

# Health Industries (HI): six priorities to reinvent the business

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## PwC's 27<sup>th</sup> Annual Global CEO Survey

**Companies recognize the need to reinvent themselves and are already moving to change their business models.**

CEOs in the healthcare sector need to accelerate their efforts to analyze and evolve their business models in order to deliver sustainable results for stakeholders and society.

What are the forces driving or slowing this transformation? What does it take to succeed? These are the questions to shape a change that can meet global challenges.

We present to you the **six priorities** that CEOs of Health Industries (HI) companies should put on their agenda to realize the change.





# Priorities for change

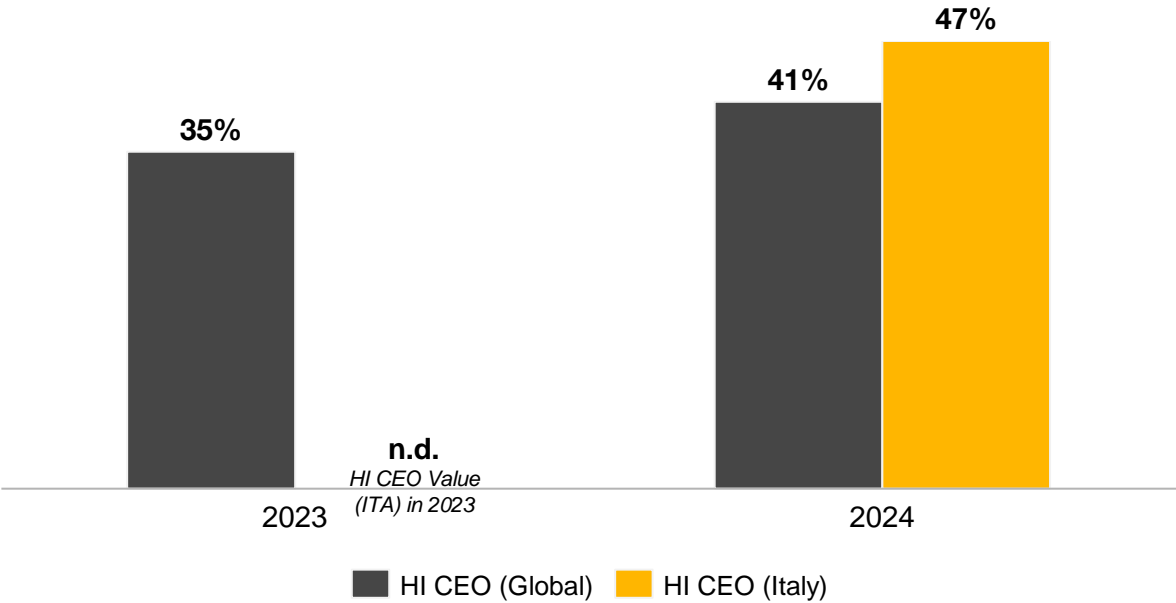
- 01** Consider the long-term economic strength of the business model
- 02** Understand the macro-trends and turn obstacles into opportunities
- 03** Resolve inefficiencies to free up resources
- 04** Consider M&A as a lever for growth and transformation of business models
- 05** Seize the opportunity of generative AI in a responsible manner
- 06** Aim for sustainability beyond energy efficiency

# Consider the long-term economic strength of the business model

Globally, 97% of CEOs claim to have taken action to transform their business model over the past five years. Even in the health sector, the vast majority of interviewed CEOs have stated that in the past five years they have taken at least one step to change the way the company operates and creates value. However, translating actions into results remains a challenge.

Despite the efforts, almost half of the Italian HI CEOs, more than globally, state that they **are not sure if their company will be economically sustainable in a decade** if it continues on the current path, confirming the urgency to revise the business model.

