

Disruption in Healthcare and Life Sciences 2021

The fourth annual survey of healthcare and life sciences leaders shows a desire for stability and an accelerated shift toward business models that will help take their products to their customers in a digital-first world.



Introduction



The healthcare industry has been in the spotlight during the COVID-19 pandemic, with every aspect of companies' response scrutinized in detail by both governments and the public. The scrutiny has prompted a significant shift in the way healthcare leaders think about their business models, influenced by a new understanding of what is possible when it comes to digitizing both ways of working and sales channels.

Our fourth annual disruption survey provides a snapshot of leaders' current views on how their organizations have managed 2020's disruption and how they are planning to approach the new year's challenges and opportunities. The survey shows that healthcare and life sciences leaders are looking for stability in 2021—they want to prepare for the future rather than keep firefighting. Their key areas of focus and investment will be digitizing their channels to get their products to customers more efficiently and helping their workforces continue to adjust to working in a more hybrid manner. Conversely, compared with 2020, leaders are less likely to make changes and invest in areas such as talent, leadership, and culture. And, coupled with higher levels

of confidence in their companies' ability to face marketplace disruptions, leaders are signaling that they are ready to progress their organizations' digital transformation toward a more customer-centric business model.

In this context, it's encouraging that a higher share of executives think their companies

move fast enough: 42% in 2021, compared to 33% in 2020. There is no doubt that the pressure created by the COVID-19 crisis has opened up new possibilities for the way organizations operate today. Those that retain and build on their new strengths will have the best chance to succeed.

About the survey

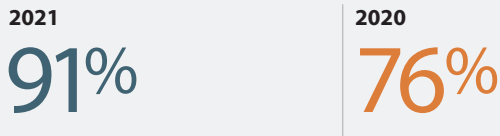
Heidrick & Struggles conducted an online survey of 146 senior-level executives in the healthcare and life sciences sector in order to understand how organizations are preparing for and responding to market disruption. Regionally, 58% of respondents were from the United States and Canada, 25% from Europe, 11% from Asia Pacific and the Middle East, and 6% from Latin America. Thirty-three percent of respondents were CEOs, 8% other C-suite executives, 20% general managers or other business leaders, and a further 22% were board members; others were leaders of functions including commercial, finance, HR, and R&D. Fifty-five percent of respondents had more than 25

years of experience in the healthcare and life sciences industry. Twenty-five percent of respondents were at companies with more than \$5 billion in annual revenue, and a further 22% at companies with annual revenue between \$1 billion and \$5 billion. Those surveyed come from companies in medical technologies (30%), pharmaceuticals (18%), healthcare systems and services (21%), and biotech (13%), 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.

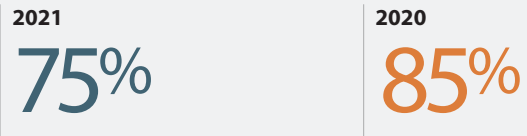
Executive summary

Despite the increased levels of disruption, healthcare and life sciences leaders are more often confident this year than in 2020 that their companies are well placed to face market disruptions.

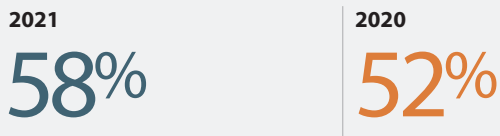
Leaders saying their companies face more disruption now than they did 18 months ago



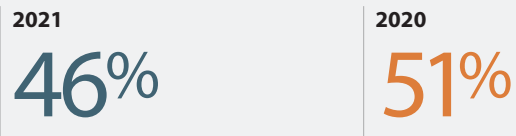
Leaders expecting more disruption in the next 18 months



Leaders saying they are confident in their companies' ability to face market disruptions

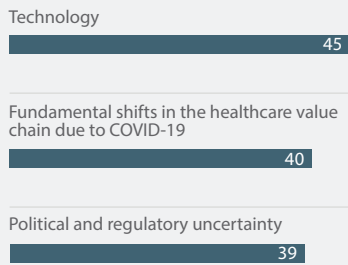


Leaders who see their own organizations as disruptors

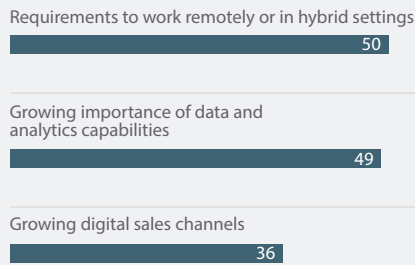


The biggest sources of disruption

Top external disruption factors (%)



Top internal disruption factors (%)



Sector leaders signaled reduced appetite for change compared to 2020



Areas of focus going forward

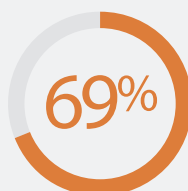
Investing in digital offerings

Forty percent say digital offerings is one of the most important areas in which to invest in order to gain competitive advantage, compared to 22% in 2020.



