

HRI developed an innovation scorecard to assess 36 medtech companies on four innovation pillars and seven innovation dimensions. Use the interactive graphic below to compare scores. Each is ranked on a scale of 1 to 9, with 9 being leading practice.



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Overall innovation score

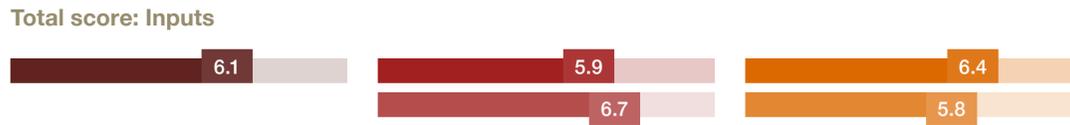


All medical device companies
 Traditional medtech companies

Company location
 US companies
 Non-US companies

Company revenue
 Annual revenue more than \$1B
 Annual revenue less than \$1B

Innovation pillar: Inputs



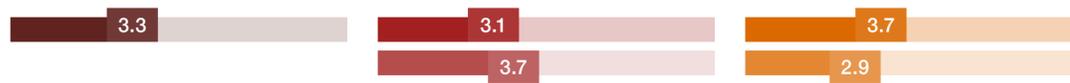
Dimension score: Ambitions for growth



Revenue growth ambitions



Revenue spent on innovation



Anticipated five-year compounded annual growth rate



Ambitions for growth

How the scoring works

Companies with higher revenue expectations, higher ambitions for growth in the next five years, and a larger investment in innovation as a percent of revenue received a higher score.

HRI research findings

Medtech executives estimated that they would produce, on average, a 41% increase in revenue during the next five years. They said their companies spend, about, 8% of revenue on innovation, but telecommunications companies—some of which have been gaining share in the medtech space—reported spending 11%. Executives characterizing their companies as “true innovation pioneers” spend between 15% and 25%. How medtech companies are spending their innovation dollars tells the real story. HRI interviews found that money for breakthrough and radical innovation is vulnerable, and within that funding, most companies do not appear to be directing money specifically for service and business model innovation, which is critical to meeting new industry and consumer demands for **value**.

Leading practice

Many of the most innovative device companies have been active acquirers of technology, using their skill, footprint, and strong marketing channels to refine and distribute acquired products. But with less venture capital available for start-up companies, businesses looking to catch up may need to explore different strategies to drive growth. Many large medtech companies have built **corporate venture capital arms** to fund internal and external startups to spur breakthrough innovation in products, services, and business models. [Download our report](#) to read more.

Dimension score: Appetite for innovation



Appetite for innovation



Importance of innovation now



Importance of innovation in five years



Appetite for innovation

How the scoring works

Companies that regarded innovation as a competitive necessity and deemed themselves “true innovation pioneers” received higher scores.

HRI research findings

Sixty-four percent of executives surveyed view innovation as a competitive necessity today and 81% believe it will be in five years. But, just 17% of executives believe that their companies are true innovation pioneers. Most companies believe they are industry leaders but not leading on innovation.

Leading practice

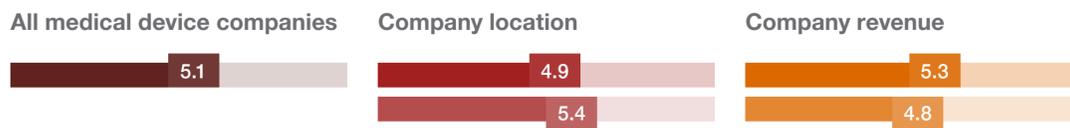
Executives that identified their company as a “true innovation pioneer” reported being more confident about how the company measures innovation, more likely to believe the company has a well-defined innovation strategy, and more confident that they have established a culture of innovation.

