

Fit for the future:
How healthcare CEOs are
addressing global trends



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Introduction

Technology, demographics and new customer expectations are transforming healthcare. Will you be ready?

Momentous changes are afoot, as healthcare CEOs are acutely aware. Technological, demographic and economic forces are impacting how business is being done today. These trends aren't new but what has changed is the pace at which they're unfolding – and the way they're colliding to create a completely new environment.



Healthcare respondents

In the 17th Annual Global CEO Survey, *Fit for the future: Capitalising on global trends*, we explore three forces that business leaders think will transform their business in the next five years: technological advances, demographic changes and global economic shifts. We show how these trends, and more importantly the interplay between them, are creating many new – but challenging – opportunities for growth by creating value in totally new ways; developing tomorrow's workforce; and serving the new consumers.



In countries across the world

This report presents our key findings in the healthcare sector based on 81 interviews, conducted in 28 countries around the world.

Specifically:

- **A transforming sector** – what key trends healthcare CEOs say will transform their business and how they plan to address them
- **Forging new frontiers through technology** – how respondents are perceiving the pace and adoption of technology
- **Partnering in new markets** – the growing collaboration between healthcare organisations and new stakeholders through strategic alliances and joint ventures and the regions they are exploring
- **The search for talent** – the challenge in securing a skilled workforce

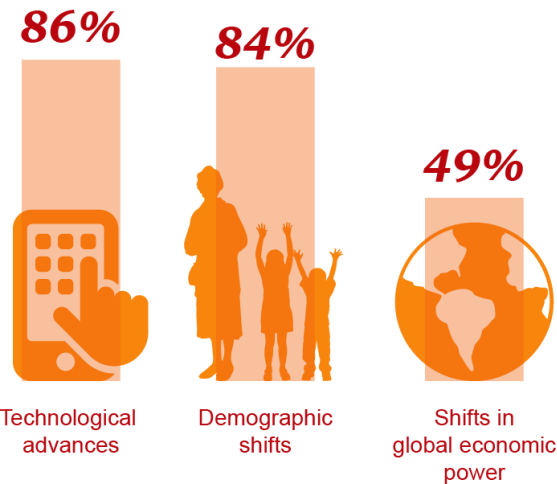
A transforming sector

“I think in the next 20 to 25 years, we will see consistent growth in the sector. Those who are able to really deliver high-quality clinical outcomes and superior service will prosper because consumers are turning discerning. They are sometimes more knowledgeable than some of the clinicians themselves simply since information is now available at their fingertips.”

Preetha Reddy, Managing Director, Apollo Hospitals

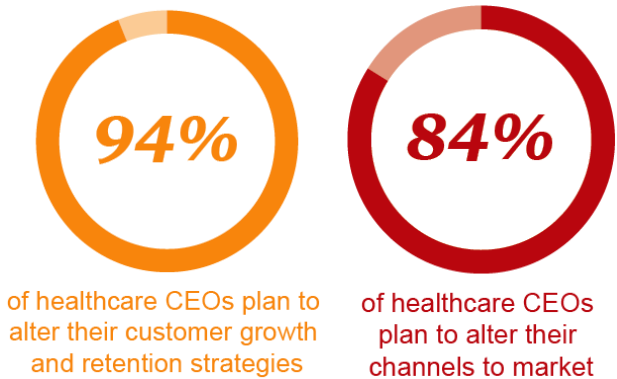
Healthcare CEOs say that technological advances and demographic shifts will have the greatest impact on their business in five years. These trends are transforming healthcare systems, increasing the demand for quality care and altering how it's delivered and funded.

The top three trends healthcare CEOs say will transform their business the most in five years



Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

Healthcare CEOs are taking note: most intend to evolve their customer strategies and alter their channels to market.



Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

A transforming sector

They are also becoming increasingly concerned about new market entrants as a potential threat to their business, a trend that continues to rise every year.



41%

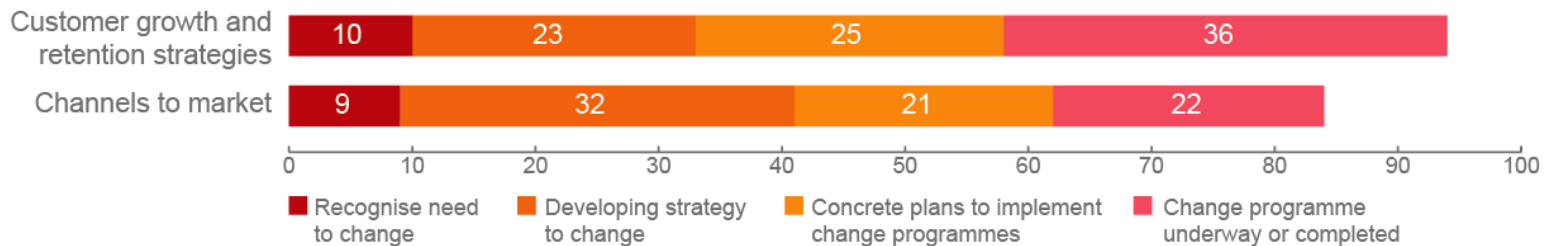
of healthcare CEOs are worried about new market entrants