Percentage of HI CEOs stating that their company will not be economically sustainable over the next 10 years if it maintains the current model

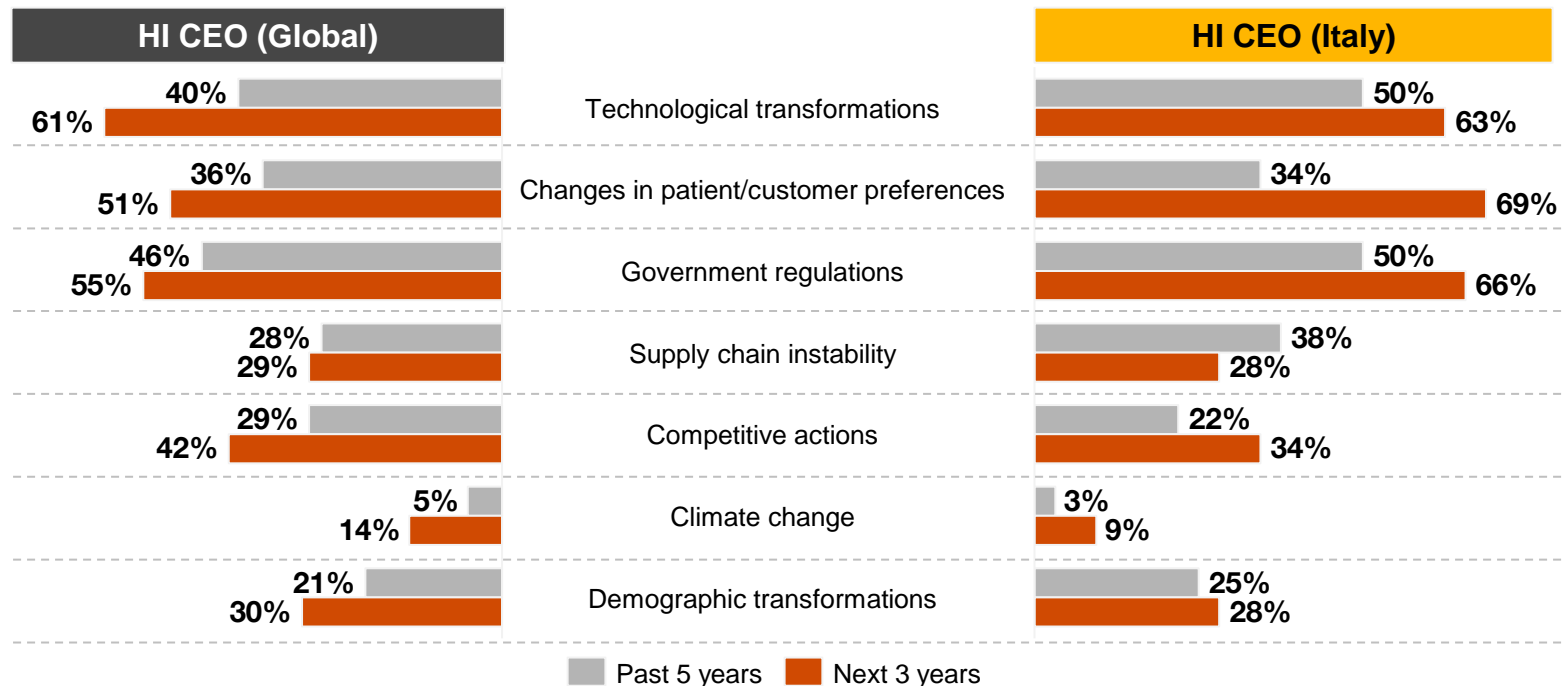




# Understanding macro trends and turning obstacles into opportunities

**Changes in patient/customer preferences, regulatory changes and technological transformations** are for health sector CEOs the factors that in the next three years, more than in the previous five years and more markedly than in other sectors, both in Italy and globally, will impact the value creation of companies and will determine their transformation.