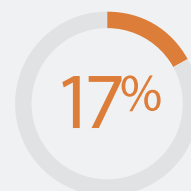
Continuing operational improvement

Sixty-nine percent say they are prepared to deliver excellence in execution and continuous operational improvement compared to 75% in 2020.



Addressing the talent gap

Only 17% of leaders say they are very confident they have the talent leadership they need.



New disruptions from within

It is not surprising that 91% of the healthcare and life sciences leaders we surveyed said that their companies face more disruption today than they did 18 months ago, but it's somewhat encouraging that only 75% of those leaders expect more disruption over the next 18 months. In last year's survey, 76% of leaders said their companies faced more disruption, and 85% anticipated more in 2020¹; it could be that the past 10 months triggered or accelerated change that was already in process. While the COVID-19 crisis has disrupted all sectors, healthcare may have seen the biggest impact and the deepest levels of change, and leaders may feel that they have fast-tracked managing the pandemic-generated disruption.

When it comes to externally generated disruption to their organization, technology still ranks first, followed closely by fundamental

shifts in healthcare value chains caused by COVID-19, and then political and regulatory uncertainty. While the rankings of the external disruption drivers remain largely unchanged, there are significant changes when it comes to the internal ones: a minimally higher share of leaders see the safety measures that require working remotely or in hybrid settings as the biggest cause for disruption, overtaking the importance of data and analytical capabilities. Leaders' rankings of disruptors also show a clear shift toward growing digital sales channels (36% in 2021, compared to 15% in 2020), while addressing the shortage of skilled talent falls down in rankings (23% in 2021, compared to 44% in 2020).

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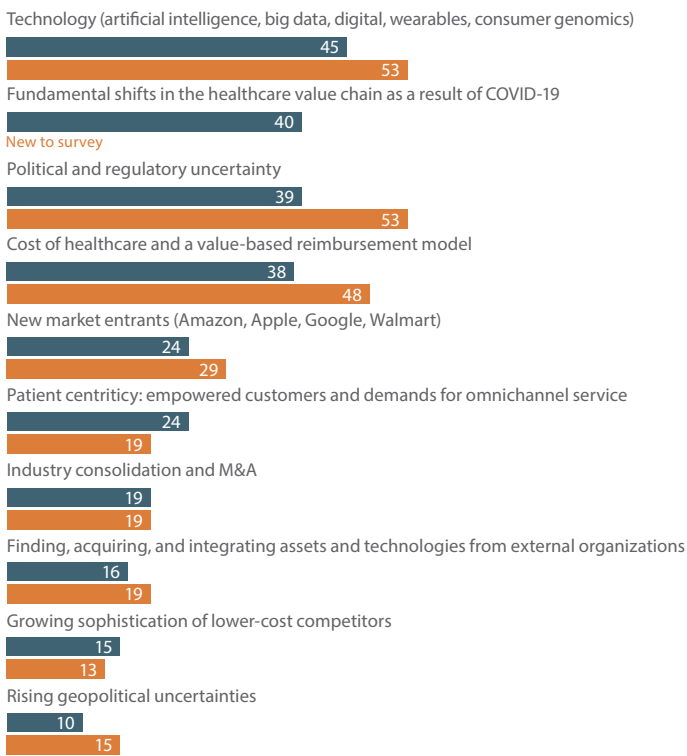
¹ "Disruption in healthcare and life sciences 2020," Heidrick & Struggles, January 21, 2020, heidrick.com.

Causes of disruption: External and internal factors (%)

Question: Which of the following external and internal factors will be most disruptive to your company over the next 18 months?

2020 2021

External factors



Internal factors



Healthcare and life sciences leaders are more often confident this year that their companies are well placed to face market disruptions (58% in 2021, compared to 52% in 2020), but less often see their own organizations as disruptors (46% in 2021, compared to 51% in 2020). