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Beyond the HR Spiel: Human Capital Strategy Delivery

Yogita Naik

Director, Worldwide HR Strategic Planning & Portfolio Management at Pfizer Inc.
yogita.naik@pfizer.com
What’s the next new thing in Strategy?

What makes for a good strategy?
In 2010, 55% of Americans between the ages of 60 and 64 were in the labor market. Ten years ago, that number was just 47%. Unfortunately, it looks like this problem will only get worse in the years ahead.

6 million Americans have been unemployed for half a year or more

Commodity Prices Soar: The price of a barrel of oil hovered around 20 to 30 USD most of the time. Today, the price of oil is rapidly closing in on 100 USD a barrel and there are now fears that it could soon go much higher than that.

The dollar has lost over 95% of its purchasing power since 1913

Global Unemployment Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>5.6%</td>
<td>6.3%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

IMF GDP Growth Projections for 2010-2011

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>China &amp; India</td>
<td>10%</td>
</tr>
<tr>
<td>ASEAN 5</td>
<td>6%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>5.5%</td>
</tr>
<tr>
<td>Brazil &amp; Mexico</td>
<td>5%</td>
</tr>
<tr>
<td>MENA</td>
<td>4.6%</td>
</tr>
<tr>
<td>Eastern Europe &amp; Russia</td>
<td>4%</td>
</tr>
<tr>
<td>US</td>
<td>3.1%</td>
</tr>
<tr>
<td>Euro Area</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Poverty

40 million more working poor at the extreme US$ 1.25 level in 2009 than would have been expected in the absence of the global economic crisis

1 in 5 workers in the world were living with their families at the extreme US$ 1.25 a day level in 2009

21 percent of all children in the United States are living below the poverty line in 2010 - the highest rate in 20 years

Environment

Volatility will continue rendering traditional approaches to HR Management ineffective.

Cost
- Hiring freezes/frosts
- Contractors
- Pay freezes/frosts
- Temporary leave
- Adjusted or shortened workweeks
- Early retirement
- Strategic reductions in force aligned with long-term talent strategy

Value
- Aligning business objectives with talent priorities
- Investing limited resources in pivotal talent
- Focusing on energizing and engaging workforce solutions
- Effectively managing total rewards and recognition
Extreme changes in the market, labor and people management has driven the need for strategic Talent Management.
Key environment and competitive trends

2011 Global Pharmaceuticals Market Trends

- **Divergent growth rates expected for developed and pharmerging markets.**
  - Slow growth in Mature Markets: US = 3-5%, EU (UK, Germany, France, Italy and Spain) = 1-3%
  - Expected double digit growth in “Pharmerging” Markets: Includes 17 markets including BRIC TM; Brazil, Russia, India, China, South Korea, Turkey and Mexico = 15-17%

- **Peak years of patent expiries shift major therapies to generic dominance**
  - In 2011, products with sales of more than $30 billion are expected to face the prospect of generic competition in the major developed markets
  - In the U.S. alone, Lipitor®, Plavix®, Zyprexa® and Levaquin® – accounted for 93+ million prescriptions dispensed in the past years and generated $17+ billion in total sales – likely will lose market exclusivity

- **Broad measures applied by public and private payers to reduce growth in drug budgets.**
  - Significant impact of Payer Action and Health Technology: Imposes reimbursement limitations, increased rebating and reference pricing.
  - Prominent examples include new price negotiation requirements for brands launched in Germany; and across-the-board price cuts for branded products in Turkey and Greece, Price cuts of 10% on major products in France, Spain follows reference pricing of cheapest comparator in cluster, Rx drug priced unchanged in UK along with reforms that could reinforce generic switching and “Value-based pricing” system in 2013

- **Therapy area growth dynamics driven by innovation cycle and areas of unmet medical need**
  - In 2011, the introduction of new drugs – a third of which are specialty pharmaceutical products – are poised to fulfill patients’ unmet needs and significantly alter treatment paradigms in several key therapy areas such as stroke prevention, melanoma, multiple sclerosis, breast cancer and hepatitis C.
  - Five potential blockbuster products – defined as those exceeding $1 billion annually in peak sales – are expected to be approved and launched globally by the end of next year.

