



Disruption in healthcare and life sciences 2020

Heidrick & Struggles' third annual survey of senior executives in healthcare and life sciences reveals unrelenting disruption in the sector and highlights the tactics they are undertaking to help their companies thrive.

The level of disruption in healthcare and life sciences is unrelenting, our third annual survey of senior executives in the industry shows. This year, 76% of survey respondents say their companies are facing mounting disruptive pressure—and 85% foresee a further increase over the coming 18 months. These figures are virtually the same as last year's, highlighting the industry's furious pace of change. It's also notable that the causes of disruption remain essentially unchanged, with executives citing technology, political or regulatory uncertainty, cost of healthcare, and a shortage of skilled talent most often.

Just over half, 54%, say their companies are well prepared to weather the disruptions they anticipate, again just about the same as last year—and most often, again, they're relying on strategic agility to do so. Exactly half say they're a *source* of disruption in their industry, most often relying on a superior ability to bring innovations to market, their strategic agility, and the caliber of their leaders to do so. Respondents also indicate that, compared with last year, organizational culture is more often aligned with strategy and they're better able to attract the right people—both factors that can improve innovation and agility.

The views of these executives, 68% of whom are CEOs, other C-suite executives, or board directors, suggest that some healthcare and life sciences companies are finding ways to thrive in the face of these forces, but most still have a fair amount of work to do. This includes continuing to build strong cultures and streamline organizations to support agility and speed, and focusing on attracting diverse people, at all levels, to support innovation and respond to change.

What exactly is driving all this disruption?

This year, we asked about external and internal disruptive factors separately. Externally, executives highlight similar factors to last year, with technology leading the list.

External disruptors

Which of the following external factors, if any, will be most disruptive to your company over the next 18 months? (Pick up to 3.)

Technology: artificial intelligence, big data, digital, wearables, consumer genomics		53%
Political and regulatory uncertainty		53%
Cost of healthcare/value-based reimbursement model		48%
New entrants (eg, Amazon, Google, Apple, Walmart)		29%
Industry consolidation/M&A		19%
Finding, acquiring, and integrating assets and technologies from external organizations		19%
Patient-centricity/empowered customers and demands for omnichannel service		19%
Rising geopolitical uncertainties		15%
Growing sophistication of lower-cost competitors		13%
Other (please specify)		4%

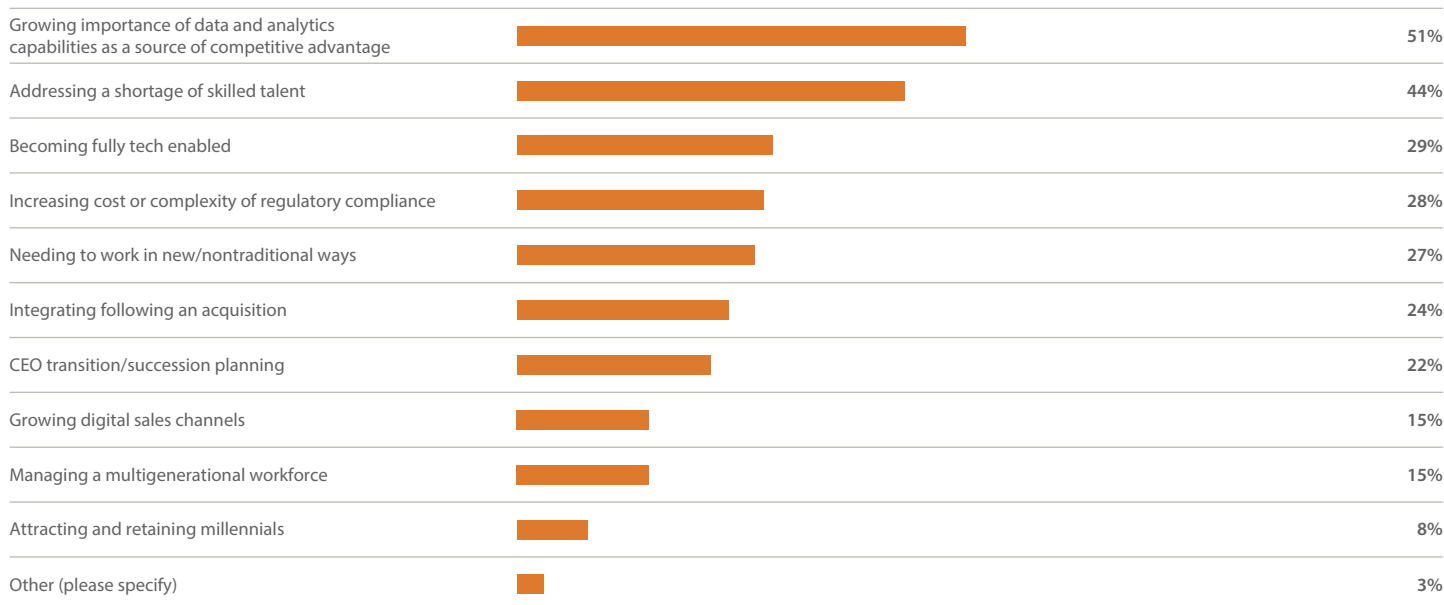
Source: Heidrick & Struggles' survey of 91 healthcare and life sciences executives, conducted online in November–December 2019