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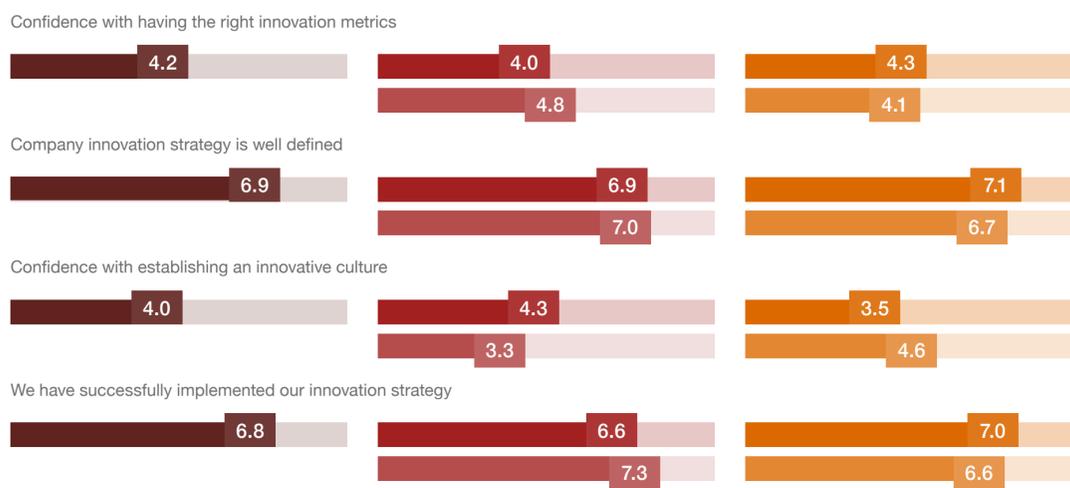
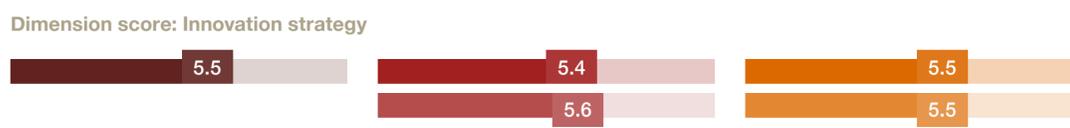
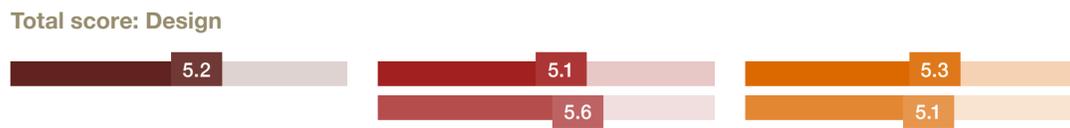


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Innovation pillar: Design



Innovation strategy

How the scoring works

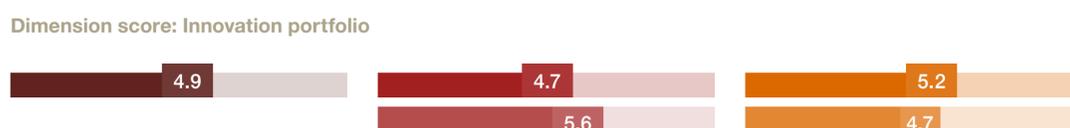
Companies scored higher if their innovation strategy is well-defined and that it has been successfully implemented. Companies also scored higher if they were confident about how they measure innovation and the extent to which they have established a culture of innovation.

HRI research findings

Forty percent of medtech executives said developing the right innovation strategy to achieve growth targets was their greatest concern, and 75% said taking innovative ideas to market quickly and on a large scale is challenging. In developing a culture of innovation, medtech executives said they are most concerned with fostering an environment in which failure and risk are reasonably tolerated.

Leading practice

Executives that felt strongly that their company's innovation strategy is well-defined reported having higher organic growth expectations, more plans for business model innovation, and more confidence about finding and retaining the best talent. Leading companies are starting to build new **forward-looking innovation metrics** that are based on a realistic rate of advancement with a long-term investment window. Innovation pioneers in medtech engage finance teams and insurers early and often in the innovation process to determine the right metrics to track progress and determine who will pay for innovations with potential to achieve better patient outcomes.



