Dealing with Disruption
16th Annual Global CEO Survey

Key findings in the
Healthcare industry

January 2013
Welcome

Far-reaching changes are taking place, and they’re taking place faster than ever. In this new era of ‘stable instability’, risks that once seemed improbable and even remote have become the norm and for CEOs across the world, ‘expect the unexpected’ has become the mantra. The only solution is to build organisations that can thrive amidst disorder: organisations that are agile and adaptable, able to cope with disruption, and emerge stronger than before.

We polled 1,330 CEOs in 68 countries, and talked face-to-face with another 33 CEOs, in our 16th Annual Global CEO Survey, to find out how they’re creating resilient organisations that can flourish under stress. *Dealing with disruption* shows that CEOs are focusing on a few carefully selected initiatives to stimulate organic growth; exploring new ways to attract and keep customers; and balancing efficiency with agility. And to succeed in these three goals, CEOs are recognising the role that trust plays, and that they’ll have to work hard to repair the bridges between business and society.

This report is a summary of our key findings in the Healthcare sector, based on interviews with 90 CEOs in 27 countries, as well as an in-depth interviews with 2 CEOs. To see the full results of the 16th Annual Global Survey, please visit [www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey).
Introduction

The disruptive decade

What worries CEOs the most

What CEOs are doing
  •  Targeting pockets of opportunity
  •  Concentrating on the customer
  •  Improving operational effectiveness
The healthcare industry is transforming

- As the healthcare industry adapts to new demands, businesses and governments will have to change the way they deliver and pay for care

- Although every healthcare market has unique characteristics, there are 3 key trends common to almost all healthcare economies, ushering in a new era of productivity
PwC sees 3 major trends driving the healthcare market:

1. There is a rebalancing of the public and private sectors in the financing and delivery of care
   - Extend partnerships to create sustainable health communities

2. The healthcare sector is industrialising
   - Disruptive technologies are transforming business models

3. Healthcare is becoming a precision-based industry
   - Investing in preventive medicine can create long-term cost savings
The trends were validated by the data

These 3 trends were validated in this year’s 16th Annual Global CEO Survey, where we see Healthcare CEOs leveraging economic and technological resources to transform their business models. And many of these transformations are concentrated on the consumer:

• The vast majority of healthcare CEOs say customers have a “significant‘ influence on strategy

• Many also say social media users are influencing strategy

• In both cases, most of these healthcare CEOs are working to strengthen engagement with these stakeholders
The trends were validated by the data, con’t

Some of the other results also point to healthcare CEOs’ focus on the consumerisation trend more indirectly:

• Healthcare CEOs are much more likely to be looking at JVs and strategic alliances than peers in other sectors.

• More of them are increasing technology investments.

• In both cases, the reasons why are probably connected to efforts to reach out more to patients. And the sector’s strong emphasis on cost reduction is also part of efforts to deliver better value.
The disruptive decade

49% of healthcare CEOs are very confident they can raise the revenues their companies generate over the next 3 years.
Healthcare CEOs confident of future success

The healthcare industry is going through a period of profound disruption, as healthcare CEOs everywhere are well aware. The way in which healthcare is financed and delivered is transforming. But most CEO’s expect to master the challenges. 77% are confident of generating higher revenues in the next 12 months, while 86% are confident of doing so over the next three years.

Q: How confident are you about your company’s prospects for revenue growth over the next 12 months? Over the next 3 years?

Base: All respondents (Healthcare, 90)
Source: PwC 16th Annual Global CEO Survey 2013
What worries CEOs?
What governments do could have a big impact

Economic uncertainty is looming.
72% of healthcare CEOs are worried it could threaten their prospects.

Over-regulation is causing headaches.
74% of healthcare CEOs are concerned, the same % as last year.

Debt and deficits are generating anxiety about how governments will respond to them.
79% of healthcare CEOs fear they could slow down growth.

16th Annual Global CEO Survey – Key findings in the healthcare industry
PwC

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**Economic worries top the list, but skills gaps follow close behind.**

While economic threats stand out, skills and financing issues are concerns too.

Q: How concerned are you, if at all, about each of the following threats to your growth prospects?

Base: All respondents (Total sample, 1330; Healthcare, 90)

Note: Respondents who stated ‘extremely’ or ‘somewhat’ concerned. Only the top 8 threats for healthcare CEOs are listed. List combines ‘economic and policy threats’ and ‘business threats’.

Source: PwC 16th Annual Global CEO Survey 2013

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So what are CEOs doing?

• Targeting pockets of opportunity

• Concentrating on the customer

• Improving operational effectiveness
Targeting pockets of opportunity

72% of healthcare CEOs say they’re focusing on a few carefully selected initiatives
Healthcare CEOs are staying close to home

Healthcare CEOs are especially focused on organic growth in their existing domestic markets. Some are also looking to new product or services or deals to help rev up revenues.

Q: Which one of these do you see as the main opportunity to grow your business over the next 12 months?

Base: All respondents (Total sample, 1330; Healthcare, 90)
Source: PwC 16th Annual Global CEO Survey 2013
And looking for partnership opportunities

Nearly half of healthcare CEOs say they started a new strategic alliance or JV in the past 12 months. That’s far more than ended such an arrangement.

Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months?
Base: All respondents (Total sample, 1330; Healthcare, 90)
Note: Don’t know/refused excluded.
Concentrating on the customer

78% of healthcare CEOs say that customers have a ‘significant’ influence on their strategy.
Healthcare CEOs are listening to customers and working to serve them better

Listening
84% are working harder to engage with customers
That’s nearly all of those who say they’re influencing strategy.

Changing course
82% of CEOs are changing customer growth/retention/loyalty strategies.
And one-third of healthcare CEOs are making major changes.

Better customer service
43% see improving it as one of their top 3 investment priorities.
And even more – 50% -- are planning to invest in growing the customer base too.
And they’re getting social

58% say social media users influence strategy – and 81% of these CEOs are working to strengthen their engagement.

Social media gives healthcare providers and payers a way to have a dialogue with customers that they haven’t had in the past. Many have started to take advantage of the opportunity to enhance relationships.
Improving operational effectiveness

56% of healthcare CEOs say it's one of their top investment priorities.
Healthcare CEOs say cost-cutting continues to be a priority

Last year, 84% of healthcare CEOs told us they were planning to cut costs. And they followed through – the same number said they implemented cost reductions over the past 12 months. Outsourcing was very popular with healthcare CEOs too.

Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months?

Base: All respondents (Total sample, 1330; Healthcare, 90)
Note: Don’t know/refused excluded.

0% 10% 20% 30% 40% 50% 60% 70% 80%

- Implemented a cross-reduction initiative
  - Healthcare: 84%
  - Total sample: 77%

- Outsourced a business process or function
  - Healthcare: 46%
  - Total sample: 31%

- “Insourced” a previously outsourced business process or function
  - Healthcare: 19%
  - Total sample: 19%
What about next year?

They’re keeping the pressure on.

Q: Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months?

Base: All respondents (Total sample, 1330; Healthcare, 90)
Note: Don’t know/refused excluded.
Download the main report, access the results and explore the CEO interviews from our 16th Annual Global CEO Survey online at www.pwc.com/ceosurvey.