ENABLING AN INNOVATION ECOSYSTEM TO SPEED MEDICINES TO PATIENTS

Terri Grant
People in Healthcare & Life Sciences Summit
March 2018
Eli Lilly and Company: Who We Are

Key Facts (2017):

A heritage more than 140 years strong:

Headquarters: Indianapolis, IN
Employees: 40,656
Net sales: $22.87B
R&D spend: $5.28B
R&D % of sales: 24.7%

“We’re trying to change the frontiers of what’s possible in medicine. Our vision is to change patients’ expectations – to provide a new sense of hope for people suffering from some of the world’s most debilitating diseases.”

Dave Ricks, President & Chief Executive Officer
Global Research & Development: Where We Are Located

We have 6,000+ scientists working across our 11 R&D sites globally

Investing in a number of strategic areas, including:

- Immunology research and development
- Immuno-oncology hub
- Neurodegeneration
- Devices, delivery and formulation
- Molecule generating capabilities
- Advanced analytics
- Tailoring, including Alzheimer’s imaging
- Information technology

Synergizing the best of internal and external innovation
What is the Business Challenge?

- $2.6 Billion
- 10 Years
- Product Lifecycles
- Payer Pressure

How can we speed medicines to patients?

How can HR enable vs putting the ‘no’ in innovation?
We Must Make Changes to Sustain Success

AS A RESULT OF THESE TRENDS, GROWTH IN HEALTH EXPENDITURES GLOBALLY HAVE EXCEEDED GROWTH IN GDP BY ABOUT 2% PER YEAR.
R & D Strategy: Changing the Way We Speed Medicines to Patients

Focus on value creation measured by unmet need, competitiveness, and differentiation.

Achieve success in two areas: novel targets and best-in-class medicines.

Optimize our organization (people, oversight, structure, speed) to be the preferred partner and employer.
So How Does HR Support the Changes and Innovate?

INSULIN

PENICILLIN

POLIO VACCINE

PROZAC

INNOVATION ECOSYSTEM 2.0

HR INNOVATION PLAN
Our “Fostering Innovation” Journey Started with Data Back in 2012….

Science Magazine – Top 20 Employers

• Lilly ranking fell from 14th in 2010 to off the list in 2012
• “Statistically, the biggest drivers for Lilly’s decline in ratings over the last three years are it’s own employees…”

Internal Employee Survey Data

Positives…
• The people I work with cooperate to get the job done.
• We are expected to take risks and to come up with new ideas

Negatives…
• At Lilly, we effectively prioritize work and make tradeoff decisions to avoid committing to do too many things.
• I am able to do my job with a minimum amount of bureaucracy (additional steps, approvals, “red tape”)


...and Continues to be Reinforced by our Company Priorities Today...
The Vision...

• How can we….
  – Provide **time and space** for employees to reach beyond their laboratories and offices to more actively collaborate?
  – Be more intentional about creating a supportive **system** of efforts and **programs** across the enterprise?
  – Encourage everyone to try new things?
  – Help employees across the company **collaborate** and **connect** (internal and external)?
The Design: Innovation Ecosystem 2.0

Innovation:
The successful development and implementation of creative ideas of all kinds within an organization.
Key Elements of the Ecosystem Designed to Broadly Inspire and Enable Innovation
Started by Engaging our Most Senior Scientific Leaders…

- **Research Award Program**
  - Research grants for Lilly employees

- **Grand Rounds**
  - Research presentations designed to share learning across LRL

- **Innovation Fellowship Award**
  - Co-sponsored Postdoc program between Lilly and Academia

- **Graduate Research Advanced Degree**
  - Research guidance for Lilly scientists pursuing a Ph.D.

- **Innovator Award**
  - Showcase the innovation taking place every day
Funded Broad Innovation Based Programs…

- 100 awards / year across LRL and BUs
- External Innovation Award
- Innovators Hall of Fame
- Cross-R&D Team based recognition

- 103 / 426 global proposals funded
- 7 LRL research sites have collaborations
- 52 publications
- $4M/year average
- 6 graduates
- 14 active participants
- Used as a retention tool for high potentials
- $126K/year

- 28 awards to date
- 44 publications
- $2.2M/year average
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Innovation Award
Fellowship Award
Advanced Degree
Research Award

$6M/year Average
Looked at the Physical Space…

• Improve communication and efficiency?
• Support innovation through multi-disciplinary interactions?
• Reinforce the culture of an organization?
• *Change the way we work*?
Reconfigured Space to Encourage Collaboration

Help scientists and innovators across the company **collaborate** and **connect** in spaces that encourage creativity
Differentiated Scientific Capabilities to Drive Staffing Strategies
# Example of Small Molecule Development Capability Matrix

