Disruption in healthcare and life sciences

A survey by Heidrick & Struggles reveals top drivers of disruption in the industry: anticipated threats are top of mind for healthcare and life sciences senior executives.

Senior healthcare and life sciences executives expect mounting disruptive pressure in the coming 18 months, fueled by the cost of healthcare, technology, and external innovation. Yet only 45% say that their companies are well prepared to weather the disruptions they anticipate. Among the key factors that executives say prepare them for marketplace disruptions are the caliber of their people, their innovative use of technology, and their superior understanding of customer needs.

The survey examined the most significant sources of disruption in the sector and how prepared companies are to respond. Our findings underscore the high importance that sector leaders place on talent and the acquisition of new capabilities as a means of preparing for the challenges ahead.

Key findings

Of those surveyed, 85% think that their company faces more disruptive pressure today than it did 18 months ago, with 91% anticipating the pace of disruption in healthcare and life sciences to increase over the next 18 months. Yet fewer than half (45%) feel that their company is well prepared to face market disruption.

Two factors—healthcare cost and value-based reimbursement—represent the largest source of industry disruption, according to survey respondents.
The following were among the top factors that were rated moderately or extremely disruptive to business in the healthcare and life sciences space, according to survey respondents:

- **01** Cost of healthcare—value-based reimbursement model (59%)
- **02** Technology—artificial intelligence, big data, digital, wearables, consumer genomics (55%)
- **03** External innovation—acquiring assets and technologies (52%)
- **04** Patient centricity—empowered customers (43%)
- **05** New entrants in healthcare—e.g., Amazon, Google, Apple, Walmart (42%)

Cost of healthcare is the leading driver of disruption to the life sciences sector, according to survey respondents. Following closely behind are technology and external innovation.

You indicated that your company is well prepared to face marketplace disruptions. Which of the following factors* are responsible for your belief?

- **01** The caliber of our people
- **02** Our innovative use of technology
- **03** Our superior understanding of customer needs
- **04** Our ability to anticipate disruption
- **05** Our focus on continuous improvement
- **06** Our ability to manage complexity
- **07** Our ability to navigate the political/regulatory environment
- **08** Our ability to change our strategic direction quickly
- **09** Our ability to work across organizational boundaries

* Respondents were prompted to select their top three factors.

The majority of respondents who said that their companies were prepared for disruption noted the caliber of their people as the top reason for this belief, followed by their innovative use of technology and superior understanding of customer needs.
You indicated that your company is a source or cause of disruption in the marketplace. Which of the following factors* are responsible for your belief?

01. Our innovative use of technology
02. The caliber of our people
03. Our superior understanding of customer needs
04. Our ability to change our strategic direction quickly
05. Our ability to manage complexity
06. Our ability to anticipate disruption
07. Our focus on continuous improvement
08. Our ability to navigate the political/regulatory environment
09. Our ability to work across organizational boundaries

* Respondents were prompted to select their top three factors.

While fewer than half (48%) of senior executives in the life sciences sector say that their company attracts the best talent in their market, for those executives who say their company is prepared for disruption, the caliber of their people was the most cited reason for this belief. Further, while most executives cite talent as important, only 38% express moderate or extreme confidence that their company has a sufficient level of talent to successfully deal with disruption in the industry.

More broadly, senior healthcare and life sciences executives cited the growing importance of data and analytics capabilities as the most significant source of anticipated disruption and change to their company over the next 18 months, followed by the speed of technological change in the industry and increasing customer expectations for service, convenience, and cost.

Which of the following factors* represent the most significant sources of disruption and change for your company over the next 18 months?

01. Growing importance of data and analytics capabilities as a source of competitive advantage
02. The speed of technological change in our industry or business
03. Increasing customer expectations for service, convenience, or cost

*Shown are the top factors selected among various potential disruptors, from a shortage of skilled talent to new market entrants.

Of the 55% of executives who said that their companies were sources of disruption in the marketplace, their innovative use of technology was listed as the top reason for this belief, followed by the caliber of their people and their superior understanding of customer needs.
Nonetheless, 50% of the respondents expressed either moderate or extreme confidence in their ability to innovate enough to successfully deal with disruption in the healthcare and life sciences space, indicating some optimism.

How confident are you about your company’s ability to innovate enough to successfully deal with disruption in healthcare and life sciences?

- **12%** Extremely confident
- **38%** Moderately confident
- **29%** Somewhat confident
- **20%** Slightly confident
- **1%** Not at all confident

One of the key findings from our work with influential companies across the world is that successful senior leaders harness the power of predicting how trends and contexts may intersect to form new opportunities or threats. We call this skill “ripple intelligence.” Healthcare and life sciences companies that succeed will be those that see the “ripple opportunities” presented by these disruptive forces. By embracing these uncertainties and mobilizing, transforming, and executing with agility, these firms will retain differentiation and achieve and sustain leadership in changing markets.

About the survey

Heidrick & Struggles conducted a survey of 82 senior-level executives in the healthcare and life sciences sector to understand how organizations are preparing for and responding to market disruption. Of the respondents, 73% were from the United States, with the remainder from other regions globally, and 43% were C-suite executives, of which 28% were CEOs/chairmen.

The remaining respondents were board members (19%), presidents (6%), partners/owners/principals (9%), VPs/SVPs/EVPs (18%), or others (5%). More than half (54%) of those surveyed work at organizations with more than 10,000 people. Survey respondents come from companies in healthcare systems and services (28%), pharmaceuticals and medical products (54%), and private equity (9%). This survey builds on previous Heidrick & Struggles research, including our work on accelerating performance, an in-depth examination of many of the world’s largest companies that highlights the attributes of top performers.

About Heidrick & Struggles’ 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.

Leaders of Heidrick & Struggles’ Healthcare & Life Sciences Practice

**John Mitchell**  
Global Practice Managing Partner  
jmitchell@heidrick.com

**Andrew MacLeod**  
Regional Managing Partner, Europe  
amacleod@heidrick.com

**Jimson Cheng**  
Regional Managing Partner, Asia Pacific and Middle East  
jcheng@heidrick.com

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