

DRIVING CULTURE TRANSFORMATION AT BRISTOL-MYERS SQUIBB

SYNOPSIS

For nearly 150 years, Bristol-Myers Squibb has led the global biopharmaceutical industry. During the past decade, its oncology medications have emerged as standouts, but the traditional ways the company's 25,000 employees worked were outdated – a fact reflected in operational margins below industry peers. In the face of intense competition, where the speed of science is unprecedented, BMS successfully accomplished something it never had before: transforming all aspects of its business simultaneously.

When BMS set out on the transformation in November 2015, the objectives were to:

- Increase competitiveness especially around speed
- Reset expense base to create strategic headroom
- Ensure long-term sustainability

Working across and within commercial, research and development, manufacturing and corporate functions, BMS created a strategic change management and communications plan to drive BMS's execution of an enterprise-wide transformation.

Since the transformation began, the company has achieved outstanding business results. Bristol-Myers Squibb posted third quarter 2017 revenues of \$5.3 billion, an increase of seven percent compared to the same period a year ago. Additionally, oncology medications generated \$1.3 billion for BMS, a 38 percent growth from third quarter 2016. Throughout 2017, during a time a significant change, BMS has driven business performance while keeping operating expenses flat from 2016 and increasing investment in R&D.

Throughout an extended period of transformation, the organization maintained focus on flawless delivery of critical medicines to patients who can't wait.

CHALLENGES

Bristol-Myers Squibb posted third quarter 2017 revenues of \$5.3 billion, an increase of seven percent compared to the same period a year ago. Additionally, oncology medications generated \$1.3 billion for BMS, a 38 percent growth from third quarter 2016.

While revenue growth is expected to remain strong in the short-term, BMS recognized that it was likely to slow around 2020, as some of the company's most successful medications lose patent protection. On average, biopharmaceuticals require 10 years from initial discovery to marketplace for each new medication. In addition to finding new sources of revenue as BMS loses patent exclusivity on a few key treatments, the company required an increased execution in oncology to build upon its leadership position.

The initial goals of the transformation were to increase competitiveness, particularly speed to market, and reset fixed expenses to gain flexibility and make room for strategic investments. However, the company's operating margins were below industry peers. For BMS to maintain tomorrow's market share, the organization needed to transform its operations now; accelerating viable medications through its pipeline faster and keeping operating expenses flat.

Not in it for a quick fix, BMS took a long-term view and sought to make structural and cultural changes that would be sustainable. Working broadly across the enterprise and deeply within function, the transformation team designed and implemented a new operating model, starting in 2016.

THE SOLUTION

Key to the success of this massive transformation was engaging leaders and employees to gain a deep understanding of the enterprise and functional changes that would take place. By doing their part to focus resources, simplify work and integrate efforts to eliminate inefficiencies within and between business units,

BMS employees at all levels would also need to understand why transformation was necessary and respond in kind, doing their part to work more effectively, streamline operations, and reduce costs.

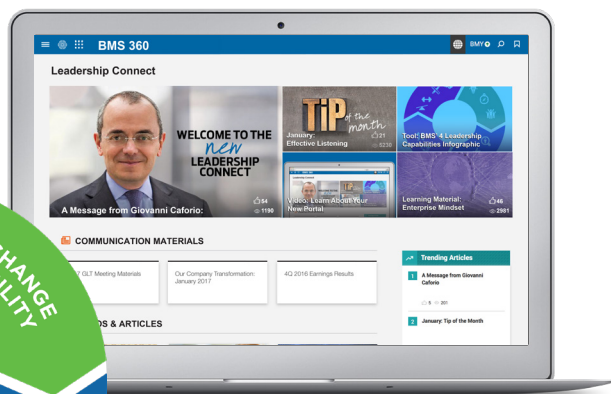
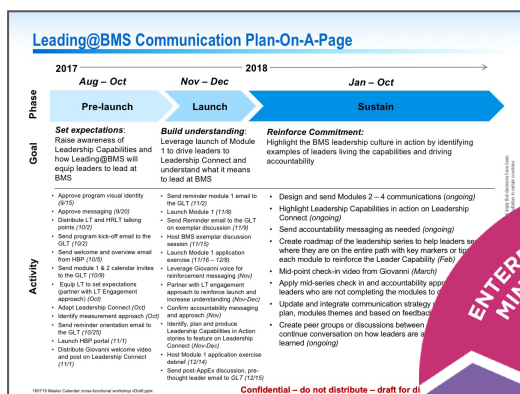
To facilitate this, BMS launched a comprehensive change management and communications plan that created an engaged partnership between the C-suite, the top 200 global leaders and the Transformation Management Office (TMO).

The following projects supported the restructuring of the operational model by equipping leaders, engaging employees, and creating momentum for culture transformation that is ongoing today:

Engage and Equip Leaders to Deliver a High-Performing Enterprise Excellence Culture:

All BMS C-suite and Global Top 200 Leaders are involved in owning the company's culture transformation. Engagement plans establish context for transformation, create consistent communications and collect feedback, specifically around desired business outcomes. Engagement activities, including meeting-in-a-box and other tools, reinforce the importance that BMS employees have an enterprise mindset, demonstrate integration across functions, and model improved processes and procedures.

To best equip leaders through times of change, BMS created a private, online, centralized leadership community exclusively for BMS's global top 200 leaders. The purpose of the portal is to equip and engage leaders through adequate tools, resources, training and coaching in order to deliver success. Since its launch, 100 percent of leaders have visited the portal, downloading tools and toolkits, watching videos and reading articles and leader spotlights to drive results. Content covered includes topics such as fostering an enterprise mindset, keeping teams' energy up, creating a vision together, defining leadership through change and driving accountability.