Innovation portfolio

How the scoring works

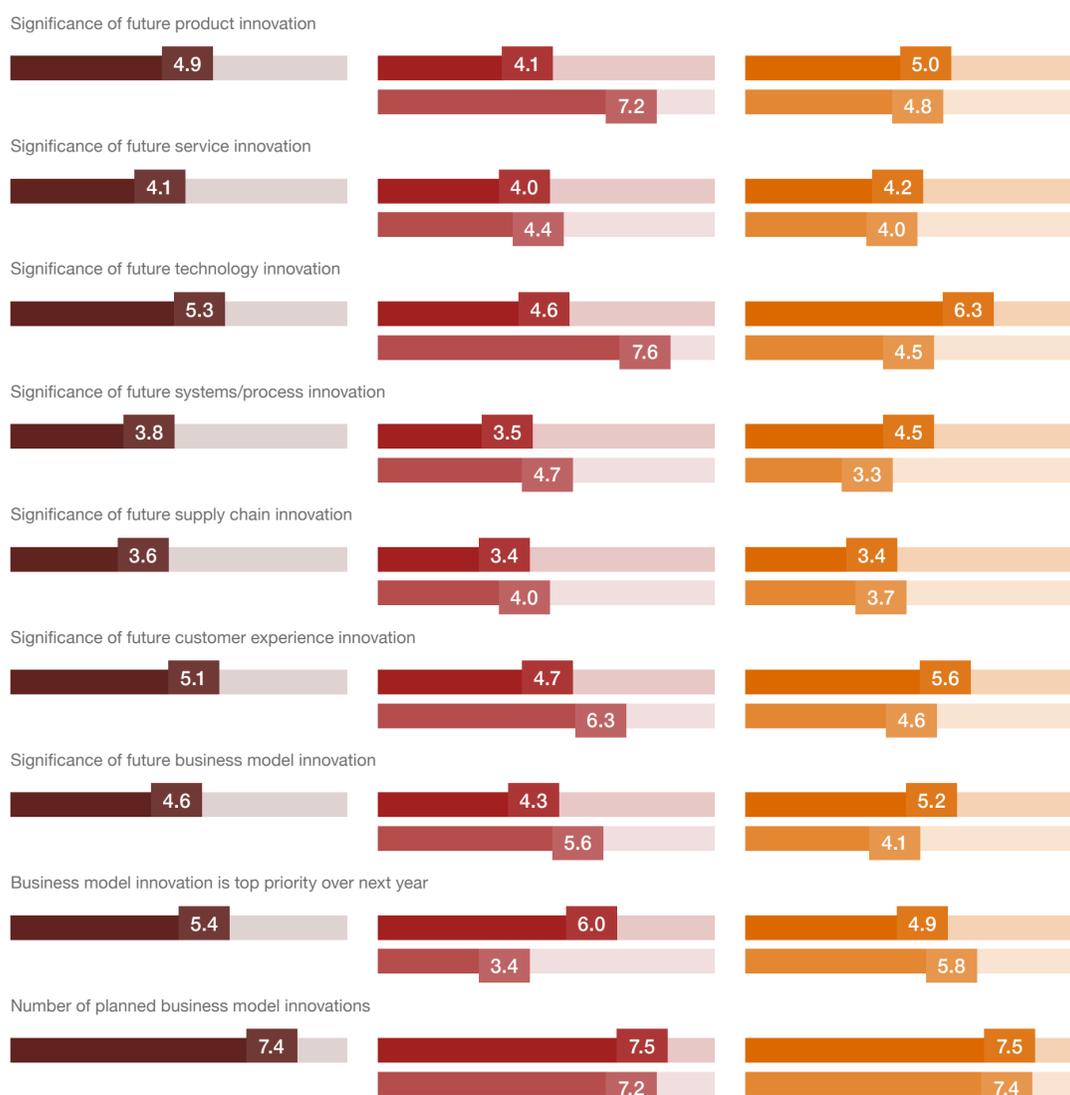
Companies received scores based on the significance of their planned innovations over the next three years. Planned radical innovations received higher scores. Companies that said service or business model innovation is the top priority over the next year received the highest scores.

HRI research findings

For most medtech companies the focus on product innovation remains king, at least in the short-term. Medtech executives were almost twice as likely as executives across all industries to say that product innovation, as opposed to service or business model innovation, is their top priority in the coming year (46% compared to 29%), and just 8% said that business model innovation or customer experience was next year's priority. The winds appear to be shifting modestly. Medtech executives anticipated a more balanced focus on incremental, breakthrough, and radical innovation during the next three years than what they say exists today. Executives anticipate the most radical innovations to be in improving customer experience and technology platforms to support future development.

