Thinking of Values at Lilly

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This talk at two levels...

- **How top level values may or may not be useful in guiding decision making.**
- **Efforts to let values guide one particular decision.**

Recent History

- **In 1993 Lilly began revision of its highest level corporate strategy.**
  - **New top management**
  - **Difficult environment for drugmakers**
  - **Suffering growth pangs of globalization**

New Corporate Strategy

- About a year in the making
- Tied closely with our corporate planning cycle
- Based on Mission, Strategic Intent, and Vision

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New Corporate Mission

Create and deliver innovative pharmaceutical health care solutions that enable people to live longer, healthier, and more active lives.

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New Strategic Intent

Outgrow all competitors through a constant stream of innovation.

New Corporate Vision

Ten paragraphs describing

- The businesses we plan to be in
- How we propose to create value
- The culture we strive for.

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Lilly Scorecard Goals

Are taken from the vision statement:

Financial--superior financial performance

- **Innovation**
- **Customers**
- **People**

The Scorecards

Financial--four measures of performance

Innovation--seven measures of R&D performance

Customers--four measures of how customers perceive us

People--three measures of employee satisfaction

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Use in Decision Making

Metrics apply more or less also to subordinate business units.

- Not always applicable
- Business units choose which to employ.
- Business units are in a matrix.

The values represented by the 18 attributes are not traded off.

Further Decision Aids

In early 1997 introduced "Four corporate priorities":

- – Enhance scientific innovation
- – Increase efforts for Prozac
- – Optimize launch of new products
- – Grow income

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Additions in 1998

- A few other objectives alongside 4 priorities
- In February, coaching and developing people defined as top priority of supervisors.

The Cascade of Objectives

- **Mission**
- **Strategic Intent**
- **Vision**
- **Balanced Scorecard**
- **Priorities**
- **Further objectives**

Quote from the Chairman

"Prioritization is not simply a matter of rank-ordering all of the things on our plate. It is the process of deciding what to keep on the plate and what to toss off of the plate and get on with it."

--Randall L. Tobias

21 March, 1997

A Few More Observations

- **These need to be used within some decision context.**

- **Too detailed for strategic values.**

- **We need to make tradeoffs, resolve conflicts among the objectives.**

An Effort to Use Value-Focused Thinking

Decision: For a given research program, how should we allocate patients among our geographic affiliates?

Looking for a generic process that could be used repeatedly.

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Initial Conversations Focused on Values

- Quality: which allocation gives us data of the highest quality?

- Speed: which allocation gets us to the end fastest?

- Value: which allocation has lowest cost?

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Other Values were Explicitly Rejected

- **Fairness: Are we interested in how the affiliates feel?**

- **Market impact: Are we interested in how the allocations can promote sales?**

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Attributes of Quality, Speed, Value

- A good number of metrics had been defined, and were being collected at the time for each affiliate.

- The group did not wish to discuss tradeoffs among quality, speed, and value.

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Pre-decision Assessments

- Before anyone saw the metrics, I quickly assessed simple preferences among affiliates on quality, speed, and value.

- I repeated the assessment after metrics were released.

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Post Hoc Review of Process

- **After decisions were made, I compared pre-, post-metric preferences with the allocations that had been chosen.**

- **The metrics did not change preferences by much.**

- **Metrics were only loosely connected with the allocations.**

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More on Post Hoc Review of Process

- Poor link between allocations and metrics blamed on metrics.

- There was little or no discussion of quality, speed, or value.

- Most prevalent comment: "Process worked well."

Summary of this Experience

- **Feel free to propose values. Rejection can be used to focus conversations.**

- **An eternal value: people want to "feel good" about process.**

- **"Transparency" is a common value as well.**

The Future

- **This process will be repeated periodically.**

- **I made some allies in this first run.**

- **I hope for better results next time.**