Source: IMS 2011 Global Pharmaceutical Market Forecast;
If We Knew Then What We Know Now …

Our mission is to build high-performing organizations that deliver Pfizer business results

Our vision is to become a “World class” HR organization, which means delivering solutions that positively impact competitive business advantage

<table>
<thead>
<tr>
<th>2007 Design Principles</th>
<th>2011 Guiding Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link work closely to the business</td>
<td>Create a simple, easy to understand structure that makes HR agile, adaptable, and fast</td>
</tr>
<tr>
<td>Design positions that have impact</td>
<td>Deliver strategic HR solutions to the business</td>
</tr>
<tr>
<td>Keep Enterprise lean and focused on work that impacts the entire Company</td>
<td>Design smart enterprise-wide programs that increase the effectiveness of the workforce</td>
</tr>
<tr>
<td>Maximize efficiency and enhance effectiveness</td>
<td>Standardize, automate and consolidate foundational work for a global business</td>
</tr>
<tr>
<td>Lower the cost of business in HR</td>
<td>Lower the cost of business in HR</td>
</tr>
</tbody>
</table>

It’s about having an “impact” on expected business outcomes
Achieving Our Vision

Our vision is to become a “World class” HR organization, which means *delivering solutions that positively impact competitive business advantage*

**Enablers**

- Leader, Manager, and colleague capability is measurably enhanced
- Processes and systems are “fit for purpose” versus designed to accommodate every exception
- Support partners (e.g. Employment Legal, Business Technology) have aligned goals and objectives
- Coaching and Implementation of new programs and processes is owned by managers/leaders v. HR
- HR will either eliminate and/or outsource some of the 21 work processes it delivers today; fix the rest
- HR talent is upgraded across the board thru talent development and a “buy” strategy where needed
- Best-in-class metrics are measures of success versus design principles

**Challenges**

- Better understanding of Pfizer 2012
- Understanding individual BU strategies
- Managing any future expansion plans for Pfizer
- Changing Pfizer culture about who we are/what we do
- Can we go fast enough?

**Success Factors**

- Clear accountability
- Consistent quality
- Confident (HR) leadership
- Commitment to build something “special”
- Cost efficiency and reduction
Human Capital Strategy Delivery

Showcasing a tangible process of HR Strategy Delivery in a resource constrained environment:

1. Define a framework that will meet the objective
2. Be creative while delivering it
3. Define success measures upfront and track progress

Examples:

- Framework: HR Portfolio Management Framework
- Creative Delivery: Board Game and Animation
- Success Measures: Change Management Success Measures

Dashboard to execute the USD 60+ Billion Pfizer-Wyeth deal
Portfolio Management Framework & Governance

1. Invest only in projects driven by benefits which directly support our strategy
2. Consistent Governance – Drive thoroughly informed and pressure tested recommendations through a well defined process to the HRLT for all HR business change projects
3. Use the same, simple, well defined framework, with a staged approach, for all projects in all circumstances
4. Address and revalidate the marketing, commercial, operational, and technical viability of our projects throughout the lifecycle
5. Incorporate select stakeholders and customers into the project lifecycle to understand current and future needs

Project Definition and Executive Approval

Question to Answer
Is this an idea we want to further assess?

Key Activities
Complete Idea Phase Section of Project Chartering Tool*
- Define objectives, intended results, and scope
- List high level risks
- Provide major milestones
- Estimate cost and resource requirements (high level only)
- Identify and gain input from key stakeholders

Execution and Delivery of Results

IDEA Phase

Do we understand the cost, benefit, resource, & implications of this project? Is it the right investment at this time?

CHARTER Phase

Have we embedded the project benefits into HR/Pfizer?

IMPLEMENT
Design/Develop/Deploy

Manage implementation and deliver commitments
- Manage project team(s) and stakeholders
- Manage project deliverables
- Track/analyze/report status
- Manage interdependencies
- Identify/resolve issues/risks
- Develop/manage detailed implementation plan
- Refine plans as needed

SUSTAIN

Operationalize project results
- Finalize commitments
- Ensure operational success – complete people, process, funding transition
- Close project budget in line with Finance expectations
- Conduct After Action Review
Portfolio Management Framework – Tool and Results

Consistent use of a single, simple tool from ‘idea formation’ to ‘project completion’ will further enhance our organizational execution capability.