Leading practice

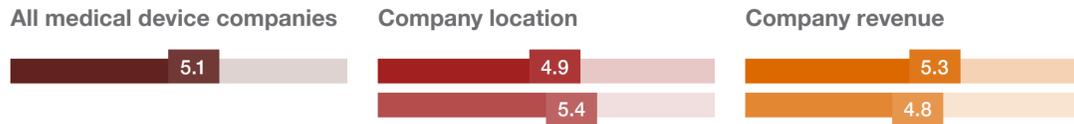
Today adding nifty features to existing products is not enough to warrant a price increase. Customers demand more, and innovative medtech companies focus more on service and business model innovations than on incremental product improvements. While clinical efficacy is a must, the true value in medtech today is a company's ability to provide information, services, and other assistance to customers to solve problems such as improving diagnostics, reducing length of hospital stays, monitoring patients remotely, and keeping people out of the hospital altogether. [Download our report](#) to learn how leading companies are doing this now.



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Innovation pillar: Activities

Total score: Activities



Dimension score: Innovation in action



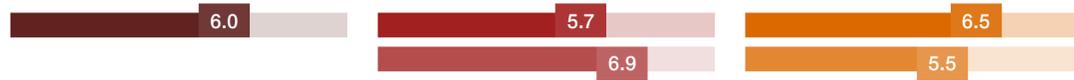
Confidence with finding and retaining the best talent



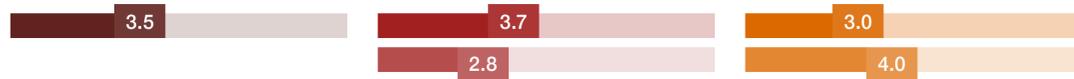
Innovation governance



How innovation activities are managed



Confidence with taking innovative products to market



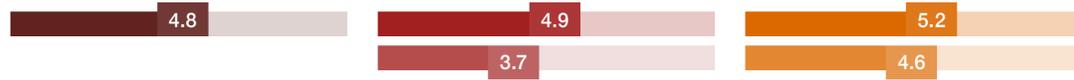
Leverage social, mobile, analytic, & cloud technologies to implement innovation



Leverage social, mobile, analytic, & cloud technologies to create new products, services, business models



Leverage social, mobile, analytic, & cloud technologies for consumers or payers



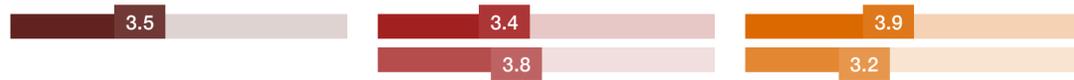
Dimension score: Collaboration



Confidence with finding the right partners



Level of internal collaboration



Plans for external collaboration



External innovation funding



Innovation in action

How the scoring works

Companies that have formal governance and management of innovation processes received higher scores. Companies that were more confident about their ability to find and retain the best talent and about taking innovative products to market also received higher scores. Companies that use **social, mobile, analytic, and cloud technologies** to implement innovation, create new revenue, and/or interact with consumers or insurers also received higher scores.

HRI research findings

Only 14% of medtech executives said their companies have a formal way to manage the innovation process from ideation to launch. Most medtech companies have formal processes in place to manage product innovation, but they lack processes for service and business model innovation. The staffing commitment to innovation is varied, and few medtech companies have dedicated staff focused on highly innovative projects or business model innovation. While half of medtech organizations appear to be using social, mobile, analytic, and cloud technologies to engage customers and help patients managing their health, only 9% of medtech executives said that they have used these technologies to create new business models or comprehensive services for which they are paid based on value, outcomes, and performance.

Leading practice

Leading organizations create an innovation operating model that separates breakthrough and radical innovation from incremental innovation to support the core business. Doing so allows them to **fail fast, frequently, and frugally** to arrive at high impact innovations. [Download our report](#) or explore our microsite to read HRI's case study on **GE healthymagination**. **One company** has introduced mobile and cloud technologies to help customers make faster, more informed purchasing decisions.

Collaboration

How the scoring works

Companies that had a higher percentage of products and/or services that are co-created with customers received higher scores. Companies that collaborate with external partners on innovative products/services within the next three years also received higher scores.