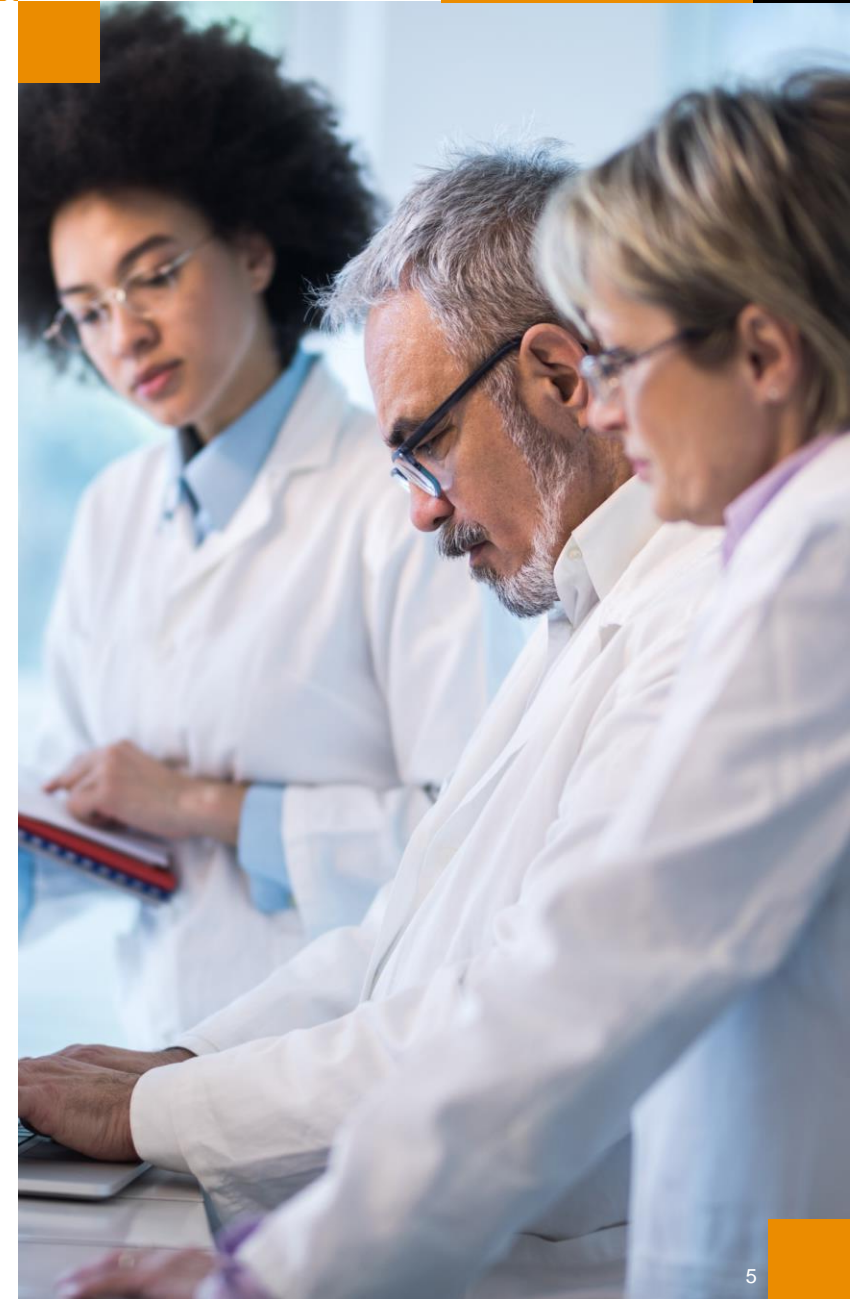
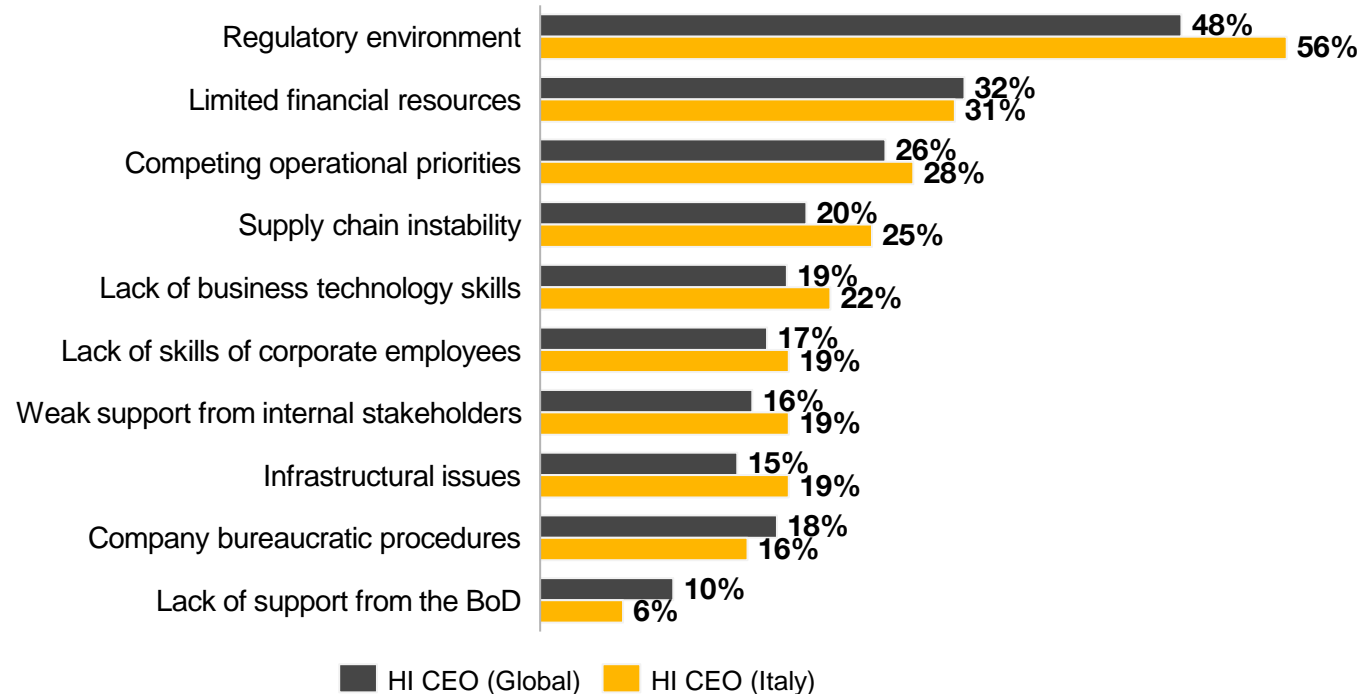
Percentage of HI CEOs for whom the following factors have caused changes in the last 5 years/will cause changes in the next 3 years in the way the company creates, distributes and acquires value (Only show answers «Very» and «Extremely»)