Internally, talent factors are the biggest source of disruption, particularly capabilities related to technology: the top two internal sources of disruption are the growing importance of data and analytics capabilities as a source of competitive advantage and addressing a shortage of skilled talent.



Internal disruptors

Which of the following internal activities, if any, will be most disruptive to your company over the next 18 months? (Pick up to 3.)



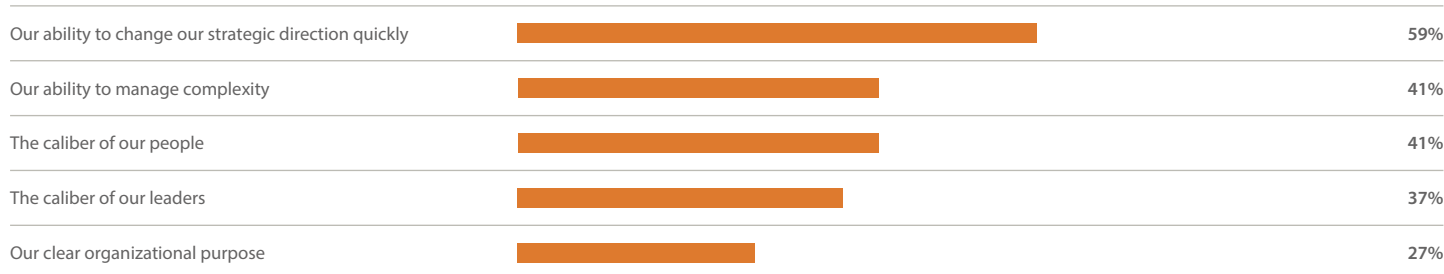
Source: Heidrick & Struggles' survey of 91 healthcare and life sciences executives, conducted online in November–December 2019

What are companies doing in response?

Just over half of senior executives say their companies are well prepared to face these disruptions, by relying on a mix of strategic agility, their ability to manage complexity, and the caliber of their people at all levels.

Prepared for disruption

You indicated that your company is well prepared to face marketplace disruptions. Which of the following factors are most responsible for your belief? (Pick up to 4.)



Note: This chart shows the top five responses to this question.

Source: Heidrick & Struggles' survey of 91 healthcare and life sciences executives, conducted online in November–December 2019

Digging deeper into senior executives' views on their company's leaders, 77% agree they have the right leaders for what they need to do (up from 64% last year), and 82% agree that the top team is aligned and makes bold decisions when needed, one crucial factor in building strategic agility. Another factor in agility is the ability to respond to change, and 73% of this year's respondents say their companies are good at that.

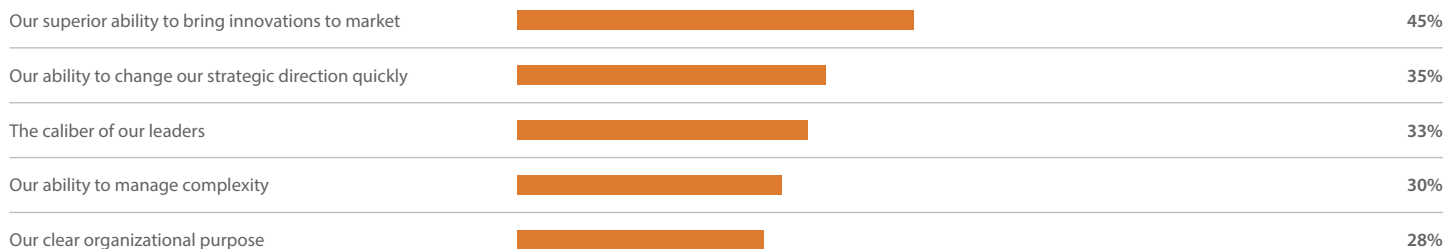
Another factor crucial to thriving in the face of disruption is a strong culture.¹ It's clear that leaders in healthcare and life sciences understand just how important culture is to attracting and retaining the best people and ensuring their productivity. Last year, 36% of respondents said they were focused on an organizational culture shift to combat disruption (one of the top five choices), and this year, 82% say their culture matches their strategic imperatives—an increase of a notable 10 percentage points from last year.