Executive Level Benefits
Information necessary to direct the total Portfolio
- Direct results and organizational impact
- Investment Mgt – people, funds, systems
- Decision speed and quality to meet changing business needs
- Increased org execution confidence

...Informs Cross-Project Decision Making and Organizational Impact Direction

Execution Level Benefits
Information necessary for efficient, effective project management
- Elevation of information consistency/quality
- Positioned for success initially and ongoing
- Elevated clarity of role and decision rights
- Integrated management capability
- Increased project execution confidence

...Enables effective/efficient Management of Cross-Project Interdependencies

...Enhances quality of individual project planning and execution success

Single, simple tool...

...Enables Proactive Resource Mgt and Portfolio Recalibration

...Enhances quality of individual project planning and execution success
Communicating the HR Project Portfolio in 2011

Portfolio Communication Objectives

• Provide HR colleagues with a line of sight from strategy to execution to results.
• Ensure HR colleagues are aware of current and projected business change projects and understand their interdependencies on an ongoing basis.
• Inform HR Colleagues of the business approach used to identify, assess, approve, and track progress of our business change projects (Phase Gates and Approval Process).

1. Present the HR Portfolio progress during Global HR Town Hall

2. HR Leadership Team (HRLT) members provide HRLT-2 colleagues with a more detailed review of the HR Portfolio during a pre-scheduled staff meeting

3. HRLT members present a more detailed review of the HR Portfolio at their upcoming Colleague Advisory Council (CAC) – High Potential: Top 100 HR Colleagues – meeting

4. Share Quarterly HR Portfolio Views on HR Portal
The Colleague Engagement Framework Delivers Business Outcomes

- Defined strategy aligned with Pfizer business objectives
- Cultural aspirations to drive behavioral change and transformation
- Resource Toolkit to facilitate implementation
- Framework as the foundation for WT consistency and focus

Business Outcomes

WT Strategic Business Framework
Repeatable Solutions, Shared Services, Quality Driven Design, Deliver Business Value, Quality Customer Support, Great People & Great Culture

WT Core Beliefs & Values
- Do what’s right for Pfizer first
- Build great people in a great culture
- Leadership at every level
- Seek out good ideas from everywhere
- Deliver at scale through shared planning
- Well-engineered processes & info drive delivery

Resource Toolkit
Examples: Performance Management Tools, Lominger Competency Model, Leadership Programs, Career Ladders, Gallup Survey, IDPs & hrSource

Colleague Engagement Framework
- Developing Roles & Competencies
- Building Workgroups & Culture
- Motivating & Managing Performance
- Shaping the Workforce
What is the People CMM?

A framework for implementing practices that continuously improve the capabilities of an organization’s workforce

- At each maturity level, an enhanced system of workforce practices is added to those implemented at earlier levels
- Workforce practices survive only if they are “institutionalized”

© 2006 by Carnegie Mellon University
# Four Common Themes: Create an Integrated Approach

<table>
<thead>
<tr>
<th>Levels</th>
<th>People CMM Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Developing Roles and Competencies</td>
</tr>
<tr>
<td>5 Optimizing</td>
<td>Continuous Proficiency/Capability Improvement</td>
</tr>
<tr>
<td>4 Predictable</td>
<td>Role/Competency Based Assets</td>
</tr>
<tr>
<td>3 Defined</td>
<td>Talent Management &amp; Review WT Role &amp; Competencies</td>
</tr>
<tr>
<td>2 Managed</td>
<td>Training &amp; Development</td>
</tr>
</tbody>
</table>

## Success Measures and Road Map

### Business Outcomes

- WT Purpose, Mission & Strategic Business Framework
- WT Core Beliefs & Values
- Resource Toolkit
- Colleague Engagement Framework

### WT Purpose, Mission & Strategic Business Framework

- Developing Roles & Competencies
- Building Workgroups & Culture
- Motivating & Managing Performance
- Shaping the Workforce

### WT Core Beliefs & Values

- Examples: Performance Management Tools, Lominger Competency Model, Leadership Programs, Career Ladders, Gallup Survey, IDPs

### Resource Toolkit

- Defined
  - Talent Management & Review
  - WT Roles & Competencies
  - Workgroup Development
  - Participatory Culture
  - Role/Competency-Based Practices
  - Career Development
  - Workforce Planning & Reporting

- Managed
  - Training & Development
  - Communication
  - Performance Tools
  - Goal Setting
  - Compensation
  - Performance Management
  - Staffing