# Understanding macro trends and turning obstacles into opportunities

In such a complex and rapidly changing environment, health sector CEOs have a clear need to reinvent themselves, but they are going to face **structural barriers to change**. Among Italian CEOs, 56% state that the **regulatory environment** is the main obstacle preventing their company from changing the way it creates value (compared to 48% of global CEOs). The lack of employee skills, as well as a shortage of digital skills are considered less critical obstacles.

**Factors that prevent companies from changing the way they create, deliver and acquire value**  
(Only show answers «*Largely*» and «*Mostly*»)

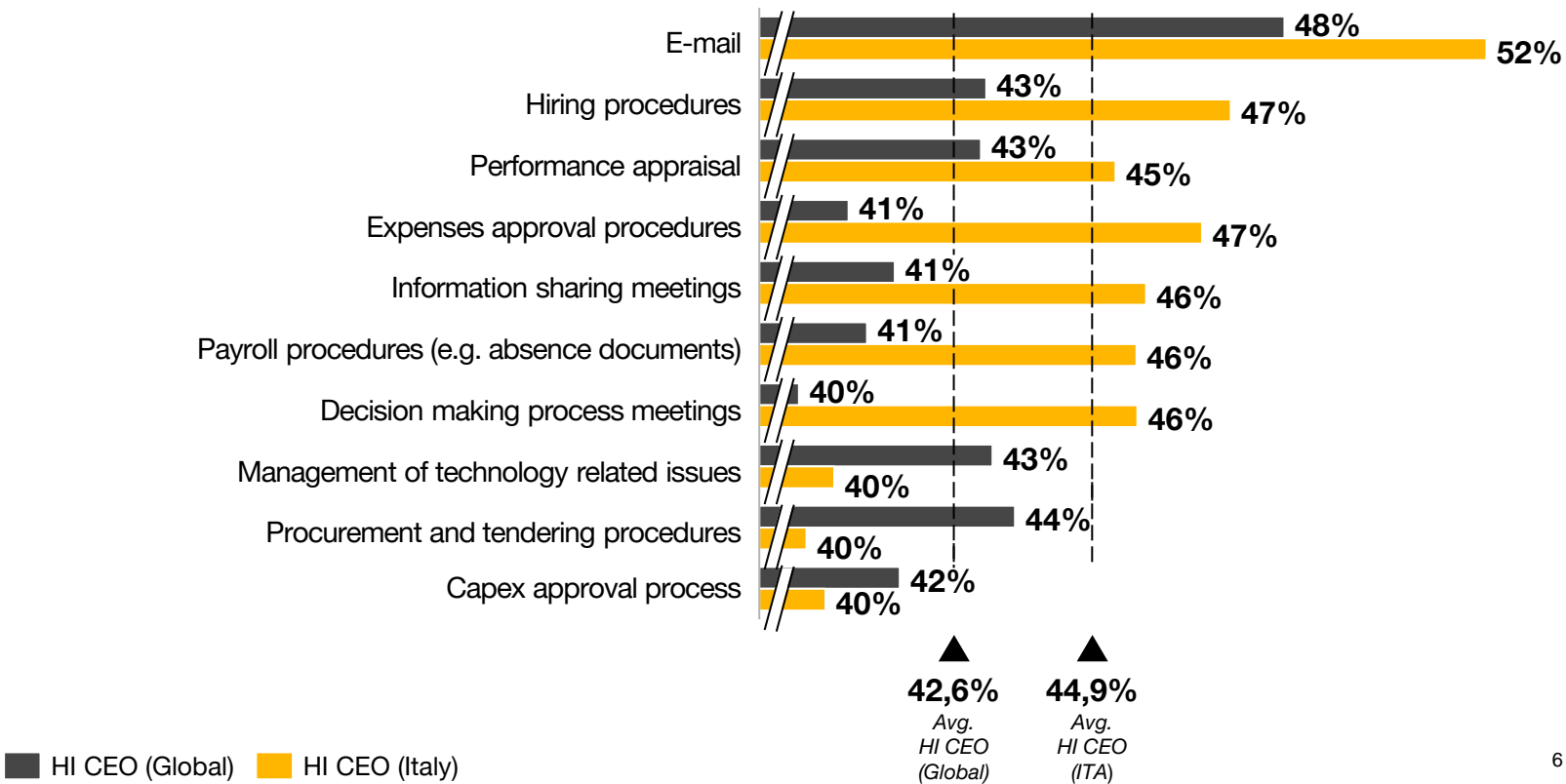




# Resolve inefficiencies to free up resources

Health CEOs see significant **inefficiencies in their company's activities** (email management, hiring procedures, expenses approval, meetings, etc.), **amounting to about 45% of the time**, and in some cases much more significant than in other sectors. The cost of these inefficiencies amounts to hundreds of billions. Resolving these inefficiencies, e.g. by automating or digitizing some routine tasks, frees up resources for change and value creation.

Estimates by HI CEOs on the percentage of business time spent inefficiently on the following activities/processes