One finding that indicates culture may be making a difference is the attitude shared by 72% of respondents: that their organization views difficult situations as positive opportunities to emerge stronger. Companies' focus on culture may also be paying off in commitment: 56% of respondents this year, up from 51% last year, say their people always deliver what they have committed to.

This year, precisely half of respondents say their company is also a *source* of disruption, most often the result of being able to bring innovations to market—which, in turn, relies in large part on aligning people with the right capabilities toward meeting strategic goals. It's good news, therefore, that executives continue to be confident overall in their organizations' ability to inspire aligned action, harness and streamline resources, and innovate to create new growth engines. Furthermore, 77% say their customers regard their offerings as consistently excellent.

Being a disruptor

You indicated that your company is a source of disruption in the marketplace. Which of the following factors are most responsible for your belief? (Pick up to 4.)



Note: This chart shows the top five responses to this question.












Source: Heidrick & Struggles' survey of 91 healthcare and life sciences executives, conducted online in November–December 2019

Having the right structure in place is also crucial to ensuring an organization can accelerate performance. This year, 58% of survey respondents say their organizational structure is easy to navigate, up from 53% last year. Still, only a third say their company moves fast enough today—down from 40% last year. So it's not surprising that more than half have undertaken or are considering a further internal restructure. Nearly half are considering M&A to meet the pace of change, which can help bring in new capabilities for innovation as well as drive structural shifts.

1. For more on Heidrick & Struggles' work on how leadership, culture, and structure work together to support performance, see, for example, Alice Breden, TA Mitchell, and Becky Hogan, "Bringing your organization up to speed," September 12, 2019, heidrick.com.

Meeting the pace of change

Which of the following changes, if any, have you made in the last year, or are you now considering making, in your organization to meet the rapid pace of change? (Select all that apply.)

Organizational restructure, including adding, removing, or consolidating functions		57%
M&A		47%
Reevaluation of strategic goals		46%
Realignment/changing top team		39%
Organizational culture shift		38%
Defining or clarifying our organizational purpose		33%
Board restructure		33%
Reevaluation of talent strategy		30%
Increased focus on diversity and diverse leadership		30%
CEO succession		29%
None of the above		4%

Source: Heidrick & Struggles' survey of 91 healthcare and life sciences executives, conducted online in November–December 2019

Where do companies still need to do more?

Looking ahead, executives say their companies need to invest most often in talent and innovation to address new strategic challenges. It's good news that these priorities align with the reasons that executives at companies that do feel prepared give for why they feel that way.

It's worrisome, however, that only 70% cite a need to invest in superior talent and leadership team, as that is down from 87% last year. The somewhat lesser focus on talent may be related to some increased confidence in hiring: 56% of this year's respondents say their companies today attract the best talent in their market, a marked increase from 50% last year.