### Colleague Engagement Framework
Board Game and Flash Technology

Created an Animation Flash Communication for consistent messaging on the Integrated Talent Strategy and Talent Suite. The character was called Li and this was designed to communicate and create energy around the Vision, Mission & HR Goals.
The Line Of Sight guides Success Measures

**Communication Intent & Goal**
- Informed: I hear the message
- Understanding: I understand the message
- Involvement: I am committed to participating
- Behavior Change: I know what to do and I will change my behavior

**The Line of Sight**
- Corporate Strategic Plan
- BU/RU/FS Operating Plan
- Work-Group Plan
- Colleague Objectives

**External Environment and Market Trends**

**What does “Good” look like?**

**Success Measures Dashboard**

The Line of Sight guides Success Measures.
## Integration Principles & Our Success Measures

### Our approach

**Quickly create clarity about the end-state**
- Define future operating model before beginning integration plan
- Streamline structure and critical business processes/systems as soon as possible

**Execute a disciplined and transparent integration process**
- Clearly identify project governance
- Timely, open communication with internal and external stakeholders
- Maintain overall discipline but de-average the approach where needed
- Focus on critical path; force key decisions

**Pfizer BU model with POC onward in the BUs for development and centralize all enabling functions**

### Our outcomes

- Rapidly capture cost and revenue synergies
- Retain key talent from both Pfizer and Wyeth
- No disruption to customers or key ongoing programs
- On-going business commitments are achieved
- No loss of knowledge critical to the present or future of the business

### Our Success Measures

**Short Term:**
(Pre-close Dashboard)

Close deal with as little disruption to the business to be able to realize quick wins on Day 1

**Long term:**
(Post-close Scorecard for each BU, Research, PGM and Support Function)

Realize cost savings through synergies: Achieve Planned Savings 2009-2012 post close of 4Bn in addition to Pfizer Savings of 2Bn for 2009-2011

Increase revenue through a more broad, diverse and larger product portfolio: Achieve 2012 Financial Targets

Enhance Ability to meet unmet medical needs of patients, physicians and other customers

Increase shareholder value

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## Proposed Post-close Success Criteria

### Long-term Success Measures:
- Realize cost savings through synergies
- Increase revenue through a more broad, diverse and larger product portfolio
- Enhance ability to meet unmet medical needs of patients, physicians and other customers
- Increase shareholder value

<table>
<thead>
<tr>
<th>Category</th>
<th>Measurable KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Performance</strong></td>
<td><strong>Revenue Target</strong> $$\text{New Company revenue}$$ % difference from target</td>
</tr>
<tr>
<td></td>
<td><strong>Growth Target</strong> New Company growth rate % difference from target</td>
</tr>
<tr>
<td><strong>Synergies achieved</strong></td>
<td><strong>Cost Synergies</strong> $$\text{Synergies achieved to date}$$ % difference from target</td>
</tr>
<tr>
<td></td>
<td><strong>Revenue Synergies</strong> $$\text{Synergies achieved to date}$$ % difference from target</td>
</tr>
<tr>
<td><strong>Implementation Process</strong></td>
<td><strong>Timeliness</strong> Process tracking with implementation roadmap Key milestones met</td>
</tr>
<tr>
<td><strong>Commitment Levels</strong></td>
<td><strong>Colleague Engagement</strong> Difference in engagement (Gallup Survey) before and after close</td>
</tr>
<tr>
<td></td>
<td><strong>Talent Retention</strong> Attrition rate (regrettable losses identified as a subset)</td>
</tr>
</tbody>
</table>
## Pre-close Success Measures Criteria & CMIT’s Report-out

### Short-term Success Measure:
Close deal with as little disruption to the business to be able to realize quick wins on Day 1