(vs. 33% in 2013 and 28% in 2012)

Base: 2014: 81 CEOs; 2013: 90 CEOs; 2012: 32 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014; PwC 16th Annual Global CEO Survey, 2013; PwC 15th Annual Global CEO Survey, 2012

Yet few have embarked on making any changes, let alone completed them.

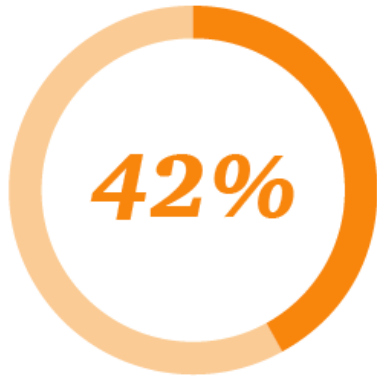
Few healthcare CEOs have made much progress in altering their strategies to reach, attract and retain customers



Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

A transforming sector

Some reasons why:

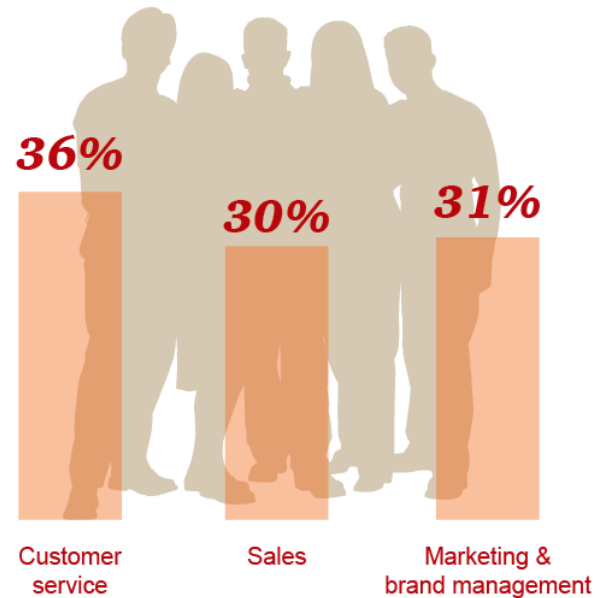


of healthcare CEOs are less worried about changes to consumer behaviour

(vs. 52% of the total industry sample)

Base: Healthcare: 81 CEOs, total sample: 1344 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

Few healthcare CEOs believe their customer service, sales and marketing areas are well-prepared



Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

A transforming sector

What can businesses do:

1. Consider adopting best practices by partnering with other industries such as retail, technology and telecommunications, all of which have experienced disruption in their own sectors and have a track record of consumer understanding, agility and innovation success.
2. As a way of introducing new channels to market, healthcare organisations should consider building service businesses – again, adopting some of the principles from multinational conglomerates. Creating a separate service brand can also insulate the core business brand.
3. Put the customer at the centre of everything you do. Consumers are seeking convenience and speed, and willing to sacrifice traditional ways of getting care to meet these demands. Healthcare organisations should look beyond traditional research & development and look to customers, partners and even competitors to widen the funnel of ideas and get more in tune to customer needs.
4. Organisations should make big bets in crossover areas but have a “fail fast” mentality. This means evaluating which services should be let go to devote the time for those that are of higher value to the business. But early problem recognition is key. Companies should be ready to change course if initial indicators point to trouble.

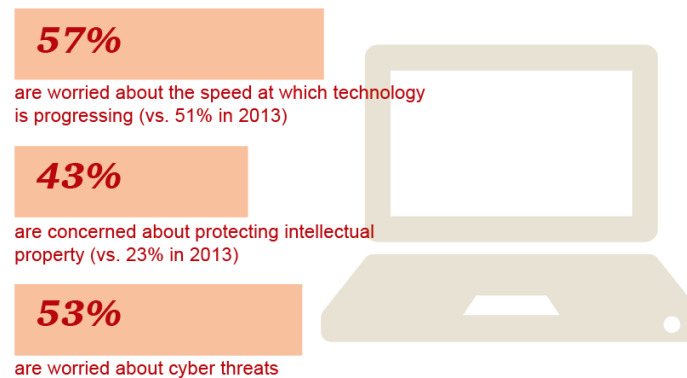
Forging new frontiers through technology

“I think the next big thing to revolutionise the healthcare industry is technology. There has to be a consistent acknowledgement of what technology can do in terms of healthcare delivery. We have to invest in it and find ways and means to be extremely cost-effective in taking the point of care from within the hospital system to the doorstep of the consumer.”