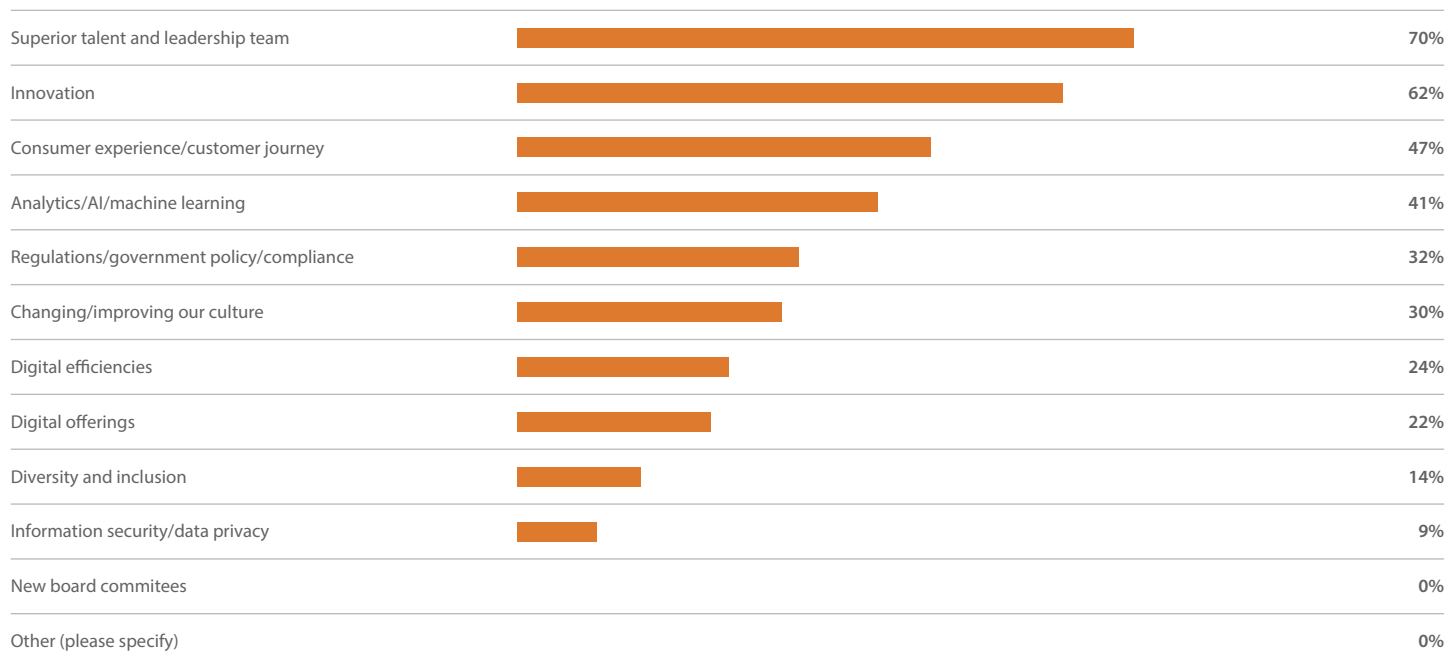
There's a second striking shift in how senior executives are thinking about talent this year: only 34% of this year's respondents say they have increased their focus on hiring from outside their immediate industry, down from 43% who said the same last year. That shift may indicate that some executives haven't found what they hoped for by looking outside the industry.

But in our view, outside experience is becoming ever more crucial. Indeed, 58% of respondents this year say that having a diverse board and senior leadership team is critical to outpacing competitors, and a further 25% say it's important. Though "diversity" is most often thought of in terms of gender, race, or ethnicity, defining "diversity" more broadly—in terms of industry or functional backgrounds, nationality, or age—can be crucial to maintaining strategic agility. Other Heidrick & Struggles work highlights how companies across sectors are building diverse boards, for example.²

2. See Heidrick & Struggles, *Board Monitor US 2019*, May 28, 2019; and Heidrick & Struggles, *Board Monitor Europe 2019*, September 25, 2019. Both reports are available on heidrick.com.

Investing to compete

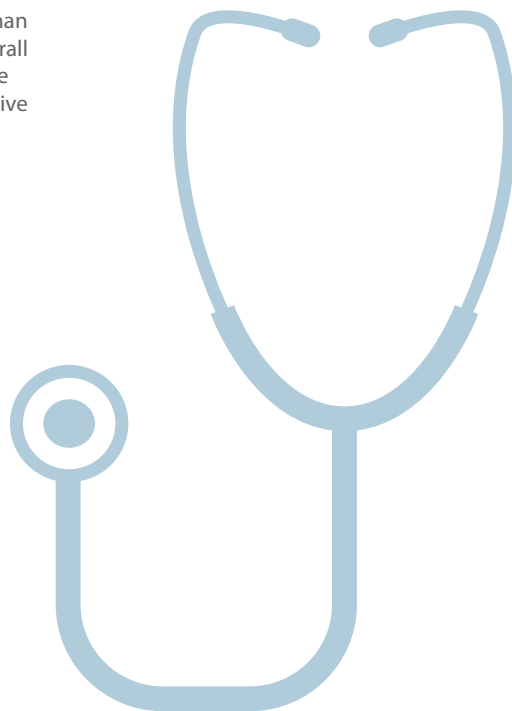
Which of the following areas are the most important for your company to invest in to gain or maintain competitive advantage or to address new strategic challenges?