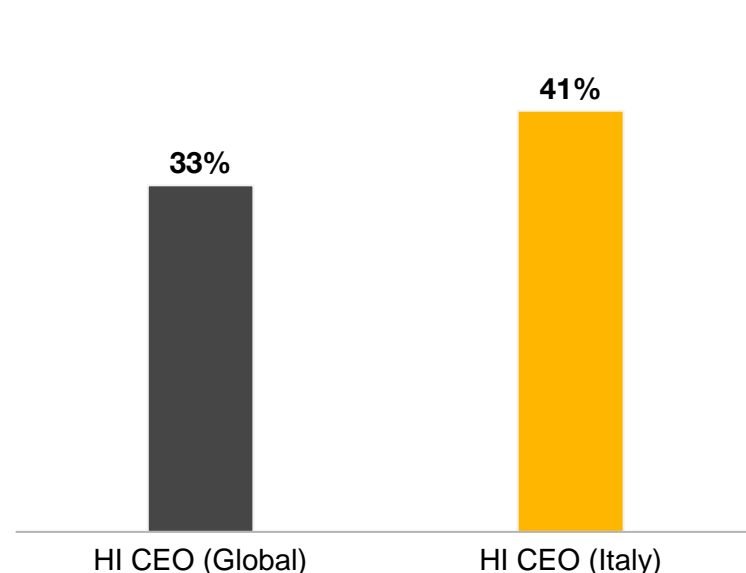




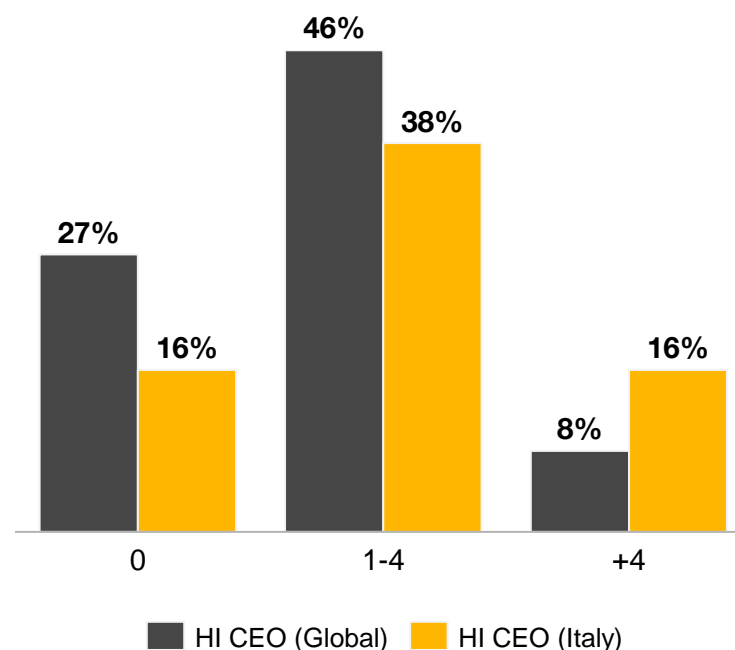
# M&A as a lever for growth and transformation of business models

The health sector, especially in Italy, is characterized by solid investment activity and a strong resilience compared to other sectors. This demonstrates the attractiveness of the sector and the fact that the lever of **M&A is fundamental for the transformation of the business model** (e.g. to acquire new skills or assets) **and to support growth strategies** (e.g. to review their business portfolio, create platforms, etc.). The HI CEOs in Italy state that M&A is among the factors with the greatest impact on value creation, significantly higher than the CEOs of other sectors (+ 10 p.p.)

Percentage of HI CEOs stating they have made a significant acquisition in the past 3 years  
(Only "Yes")



Percentage of M&A operations that HI CEOs declare they intend to make in the future



## Andrea Fortuna

Partner PwC Italy – Health Industries Leader

*"The health sector clients we deal with confirm the urgency to transform and reinvent their business model in the face of a constantly changing context. In particular, demographic and epidemiological changes, regulatory changes, increasingly demanding patient/customer expectations, the challenges posed by technological progress and AI, require the implementation of significant transformation processes. M&A, more than in other sectors, is indicated as a strategic lever both to support growth ambitions and to accelerate the transformations of the business and operational model"*

