

Accenture Life Sciences
Rethink Reshape Restructure...
for better patient outcomes

Injecting new agility into the medical technology industry

Three steps to create an agile operating
model in the new digital, outcome-
based healthcare environment



High performance. Delivered.



OVERVIEW

Medical device, pharmaceutical and health services companies are experiencing upheaval, disruption and incredible opportunity. Due to seismic shifts in the fundamental forces driving the industry from a product focus to an outcomes focus¹, medical technology companies can use this profound shift as an opportunity to achieve greater agility, profitable growth and competitiveness. While new performance and value-focused business and operating models are emerging, and digital and technological advances are converging, industry executives need to effectively navigate the operational changes that will be essential to success in a new healthcare environment.

Accenture surveyed 35 medical technology executives across functions, from around the globe to analyze the challenges and opportunities associated with creating competitive operating models and reinvesting in growth.



FUELING GROWTH

The research unveiled three key areas of opportunity for medical technology (med tech) companies to increase competitiveness and fuel profitable growth in a new healthcare ecosystem.

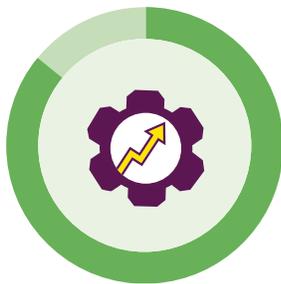


Med tech companies acknowledge the benefits of reducing costs, focusing on value and reinvesting cost savings into growth, **but less than one-quarter** report being positioned to fully optimize and deliver those outcomes. There is a tremendous opportunity for med tech companies to drive new operational efficiencies and value-add services that complement their products to further differentiate themselves.

OPERATING MODELS

Essential to future growth, but lacking agility

Med tech executives recognize that their operating models can help enable growth, but few have strong confidence that their current models can support the change needed to move beyond a traditional product focus at an enterprise level. As the marketplace continues to shift to an outcomes focus, new business models, operating model efficiency and agility will be even more critical.



86%

of med tech respondents "somewhat" or "strongly" agree that advanced operating models are enablers of strategic growth (7% higher than all industries).



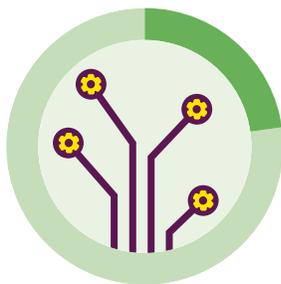
34%

don't think their business has a clear view into the elements that drive value for the organization (vs. 21% in all industries).



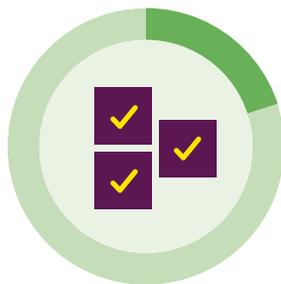
Only 23%

strongly believe/have highest confidence that their company's operating model is aligned to fuel strategic growth initiatives and can support these activities across the enterprise (compared to 19% in all industries).



Only 26%

have complete confidence that their operating model is able to rapidly respond to changing market conditions.



Only 20%

of med tech execs strongly believe that leadership has the right investments and growth initiatives in progress to achieve the business goals.



40%

list "Patient services that wrap around the device" as a top-three priority when funds are freed up to invest in growth.

DIGITAL

Critical to advancing operating models, but highly underutilized

Most companies are slow to take full advantage of digital to improve the customer experience, increase flexibility and reduce operating costs. Executives acknowledge digital's critical role in helping achieve those objectives but face barriers.

Med tech executives see digital investments as a priority for advanced operating models and growth:



89%

say digital strategies (e.g., insights-based, real-time, customized, scalable) are an enabler of advanced operating models



82%

say digital business is an enabler of strategic growth



46%

list digital as a priority area for reinvesting cost savings (compared to 53% in all industries)



49%

cite technology (vs. 38% in all industries) as a key hurdle to advancing the operating model



45%

say the "challenge of digitizing operations" is one of top-three barriers to implementing and sustaining cost management efforts

HUMAN CAPITAL AND COMPANY LEGACY

Challenges put agile operating models at risk

People-related challenges are frequently listed as barriers to advancing the company's operating model.

Top hurdles to advancing the operating model include:



46% say lack of
right talent
(vs. 35% cross-industry)



43% cite change
management



40% cite company
legacy

THREE STEPS TO DRIVE GROWTH

Med tech companies can take three steps to help increase competitiveness and drive profitable growth in a new healthcare ecosystem.