**Preetha Reddy, Managing Director,
Apollo Hospitals**

Most healthcare CEOs recognise the far-reaching impact technology has on healthcare delivery, a trend that continues to rise.

Healthcare CEOs are worried about keeping up with the pace of technological advances



They're keen to capture opportunities.



of healthcare CEOs plan to improve their ability to innovate



of healthcare CEOs plan to change their technology investments



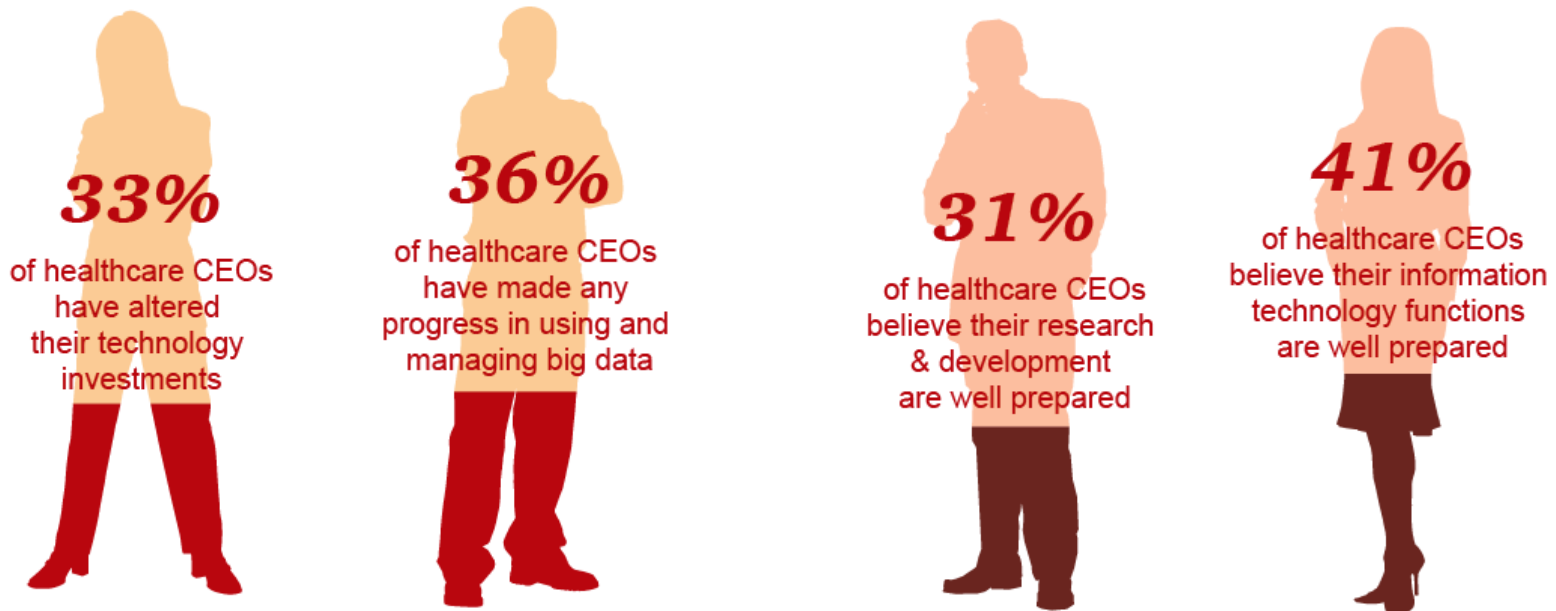
of healthcare CEOs are exploring better ways of using and managing big data

Base: 2014: 81 CEOs; 2013: 90 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014; PwC 16th Annual Global CEO Survey, 2013

Forging new frontiers through technology

Healthcare CEOs want to make their companies more innovative, but they have a long way to go.

Only **25%** have already started or completed the changes they're planning to make their companies more innovative.



Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

Forging new frontiers through technology

What can businesses do:

Technology has disrupted many industries and healthcare is no exception. Consumers are using it to take greater accountability for their care and determine its value. Yet many healthcare companies are lagging behind in their digital health strategy, which can impact their bottom line. Simply put, companies that don't have a digital strategy don't have a business strategy.

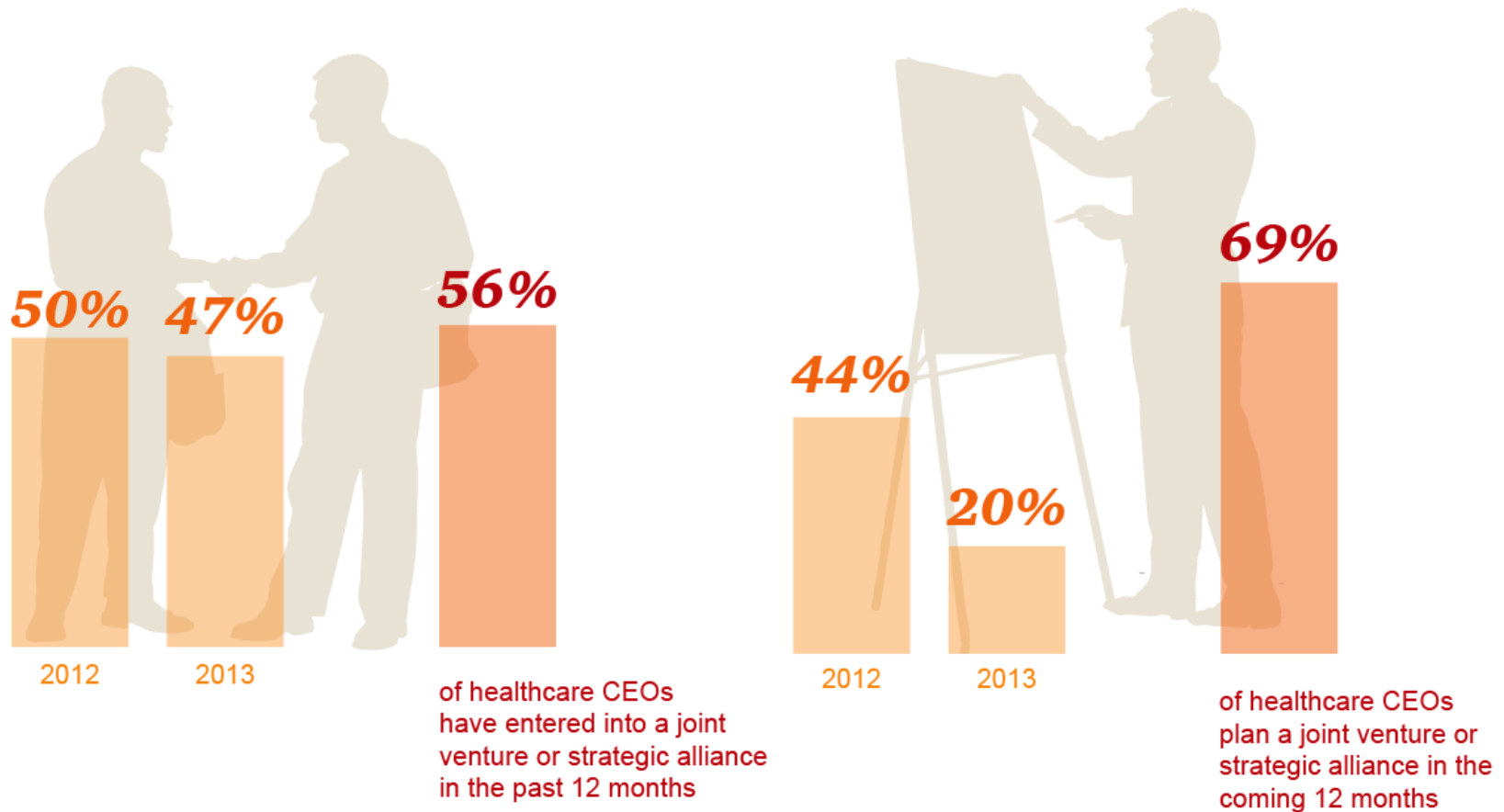
Healthcare companies should partner with other industries, such as retail, banking and media, that have used technology to offer an unprecedented level of customer service. By collaborating, healthcare companies have a better opportunity to offer novel applications and business models within or outside the traditional care continuum.