HRI research findings

Medtech executives are beginning to appreciate that innovation must occur outside of traditional research and development units, but they reported co-creating—that is, involving customers or external partners from idea generation to execution—on one-third or less of their products and services. Nearly 81% of executives have plans to collaborate with strategic partners during the next three years, but more than 50% said a major challenge is finding the right partners. How they collaborate with these partners will be key.

Leading practice

Innovative medtech companies are looking beyond traditional research and development units to customers, partners, and even competitors to help widen the funnel of ideas flowing into an organization and get more in tune with customer needs. For example, Philips recently entered into a **15-year, \$300 million contract** with Georgia Regents Health System to devise new strategies and help pave the way for the future of health care.

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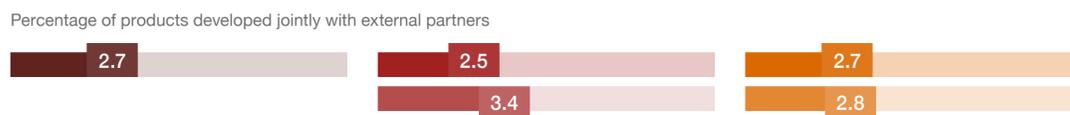
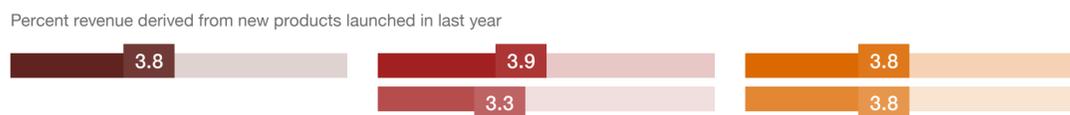
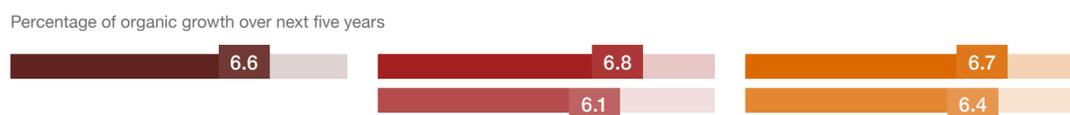
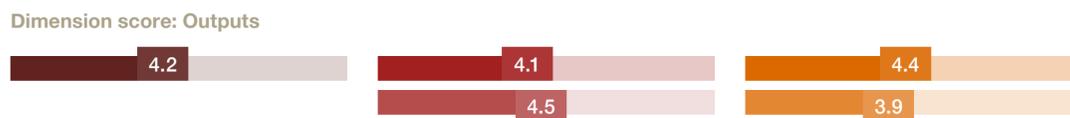


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Innovation pillar: Impacts



Outputs

How the scoring works

Companies scored higher if they planned for more organic growth (through innovation) versus inorganic growth (e.g., mergers and acquisitions) over the next five years, co-created with customers or external partners on a greater percentage of products, and derived a greater percentage of revenue from products launched in the last year.

HRI research findings

Medtech executive respondents estimated that they would produce a 41% increase in revenue during the next 5 years—a lofty goal considering that they also said that only 17% of annual revenue was derived from major new products and services launched during the past year. They expect more of this growth to come from organic growth within the organization (65%)—vs. through inorganic growth at 35%.

Leading practice

The most innovative companies are those that are collaborating with customers, competitors, and a variety of non-traditional partners to get closer to the patient by integrating into the broader patient experience, the larger health ecosystem, and new payment models. New entrants to medtech—such as Verizon and Canon—are following this approach.

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The methodology behind the medtech innovation scorecard

- 1 Develop scorecard framework**
Apply knowledge of leading practices based on seven innovation dimensions
- 2 Collect and analyze data**
Use quantitative survey of 36 medical device companies
- 3 Normalize data**
Apply a scale of 1 to 9 to raw survey data, with 9 being leading practice
- 4 Calculate innovation dimension scores**
Apply scale and assign scores for each of the seven innovation dimensions
- 5 Calculate innovation pillar and overall scores**
Average scores for each dimension and calculate scores for the four innovation pillars and assign the overall score

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