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P. Roy Vagelos and Louis Galambos
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THE MORAL CORPORATION – MERCK EXPERIENCES

Merck and the pharmaceutical industry are headline news today. Controversies over public safety, prices, and the ability of the industry to develop the new drugs and vaccines that society needs have swirled over the United States, Europe, and the developing nations. Roy Vagelos, who was head of research and then CEO at Merck from the mid-1970s through the early 1990s, addresses each of these issues in *The Moral Corporation – Merck Experiences*.

Vagelos highlights his efforts to turn around the Merck laboratories and introduce an entirely novel approach to new drug development. Success with targeted research started Merck on a path that would lead to a series of blockbuster therapies that carried the firm to the top of the global industry in the 1980s and 1990s and Vagelos into the top position at the company. Trained as a physician and scientist, he had to learn how to run a successful business while holding the organization and all of its employees to the highest principles of ethical behavior. He was not always successful. He and his co-author explain where and why he failed to achieve his goals and analyze those initiatives that succeeded.

P. Roy Vagelos is retired Chairman of Merck & Co., Inc.; Chairman of Regeneron Pharmaceuticals Inc.; and Chairman of Theravance Corporation. He and Louis Galambos published *Medicine, Science, and Merck* (Cambridge, 2004).

Louis Galambos is Professor of History at The Johns Hopkins University and the editor of *The Papers of Dwight David Eisenhower*. He is the coauthor of a book on vaccine development, *Networks of Innovation* (Cambridge, 1995), and *Anytime, Anywhere* (Cambridge, 2002), a study of the wireless industry.

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Preface

“Man that is born of woman,” the Book of Job tells us, “is of few days and full of trouble.” Our experiences in business, in science, in government service, and in academic life give us plenty of reasons to affirm Job’s insight. The evening news, the morning newspaper, and the Internet provide fresh evidence every day of a troubled world. But we also find cause for hope in the everyday events that don’t make it into the media, events that inspire the kind of hope that runs through the New Testament and our study of the moral corporation.

Here is a story of life and leadership in an American multinational, one of the world’s leading pharmaceutical companies, Merck & Co., Inc. Merck and the entire pharmaceutical industry are headline news today – mostly bad news. Controversies over public safety, prices, and the ability of the industry to develop the new drugs and vaccines that society needs are swirling through the United States, Europe, and the developing nations.

Preface

Those controversies are not new, and they provide a backdrop for this account of the business career of Roy Vagelos, who was head of research and then CEO at Merck from the mid-1970s through the mid-1990s. His experiences in this vital industry include a long, sometimes painful, but ultimately successful attempt to introduce at the Merck laboratories a novel approach to new drug development. Success with targeted research started Merck on a path that would lead the company to a series of blockbuster therapies and to the very top of the global industry.

Trained as a physician and scientist, Vagelos had to learn how to run a successful multinational business while holding the organization and all of its employees to the highest principles of ethical behavior. He made mistakes and we explain in detail where and why he fell short of his own goals. This is, then, a first-hand look at corporate leadership from the inside out, a book that offers a perspective on gender relations and affirmative action, as well as entrepreneurship.

Students in business schools, their professors, the tens of thousands of people who work in pharmaceuticals, and the millions who use their products, invest in their stocks, or are concerned today about healthcare in America should find something of interest in these pages. There is “trouble” as well as “hope” in this account of two decades in the evolution of an innovative, science-based corporation.

We have drawn upon our earlier book, *Medicine, Science, and Merck* (Cambridge University Press, 2004), in drafting these pages and thus received help, directly or indirectly, from all those acknowledged in the preface to that volume. We would, nevertheless, like to give a special thanks to Cambridge editor, Frank Smith, who encouraged us to write a study focused tightly on Roy

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Vagelos' career at Merck and the ethical questions the pharmaceutical industry is facing today. We hope this book will help our readers untangle and debate all of those issues, using history as it should be used, to deepen our understanding of the world in which we live.

Roy Vagelos
Louis Galambos
November 2005