1. Create advanced, flexible operating models

To respond quickly to marketplace conditions and customer needs, med tech companies should view the business holistically from the vantage point of doctors and hospitals and provide real-time insights about customers and business processes. To get started:

- Segment customers according to those that require high-touch, close proximity (i.e., for custom products) versus customers purchasing stock-to-order products for whom more self-service and/or automation can be effective.
- Develop advanced analytics capabilities to turn existing data (that may be spread throughout various functions) into insights. Then share this information across the organization. One view of the customer, i.e., linking Sales, Supply Chain and Customer Service, can be especially important for customers ordering custom products.
- Evaluate which capabilities and roles are core to the business strategy and need to be closest to the end customer versus those that are non-core. Look to external partners who can handle the non-core tasks to drive efficiencies and increase scalability. For example, many med tech companies should move to contract manufacturing so will need to establish an ecosystem of collaborative businesses on whom they can rely.



2. Fully Utilize Digital

Digital is the game changer in the move to outcomes-based operating and business models. Digital capabilities are consistently recognized as helping drive topline revenue but often are not fully utilized to create operating efficiencies. Digital should be incorporated into the entire business strategy. To get started:

- Med tech companies can benefit from adding more "digital natives" to the company and/or creating an ecosystem with external digital experts. Recognize that the digital experience is a very personal extension of each person's work, and tools should allow employees the visibility they need, in real time, across functions.
- With an end-to-end view of operations, look to where digitally-enabled tools and self-service can reduce labor and improve the customer experience, the output, and the bottom line.
- Manufacturing can also be dramatically shifted to managing by exception with the use of sensors that flag issues in real-time. Additionally, digital creates opportunities for innovation, i.e., using a 3D printer to make an orthopedic joint part as needed.



3. Develop the people plan

Med tech companies need to align their employees to the new, agile operating model and digital enterprise. Hiring, training, managing and retaining employees will be impacted. To get started:

- Executives will need to evaluate their employees' current skills against those needed to meet customers' most critical needs. Skill gaps may be filled through hiring and/or collaborating within a broader ecosystem.
- Med tech companies should focus on ways to empower the critical "face" of the company, usually Sales. Digital tools and advanced analytics help enable sales teams to be more effective, i.e., when they have real-time information about customers—including visibility into the supply chain status of their orders.
- Now that sensors can flag issues, i.e., in manufacturing, in real-time, staff can manage by exception and focus on more value-add tasks. Additionally, with the move to contract manufacturing and expanding ecosystems, staff will need to be able to manage collaborating businesses and vendors, including monitoring dashboards and applying analytics. These are higher-level skill sets and may require training and/or different staffing.
- Consider geographical differences. North America has the simplicity of one language, so it's relatively easy to outsource lower-value and transactional tasks. Europe has greater complexity with multiple languages, as well as greater scrutiny and regulatory controls in some areas. This means companies may have to keep more processes closer to customer. Emerging markets should be viewed country-by-country.
- Across geographies, business units and functions, journey management plays an important role in accelerating understanding and engagement.

ABOUT THE RESEARCH

C-suite executives and analysts in 9 geographies and 13 industries surveyed

Accenture conducted quantitative and qualitative research across 13 industries and 9 geographies to analyze the challenges and opportunities associated with creating cost-competitive operating models and reinvesting in growth. Fifty-four percent of respondents were C-suite executives or CEOs of business units. In parallel, Accenture interviewed 65 industry analysts across these industries to understand what external stakeholders measure, value and expect from the companies they cover.

Industries included: Automotive, Banking, Chemicals, Communications, Consumer Goods, Energy, Health, Hospitality, Industrial Equipment, Pharmaceuticals, Medical Technology, Retail and Utilities.

To learn more, download the cross-industry research report and watch the cross-industry video".

<https://acnproedit.accenture.com/core/Home/BucketContent/51/insight-fuel-growth-becoming-agile-increase-competitiveness.aspx>

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Notes

- 1 Healthcare Disrupted—Next Generation Business Models and Strategies, O’Riordan, Anne and Elton, Jeff; Wiley, 2016.

About Accenture Life Sciences

Accenture's Life Sciences group is dedicated to helping companies rethink, reshape or restructure their businesses to deliver better patient outcomes and drive shareholder returns. We provide end-to-end business services as well as individual strategy, digital, technology and operations projects around the globe in all strategic and functional areas—with a strong focus on R&D, Sales & Marketing and the Supply Chain. We have decades of experiences working hand-in-hand with the world's most successful companies to improve their performance across the entire Life Sciences value chain. Accenture's Life Sciences group connects more than 10,000 skilled professionals in over 50 countries who are personally committed to helping our clients achieve their business objectives and deliver better health outcomes for people around the world.

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 373,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