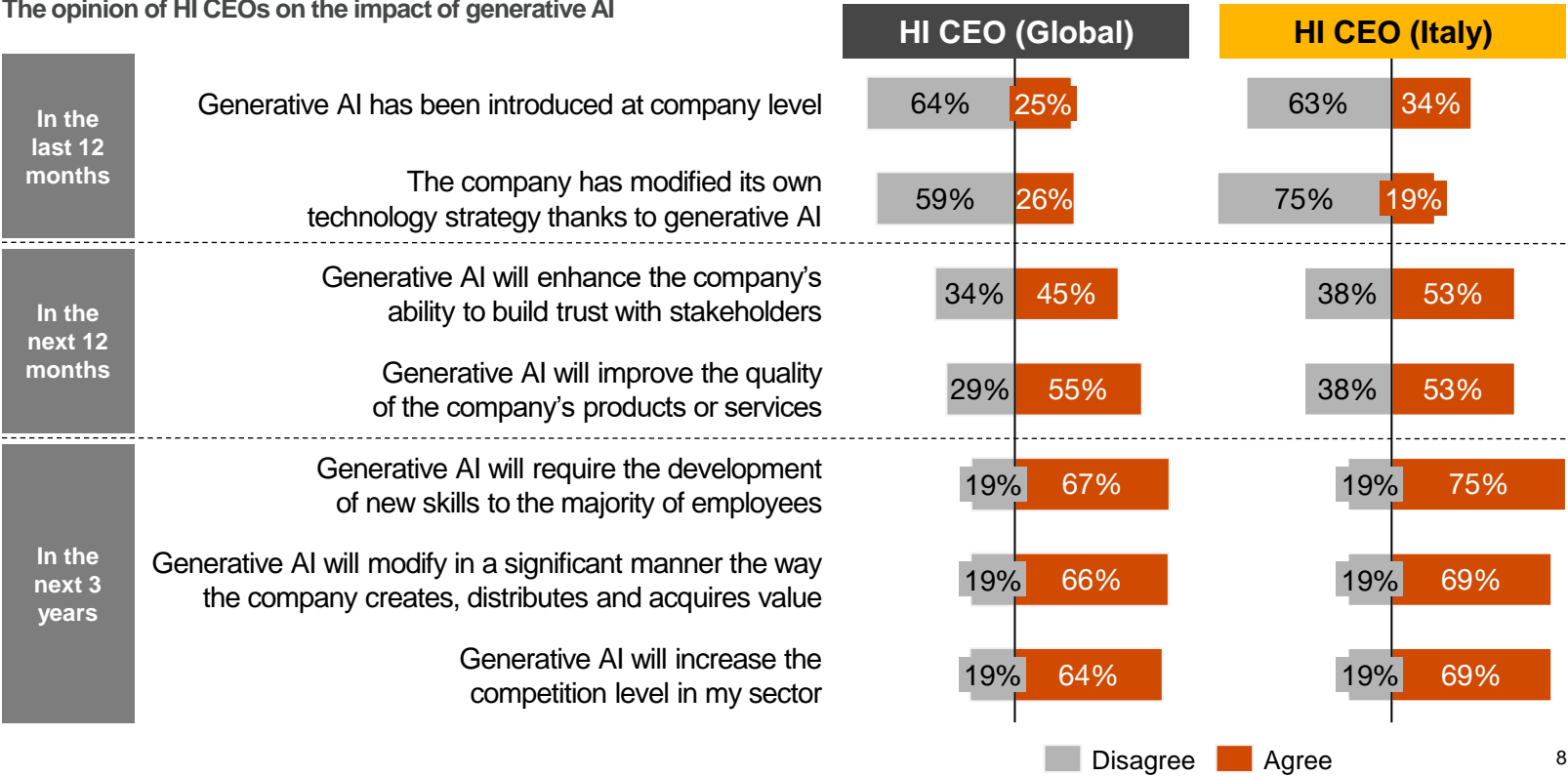


# Seizing the opportunity of AI generative in a responsible manner

Italian HI CEOs, in addition to declaring adoption levels of **generative AI** higher than the global average, consider such technology the **main engine of their companies' transformation in the coming years**: for example, they expect that generative AI will drive the development of new skills (75%), increase employee efficiency (65%), and improve the quality of their company's products or services (53%).

However, there are concerns about possible consequences and **risks associated with its adoption** (cybersecurity, misinformation, ethical issues, etc.).