<table>
<thead>
<tr>
<th>Criteria</th>
<th>KPI</th>
<th>Source</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timeliness</strong></td>
<td>Submissions</td>
<td>CPMO</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Closure on Issues</strong></td>
<td>% Issues resolved</td>
<td>Issues Log</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Day 1 Preparation</strong></td>
<td>% Day 1 plan complete</td>
<td>Day One Team</td>
<td>100% by Day 1</td>
</tr>
<tr>
<td><strong>Colleague Readiness and Commitment</strong></td>
<td>Weighted Average Score on Personal Readiness and Commitment</td>
<td>Pulse Survey</td>
<td>In top three responses</td>
</tr>
<tr>
<td><strong>Colleague Confidence</strong></td>
<td>% Confident in company’s financial future</td>
<td>Pulse Survey</td>
<td>In top three responses</td>
</tr>
<tr>
<td><strong>Colleague Engagement</strong></td>
<td>Gallup Score</td>
<td>Gallup Survey</td>
<td>Gallup benchmark</td>
</tr>
<tr>
<td><strong>External Perception</strong></td>
<td>Analyst reports, Broker reports</td>
<td>Investor Relations</td>
<td>Determined by Investor relations</td>
</tr>
<tr>
<td><strong>Talent Retention</strong></td>
<td>Attrition rate (regrettable losses identified as a subset)</td>
<td>COGNOS</td>
<td>Appropriate benchmark</td>
</tr>
<tr>
<td><strong>Business Tracking on Delays-Disruption to any business process</strong></td>
<td>Overall Monthly revenue &amp; income and YTD revenue &amp; income against budget</td>
<td>Investor Relations</td>
<td>Meets budget</td>
</tr>
</tbody>
</table>

Integration Process on track to realize Day 1

Delivering Organization Goals without disruption

CMIT is Tracking 21
Pre Close Success Measures Dashboard

**Colleague Readiness & Commitment**

- Current investor attitude regarding integration is cautiously optimistic.
- Strong 1Q’09 financial results were an early sign that PFE and WYE have not been distracted during the pre-close period.
- Inclusion of Wyeth colleagues in leadership positions has been viewed as a positive step as it should serve to avoid distraction in the key Wyeth business areas and provide an external message that integration is moving quickly.
- Concerns center on R&D organization - splitting into two sub-groups (PharmaTherapeutics & Bio Therapeutics) may be an impediment to cooperation within an already large R&D org.
- External view is that R&D spending is too high and should be significantly reduced from baseline following the closing.
- 2012 target of approximately $X B in revenue is met with considerable skepticism; investor mean estimate is $XB approx.
- Deal related cost synergy target of $4B is viewed by investors as the minimum level.

**Colleague Confidence in Company’s Financial Future**

- 1. On the Gallup Survey 0.1 change in the score is considered statistically significant. At Pfizer our intent is to achieve and maintain above 75th percentile performance and the Gallup 75th Percentile on the Overall Engagement Index for 2008 = 4.24.
- 2. Colleagues that are not on GPM and use a separate Performance Management Tool or have been at Pfizer for less than a year.

**Pfizer Engagement Survey Results**

- N=5500

**Voluntary Attrition**

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Performance Management Rating (GPM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>X</td>
</tr>
<tr>
<td>2009 YTD (May)</td>
<td>0 - 3.5 X (Not indicated)</td>
</tr>
<tr>
<td>3.6 - 6.0 (Regrettable Attrition)</td>
<td>X</td>
</tr>
<tr>
<td>Not indicated²</td>
<td>X</td>
</tr>
</tbody>
</table>

**External Perception – Media Integration Mentions**

- Jan. 26 2009 - Present

**External Perception – Analyst Reports**

- Current investor attitude regarding integration is cautiously optimistic.
- Strong 1Q’09 financial results were an early sign that PFE and WYE have not been distracted during the pre-close period.
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- Concerns center on R&D organization - splitting into two sub-groups (PharmaTherapeutics & Bio Therapeutics) may be an impediment to cooperation within an already large R&D org.
- External view is that R&D spending is too high and should be significantly reduced from baseline following the closing.
- 2012 target of approximately $X B in revenue is met with considerable skepticism; investor mean estimate is $XB approx.
- Deal related cost synergy target of $4B is viewed by investors as the minimum level.
Questions to test your strategy

Will your strategy beat the market?

**Does your strategy tap a true source of advantage?**

Is your strategy granular about where to compete?

Does your strategy put you ahead of trends?

Does your strategy rest on privileged insights?

**Does your strategy embrace uncertainty?**

**Does your strategy balance commitment and flexibility?**

Is your strategy contaminated by bias?

**Is there conviction to act on your strategy?**

Have you translated your strategy into an action plan?

*Source: C Bradley, M Hirt, and S Smit; “Have you tested your strategy lately?”, McKinsey Quarterly, January 2011*