Lack of integration with technology solutions has resulted in information gaps. For example, many device manufacturers have created smartphone apps for patients to monitor themselves and send data to their care providers, yet few companies are maximising the use of these new technologies to integrate patient data.¹ **For an integrated product, healthcare companies should start small and first introduce a traditional point solution that is scalable, eventually allowing for multiple points of intersection.** Once success has been proven, the solution can then be expanded to other commercial platforms and connected to other peripheral services.

¹ PwC, "Top Health Issues of 2014: A new health economy taking shape", 2014, p. 6.

Partnering in new markets

Healthcare CEOs are collaborating extensively with a wide range of partners to address the changing landscape and find new opportunities for growth, more so than in years past.



Base: 2014: 81 CEOs; 2013: 90 CEOs; 2012: 32 CEOs

Source: PwC 17th Annual Global CEO Survey, 2014; PwC 16th Annual Global CEO Survey, 2013; PwC 15th Annual Global CEO Survey, 2012

Partnering in new markets

But while the majority of all healthcare CEOs concede they either need to change – or are already changing – their strategies for initiating such arrangements, few actually have a change programme underway or completed. So there's still a lot of work to do.

Most healthcare CEOs believe they need to re-vamp their strategies for joint ventures, mergers & acquisitions and strategic alliances but few have gotten started

10%

recognise the need to change

30%

developing strategy to change

31%

concrete plans to implement change programmes

15%

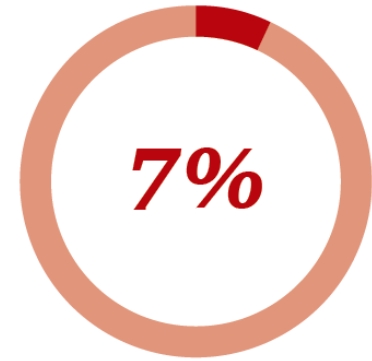
change programme underway or completed



Few are venturing outside their borders.



of healthcare CEOs view new geographic markets as the main opportunity to grow their business in the next 12 months



of healthcare CEOs plan to initiate a cross-border mergers & acquisitions (M&A) (vs 22% pursuing a domestic M&A)