Engage Employees in Creating the Culture of the Future:

Employees at BMS are passionate and skilled in their fields, but the culture at the company was traditionally too slow, bureaucratic, risk-averse and inefficient. To transform, the people at BMS needed to understand how working in new ways could save money, streamline operations, and produce superior business results. The change management and communication team designed a series of “transformation in motion” stories to showcase teams working in new ways resulting in quantifiable business results. With strong support from the CEO, these stories were shared on the employee intranet, through leader memos to their teams, and in

town halls in a variety of formats (iPhone video, podcast, written article). Some of the organizational efficiency best practices shared include:

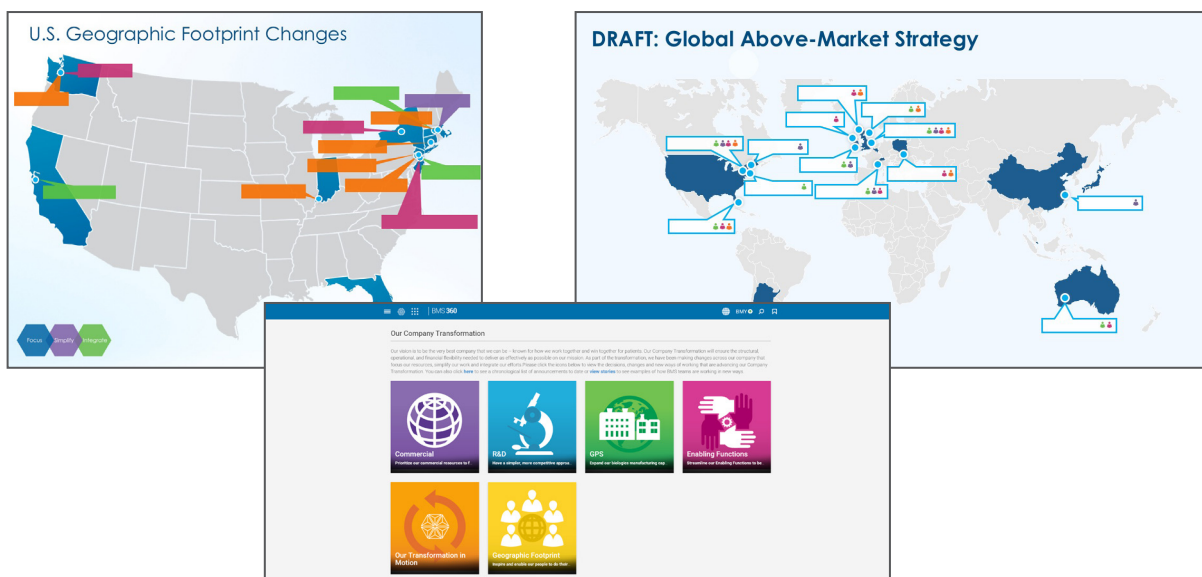
- Manufacturing teams who used huddle boards to maintain their focus on the work at hand, move faster, reduce cycle time, and reduce inventory carrying costs
- An R&D team that streamlined their procedural documents across the division from 4000 to 60, shedding related maintenance costs by 90 percent and empowering employees
- A group of engineers who confronted budget constraints and found workarounds to implement a technology solution at 1 percent of the typical implementation cost

Each story is accompanied by a change tool so employees could walk away with a practical how-to and implement similar tactics with their own projects. On average, each story received 1,800 intranet views, with one story receiving 3,100 views, an exceptional level of engagement compared to typical pieces of content. To date, 24 stories have been shared and there's many more stories being submitted from leader and employees company-wide.



Align the Organization Around the Case for Change and Future State:

There was also a critical need to communicate decisions and changes and in doing so, drive employee understanding about the progress made toward achieving business goals. BMS needed to organize efforts and orchestrate a consistent process for aligning and delivering messages in order to announce progress against the transformation. The resulting process drove consistency of language, coordination of timing, clarity of approach – and ultimately, alignment across functions who otherwise did not have a reason to coordinate.



RESULTS

During the past 18 months, Bristol-Myers Squibb has been successfully executing an enterprise-wide transformation. From 2016 to 2017, BMS kept operating expenses flat, while still growing the business. Sales in the first half of 2017 exceeded 10 billion worldwide, a nine percent jump over the first half of 2016, and BMS posted third quarter 2017 revenues of \$5.3 billion, an increase of seven percent compared to the same period a year ago. Additionally, oncology medications generated \$1.3 billion for BMS, a 38 percent growth from third quarter 2016.

Senior leadership's commitment to the strategic plan and innovative usage of multi-media, digital, and social tools have led to outstanding results, including keeping operating expenses flat, an increased investment in R&D, a reduction in medication development time, and the simplification of work processes and systems. BMS believes these operational enhancements and streamlining will help achieve the company's goal to deliver life-saving treatments to patients, faster.

The sustainability of BMS's new high-performing enterprise excellence culture is demonstrated in the exemplary findings of a recent pulse survey: 95 percent of BMS employees expressed willingness to embrace the new ways of working if it will help BMS compete more effectively — which is exactly what BMS is accomplishing. Increased productivity of BMS employees combined with the ever-increasing speed of science will allow the company to bring even more innovative and life-saving treatments to market.

7%

INCREASE IN SALES
THIRD QUARTER
2017 OVER THIRD
QUARTER 2016

38%

INCREASE IN
ONCOLOGY SALES
THIRD QUARTER
2017 OVER THIRD
QUARTER 2016

95%

OF EMPLOYEES
WILLING TO
EMBRACE NEW
COMPANY CULTURE