The opinion of HI CEOs on the impact of generative AI





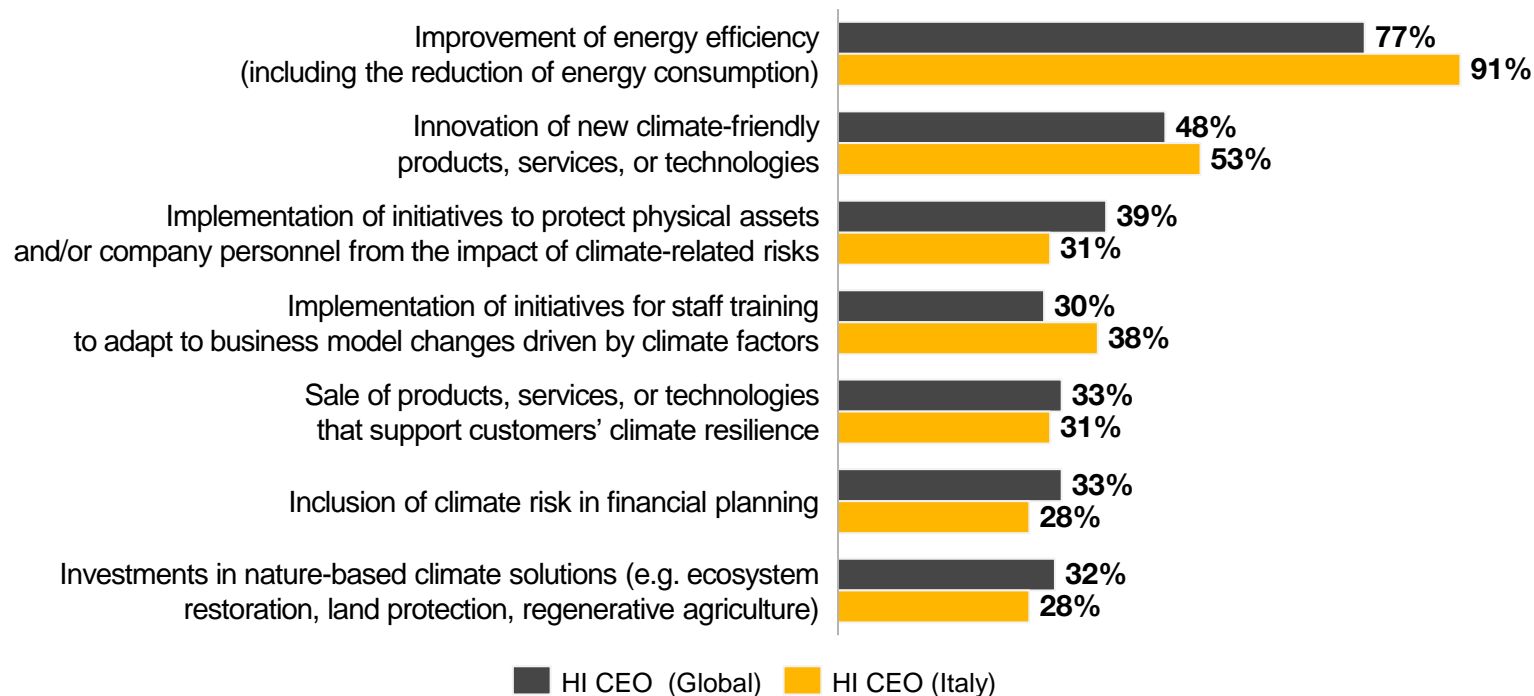
# Aiming for sustainability beyond energy efficiency

CEOs in the Health sector, both globally and in Italy, state that the greatest progress has been made in improving energy efficiency. There are still few CEOs with plans for other climate actions, such as the incorporation of climate risk into financial planning or product/service innovation.

**A broader vision of sustainability offers opportunities to create innovative business models** that not only mitigate risks, but also strengthen economic-financial returns and benefit Society.

**Percentage of HI CEOs reporting progress in the following actions related to climate change**

(Shown only the responses "Underway" and "Completed")



## Andrea Alessandri

Partner PwC Italy – Head of Health Services

*"This year we asked our Healthcare and Life Science sector clients to give us their perspective: a picture of great changes emerged in which the status quo is not an option and CEOs are tackling the transformation of how the company operates and creates value. Many topics were highlighted, but among Italian health CEOs, the regulatory context is the main obstacle that limits the ability to move quickly towards the business models of tomorrow. Great attention is also paid to overcoming inefficiencies to free resources for change. On the horizon is the challenge of new sustainability models, with a focus that must shift from energy efficiency to a broader vision in which economic-financial returns, risk management and impacts on society are part of a single long-term vision."*



About the 27th Annual Global CEO Survey: PwC surveyed 4,702 CEOs in 105 countries and territories. To view the global report, please visit <https://www.pwc.com/ceosurvey>

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