Source: Heidrick & Struggles' survey of 91 healthcare and life sciences executives, conducted online in November–December 2019

Given the importance of innovation and data and analytics, and executives' overall concern about new technologies and talent shortages, we suggest that healthcare and life sciences executives not decrease their focus on finding the right people at every level.

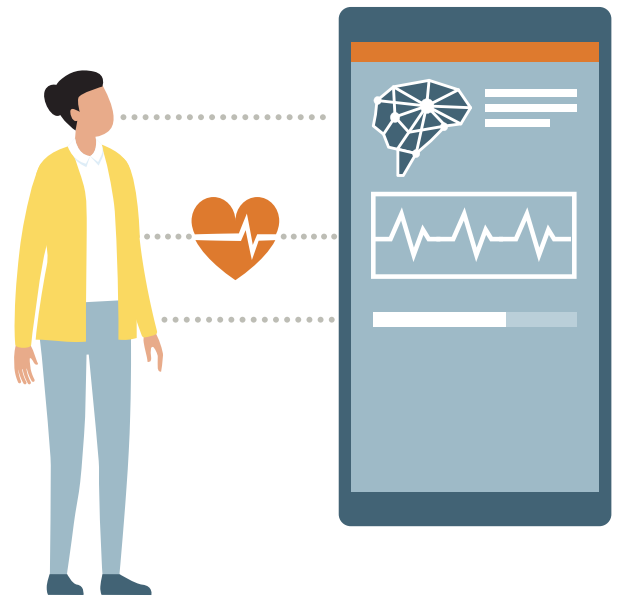
Finally, 51% of executives this year say they spend enough time preparing for the future rather than "firefighting," up from 45% last year. That's another sign that efforts to create strategic agility, overall alignment, and cultural strength are paying off. However, it also strongly suggests that healthcare and life sciences companies' efforts to continue to restructure to become more agile and innovative have substantial room to offer additional benefits.



About the survey

Heidrick & Struggles conducted an online survey of senior-level executives in the healthcare and life sciences sector to understand how organizations are preparing for and responding to market disruption. Regionally, 61% were from the United States, 20% from Europe, and 13% from Latin America, with the rest from other regions. Forty-one percent were CEOs, 9% other C-suite executives, and a further 18% board members; others were leaders of functions including commercial, finance, HR, and R&D. Just under half, 47%, had more than 25 years of experience in the industry. Twenty-nine percent of respondents were at companies with more than \$5 billion in annual revenue, and a further 18% at companies with annual revenue between \$1 billion and \$5 billion. Those surveyed come from companies in pharmaceuticals (27%), medical technologies (21%), biotech (19%), and healthcare systems and services (15%), with small shares of respondents in other sectors.

This survey builds on previous Heidrick & Struggles research, including our work on accelerating performance, an in-depth examination of how the world's largest companies build and sustain performance at the leader, team, and organization levels.



Healthcare & Life Sciences Practice

Heidrick & Struggles' Healthcare & Life Sciences Practice helps leading organizations in these sectors align their talent strategies and business objectives to foster innovation and enable growth in a fast-moving, rapidly changing world.

Companies in the healthcare and life sciences sectors contend with ever-changing technology, patient populations, markets, pricing, and regulatory environments. Their leaders must have the competencies required to lead all aspects of the business, while understanding the value of innovation and the relevance of science. With more than 80 professionals in major cities around the world, our Healthcare & Life Sciences Practice team combines unparalleled search resources with a deeply consultative approach to help clients boost their leadership capabilities.

We have expertise across all areas in the healthcare and life sciences sectors, including biotechnology, healthcare services, managed care, medical devices and diagnostics, pharmaceuticals, research and development, and contract research.

Working closely with a broad range of clients, ranging from start-ups to global public companies and healthcare organizations, Heidrick & Struggles identifies succession issues, considers team composition, and taps nontraditional talent pools. We advise and recruit in the context of an organization's culture. We partner with our clients to find leaders who can align and integrate the interests of complex stakeholder groups, build their organizations, and demonstrate shareholder value year after year.

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