<table>
<thead>
<tr>
<th>ESSENTIAL</th>
<th>STRATEGIC</th>
<th>CORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data generation</td>
<td>Data generation and interpretation, iteration, and recommendations</td>
<td>Product and Process Design</td>
</tr>
<tr>
<td>Materials</td>
<td>Specific work plan items may be completed in the external R&amp;D network</td>
<td>Patient Attributes</td>
</tr>
<tr>
<td>Work completed generally in the external R&amp;D network</td>
<td>Generally “rules-based” work</td>
<td>Technology Development</td>
</tr>
<tr>
<td>Generally “rules-based” work</td>
<td>Generally “judgment-based” work</td>
<td>Integration</td>
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<tr>
<td></td>
<td></td>
<td>(Development Strategy and Plans)</td>
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**Differentiators**
(Your Value Proposition)
Used this Approach to Guide Investment, Divestment and Staff Development
Changed Talent Management Processes to Align with Speed and Innovation Goals

• Focus on **developing the next generation** of leaders
  – Identify candidates early
  – Provide key development experiences

• Define innovation behaviors to help identify leaders who have these attributes

• Integrate on diversity and inclusion to drive innovation
Created Asset Teams to Speed Medicines to Patients

- Set up small, focused teams for novel assets
- Delegated decision making to these teams
- Governed by board of directors similar to a biotech
- Selected team leaders with the following attributes:
  - Driven by curiosity
  - Seeks solutions to make the impossible possible
  - Embraces and thrives in ambiguity
  - Relentless
  - Has the freedom to act and courageously lead
Identified Key Innovation Behaviors to Drive Talent Identification and Development

FOSTERING INNOVATION
Driving Behaviors that speed medicines to patients

- **REACH ACROSS BOUNDARIES**: Bring key knowledge & insights together. Harnessing the power of collaboration & bringing together diverse perspectives. Integrating information and ideas, getting input, working outside a silo. Working cross-functionally across the business.

- **INSPIRE & EMPOWER OTHERS**: Take on challenges & move past barriers. Identifying and celebrating new ways of doing work. Proactively seeking differing points of view and fostering debate. Learning from our successes and failures.

- **LEAD DECISIVELY IN THE MIDST OF AMBIVLITY**: In an environment that is often uncertain. Leveraging information to make judgment-based decisions. Demonstrating a bias for action even where no process or precedent exists. Taking appropriate risks.
Increased Focus on Diversity and Inclusion to Drive Innovation

Goals
• Improve the experiences of minority employees in our organization
• Increase the business impact of diverse employees by engaging them effectively and leveraging their insights in the marketplace

Actions
• Enhance and improve succession management to support diversity and inclusion
• Offer a sponsorship program as a robust intervention for diverse talent
• Clearly define inclusive leadership and hold all leaders accountable
• Provide conscious inclusion training for all leaders to help ensure that employees feel

<table>
<thead>
<tr>
<th>Welcomed</th>
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<td>Valued</td>
<td>Heard</td>
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Developed New Tools to Drive Engagement

**TEAM BASED**

**Cash**
- Real-time cash award

**Time**
- Team building and idea incubation (external experts, travel, retreat, brainstorm)

**Accolades**
- “Innovation shark tank winner”
  - Funded with resources

**INDIVIDUAL BASED**

**Cash**
- Real-time cash award

**External experts**

**International/national meeting**

**Reciprocity**
- Supervisor discretion

**Real-time**
- Technical ladder promotions
Changed the Performance Management System to Foster Teamwork

1. Simplified goal setting with fewer high-priority goals aligned to organizational objectives, plus integrated employee development

2. More impactful conversations between supervisors and employees; coaching to support goal progress and learning

3. Updated performance assessment with a clear message about sufficiently meeting expectations rather than five-point rating scale; use of Lilly Values as our behavioral framework

4. Aligned compensation with new assessment approach while maintaining pay for performance

5. New online system to replace ePM

...eliminated the 5 point rating system!
Created a Top 100 Lilly Innovator Award to Celebrate the Small “i” in Innovation

• Award designed to recognize and raise awareness around everyday innovation …the small “i”

• Top 100 recognized annually with an ad campaign
Our Journey Continues…Feedback Suggest Improvement with Room to Grow

Results

• Science Magazine in top 11 since 2013
  • #5 in 2014
  • #11 in 2015
  • #4 in 2016
  • #8 in 2017

• Innovation behaviors in corporate employee survey 3% increase in favorability

• Unprecedented R&D output since 2014 driving company’s revenue growth

Next Steps

– Develop plans for scaling the asset team structure
– Restructure rewards systems to model and drive value & speed
– Continue to remove barriers to innovation
QUESTIONS?