing jobs to increase their motivating potential, empowering employees, setting goals, evaluating performance appraisal and tying employee pay to individuals, groups or organizational performance using incentive systems are methods through which motivation theories are put into action. Even though these methods seem to have advantages, every method could have unintended consequences. Application of each method should be planned and executed with an eye to organizational fairness.
They can range from the mundane – a special parking spot to the spectacular a trip to Tahiti. Sometimes they have catchy or clever names such as employee of the month award, going the extra mile or extra effort awards or they may simply consist of an extra little something in your paycheck. Virtually every company, large or small has them.

Productivity bonuses have been around for a long time. The concept dates back to the days when manual laborers who were paid by the hour would earn extra money for producing extra within that time. Today around 36 percent of hourly paid workers regularly receive a financial bonus or incentive, while around 20 percent company executives receive productivity incentives. The traditional profit sharing bonus is still one of the most common incentives if the company makes money. All the employees and shareholders benefit from this. Many companies still give employees a traditional Christmas bonus or present or profit sharing checks along with a celebration. In addition to cash incentives, companies routinely offer other incentives such as additional vacation time, merchandise or travel rewards. Sales jobs often base salary increases on long term performance.

Performance management begins when a job is defined. Performance management ends when an employee leaves the company. Between these points, the following must occur for a working performance management system.

1. Develop clear job descriptions. Job descriptions are the first step in selecting the right person for the job, and setting that person up to
succeed. It does not mean traditional job descriptions that ended with and whatever else one is assigned by the manager. Job descriptions provide a framework so the applicants and new employees understand the expectations for the position.

2. Select appropriate people with an appropriate selection process. People have different skills and interest. Job have different requirements. Selection is the process of matching the skills and interests of a person to the requirements of a job. Finding a good job fit is exceptionally important. Use a selection process that maximizes input from potential coworkers and the person to whom the position will report.

3. Negotiate requirements and accomplishment based performance standards, outcomes, and measures. Ferdinand F. Fournies, in his long lasting book, why employees don’t do what they’re supposed to do and what to do about it explain the reason why people sometimes fail to meet the expectations. He explained that employees didn’t what know they were supposed to do.

4. Provide effective orientation, education, and training. Before a person can do the best job, one must have the information necessary to perform. This includes job position and company related information. It provides an excellent understanding of product and process use and requirements, and complete knowledge about customer needs and requirements.

5. Provide on going coaching and feedback. People need ongoing, consistent feedback that addresses both their strengths and the
weaker areas of their performance. Effective feedback focuses more intensely on helping people build on their strengths. Feedback is a two way process that encourages the employee to seek help. Feedback is usually more effective when requested.

6. Conduct quarterly performance development discussions: If supervisors are giving employees frequent feedback and coaching, performance reviews can change from negative, evaluative, one sided presentations to positive, planning meetings. Employees generally know how they are performing and their next goals and challenges.

7. Design effective compensation and recognition systems that reward people for their contributions: The power of an effective compensation system is frequently overlooked and downplayed in some employee motivation related literature. It is often not so much about the money as it is about the message. Any reward or recognition sends an individual their value. Money has become a metaphor for value.

8. Provide promotional/career development opportunities for staff: The supervisor plays a key role in helping staff develop their potential. Growth goals, changing and challenging job assignments and responsibilities, and cross training contribute to the development of more effective staff member. It helps to create an environment in which people feel comfortable to experiment and make mistakes.
9. Assist with exit interviews to understand why valued employees leave the organization: When a valued person leaves the company, it is necessary to understand why the person is leaving. This feedback will help the company improve its work environment for people. An improved work environment for people results in the retention of valued staff.

The TRIPS provisions have raised several concerns among developing countries:

a) Effect of product protection in the field of drugs and pharmaceuticals: India has to shift from a patent regime that grants only process patents for a duration of seven years to one that must grant product patents of 20 years duration, by January 1, 2005.

b) Impact on domestic R & D, on importation and the working of patents: At present Indian law says that they have to commercially exploit the invention, the working of the invention is important. Under the new TRIPS laws, even importation has to be treated as commercial working.

c) Grant of compulsory license is to be made available according to the individual merits of the case. Compulsory licensing has been made subject to market demand not being completely met. (Compulsory licensing is when a government allows someone else to produce the patented product as process without the consent of the patent owner). The agreement allows compulsory licensing as part of the agreement's
overall attempt to strike a balance between promoting access to existing drug and promoting research and development into new drugs.

A broad comparison of the Indian Patent Act and the TRIPS provisions is given in the table.

**Table 1.5 Comparison of Indian Patent Act and TRIPS Provisions**

<table>
<thead>
<tr>
<th>Factors of Comparison</th>
<th>Indian Patents Act</th>
<th>TRIPS Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of Innovation</td>
<td>narrow not patentable not available only process patents</td>
<td>broader patentable available processes and product patentable</td>
</tr>
<tr>
<td>Micro organisms Plant Variety Protection Drugs and Pharmaceuticals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importation</td>
<td>without prior permission amounts to infringement; not accepted as working of patent.</td>
<td>Importation permissible</td>
</tr>
<tr>
<td>Compulsory licensing</td>
<td>both exclusive and non-exclusive</td>
<td>non-exclusive licensing, only in special circumstances</td>
</tr>
<tr>
<td>Term of patent</td>
<td>14 yrs of patent other than food and drugs; for food and drugs – 7 yrs from date of filling of patent or 5 yrs from date of grant</td>
<td>Unilaterally 20 yrs</td>
</tr>
<tr>
<td>Burden of proof</td>
<td>on the plaintiff</td>
<td>on the defendant</td>
</tr>
</tbody>
</table>

Its salient features are as follows:

a) The term 'innovation' is made broader in consonance with TRIPS.

b) Section 3 modified to include exclusions permitted by TRIPS.

c) Patentee’s rights have been aligned as per article 28 of TRIPS.
d) Reversal of burden of proof in infringement suits on process patents.

e) Provisions relating to parallel imports of patented products is provided.

f) Provisions made for persons other than the patent holder to obtain the marketing approval.

g) Measures for protection of biodiversity and traditional knowledge made.

h) Appellate board for speedy disposal of appeals and other matters provided.

i) Amendment of the Act is to simplify and rationalise procedures.

j) Amendment of provisions is related to national security.

k) In section 5, the term 'chemical processes' has been made clearer.


m) Deferred system of examination as in other countries provided.

n) Provisions regarding patent attorneys made more broad based.

o) Provisions for deposit of biological material to authorised depository made.

Side by side, steps have been taken to modernise the patent office and improve working standards. The office aims at granting a patent within one to one and a half years of application as against four to five years at present.