Base: 81 CEOs

Source: PwC 17th Annual Global CEO Survey, 2014

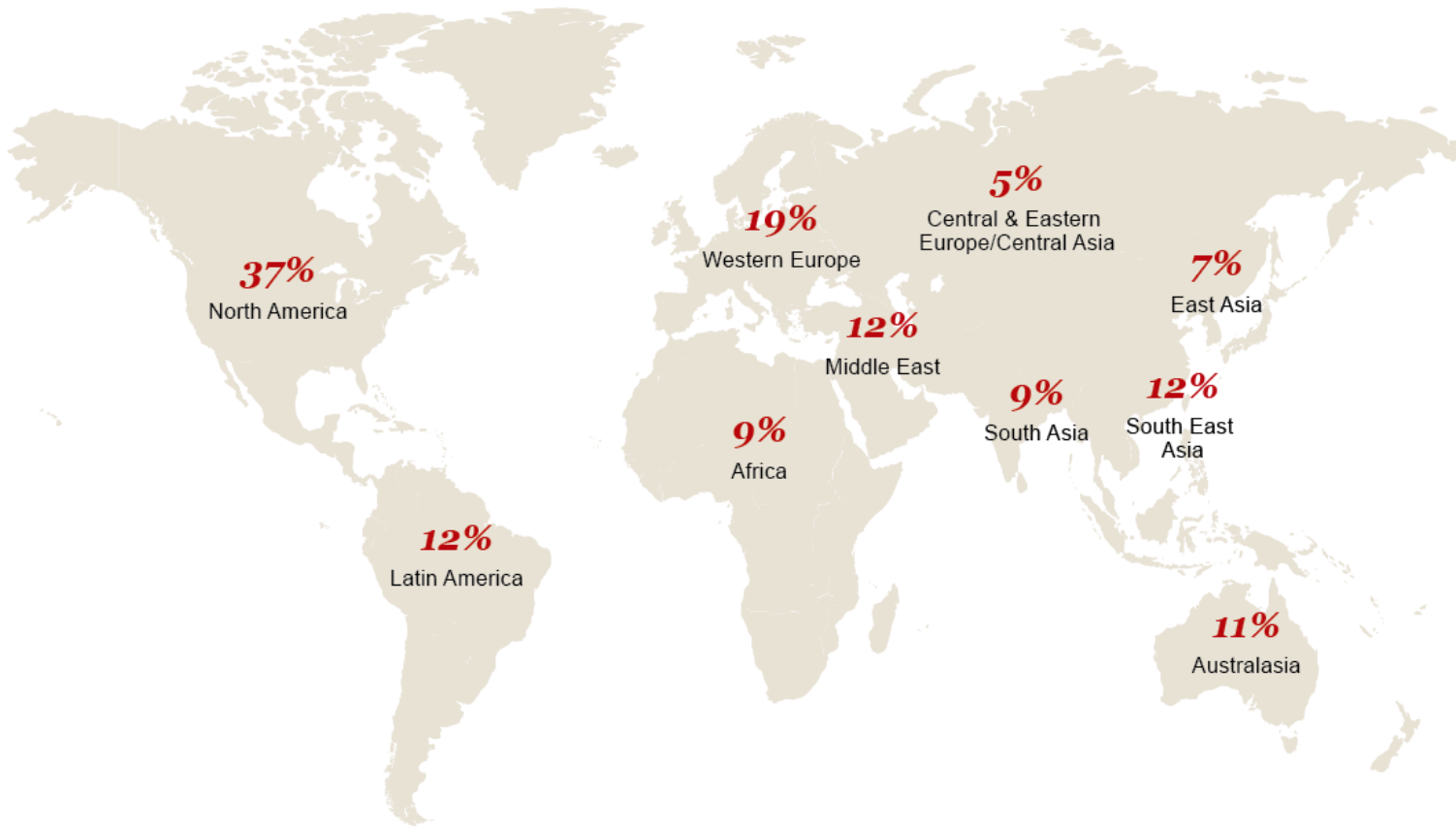
Base: 81 CEOs

Source: PwC 17th Annual Global CEO Survey, 2014

Partnering in new markets

North America remains the most preferred region followed by Western Europe for mergers & acquisitions (M&A), joint ventures and strategic alliances.

Regions where healthcare CEOs are planning to carry out an M&A, joint venture or strategic alliance



Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

Partnering in new markets

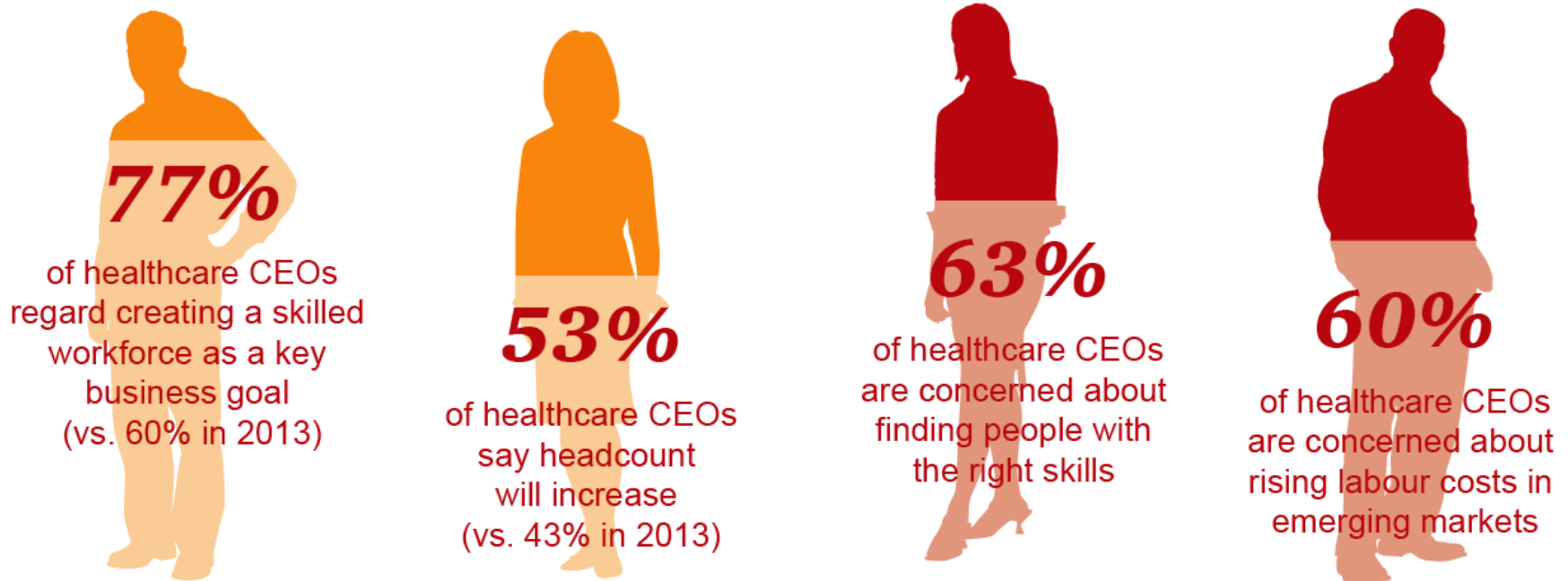
What can businesses do:

1. Don't ignore international markets. Resistance to the idea of crossing borders is slowly softening as an increasing number of healthcare organisations exhaust the opportunities for domestic growth. The playing field is also changing as foreign targets become more sophisticated and receptive to joint deals with outside organisations.
2. Choose the right deal structure and start small. Deals come in one of two forms, corporate or contractual, and each has its own advantages and disadvantages. Business objectives, tax or accounting factors should all be considered in determining the best arrangement to adopt. And it's also crucial to tread carefully – many healthcare companies are starting with strategic alliances and progressing to joint ventures before going for a full scale M&A.
3. Have a clear vision and direction to unite disparate groups. Mergers can create considerable uncertainty yet a large change is actually an opportunity to bring people together. By making quick decisions on staffing and organisational structure, and building a compelling, future vision, everyone knows where he or she stands and can move on to new challenges. Communication plays a vital role, to ensure that everyone knows exactly how he or she will be affected throughout the process. It's important to ensure the acquisition strategy rapidly converts into a transition plan as long, drawn-out integration periods can cause unrest, lower productivity and slower growth.
4. Establish leadership at all levels. Early and swift selection of key management posts for the transition is critical to minimise uncertainty, assign accountability, define functional authority and clarify roles.
5. Prioritise initiatives based on shareholder value, financial impact, probability of success and timeline requirements.

The search for talent

Demographic changes have deep implications for healthcare, as ageing populations drive up the demand for care. Countries experiencing these demographic shifts are also grappling with a limited pool of skilled workers.

Healthcare CEOs recognise the scale of this challenge: most want to hire more people in the next 12 months – a trend that continues to increase – yet are worried about finding people with the right skills.



Base: 2014: 81 CEOs; 2013: 90 CEOs

Source: PwC 17th Annual Global CEO Survey, 2014; PwC 16th Annual Global CEO Survey, 2013

The search for talent

So, how are healthcare CEOs responding to these challenges?

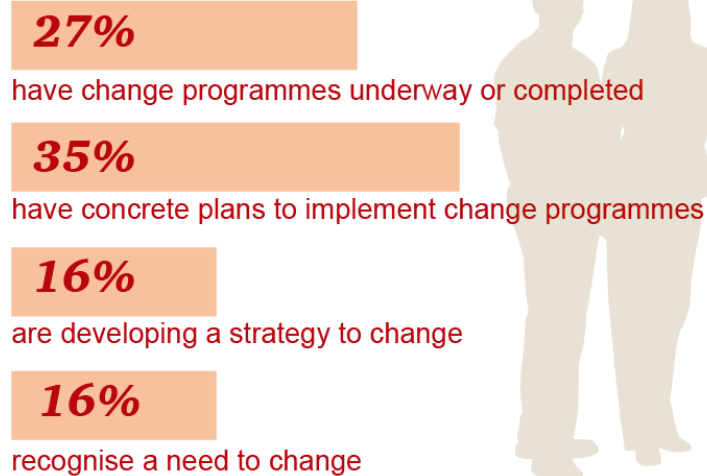


94% of healthcare CEOs recognise the need to alter their strategies for attracting and retaining talent

Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

Yet few have acted on their plans.

Few healthcare CEOs have made much progress in revising or implementing their talent strategies



Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

The search for talent

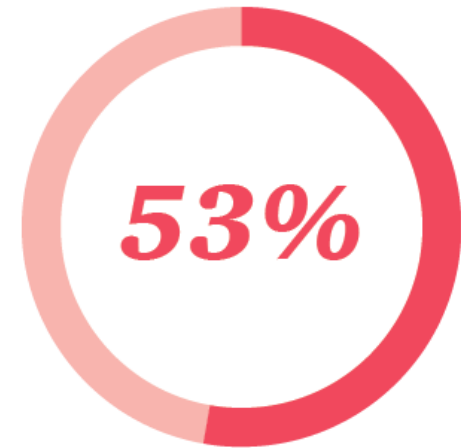
Some reasons why:



of healthcare CEOs believe their human resource function isn't ready



of healthcare CEOs say regulation has impeded their efforts to find skilled workers



of healthcare CEOs believe the government has been ineffective in creating a skilled workforce

Base: 81 CEOs
Source: PwC 17th Annual Global CEO Survey, 2014

The search for talent

What can businesses do:

1. Global trends, the heightening demand for access and quality of care and increasing healthcare costs is changing how business is being done today. For example, payers and providers are converging, introducing challenges with cross-sector recruitment, and technology is having a greater impact on care delivery and business models. The type of talent required now is more specialised and niche than in years past. Companies should implement processes that allow them to assess what skills are needed for their future business strategy and devise ways of closing the gap.
2. Businesses should implement programmes to ensure that their employees are working at the top of their capabilities and efficiencies. This could mean reorganising functional divisions, offering learning & development courses (including non-traditional and self-directed learning) and fostering a culture of agility and flexibility so employees can work in multidisciplinary teams.
3. Consumers are becoming more empowered and exercising greater control in how they receive their care. Learn from other industries, such as retail, which place a high premium in good customer service. Grant employees the authority and skills to change the patient experience. This may mean investing in service training where all customer-facing staff can review performance, talk to patients and share stories.
4. Healthcare organisations should engage with policy makers and regulators to co-develop workplace reforms and training programmes that help equip employees for the future state of the industry.

Conclusion

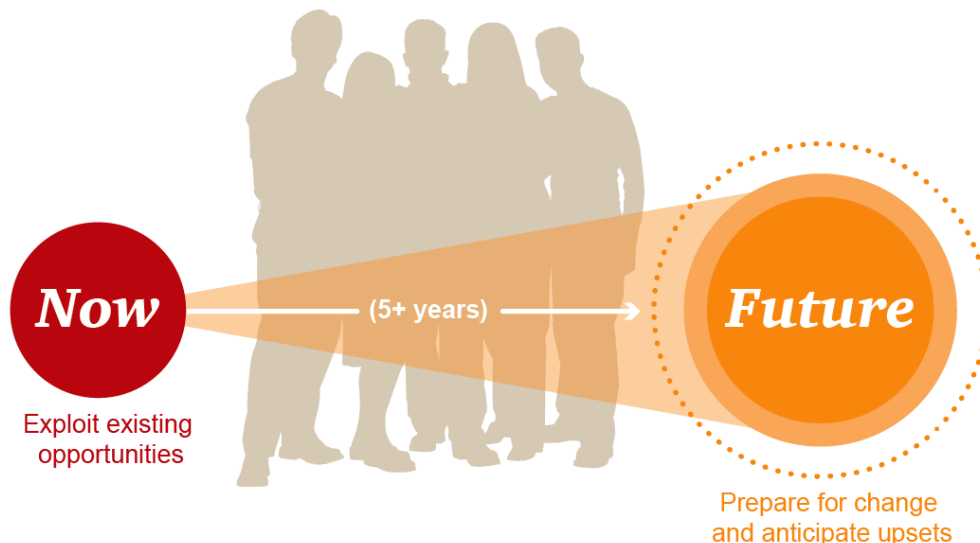
Healthcare CEOs recognise that these global trends are turning the world on its head and they're responding. But few have completed the changes they have in mind, even though most concede that their organisations aren't well prepared. The lack of action is likely due to the sheer magnitude of the trends as well as the rapid pace at which certain innovations are evolving.

Yet healthcare CEOs can't afford to wait. One approach would be to simultaneously plan both for the near term and the long term (five years or more). This would help ensure that CEOs exploit existing opportunities while preparing for foreseeable changes and sudden upsets. Planning for both ends of the temporal spectrum at the same time allows an organisation to build 'mid-future muscles' and become more resilient.

To help build the business of tomorrow, healthcare CEOs should be able to answer the following questions:

1. How are you leveraging technology to stay innovative against your competitors?
2. What measures are you implementing to ensure your business model can endure global trends and advances in technology?
3. How closely are you collaborating with government, patients, peers – even non-traditional healthcare companies – to adapt to the new health economy?
4. What strategic partnerships and joint ventures are you pursuing to increase your customer base and find new opportunities for growth?
5. What systems do you have in place to assess your pools of talent, and what methods are you using to close the skills gap within your organisation?

How CEOs can build the businesses of tomorrow



Learn more

To learn more about the issues healthcare CEOs face in 2014, visit:

www.pwc.com/global-health.

For more information, contact:

Patrick Figgis

Global Leader, Health Industries
+44 (0) 207 804 7718
patrick.figgis@uk.pwc.com

William Falk

North & South America
Leader, Healthcare
+1 416 687 8486
william.f.falk@ca.pwc.com

Dagfinn Hallseth

Europe, Middle East and Africa
Leader, Healthcare
+47 (0) 95 26 12 48
dagfinn.hallseth@no.pwc.com

John Cannings

Asia Leader, Healthcare
+61 2 8266 6410
john.cannings@au.pwc.com

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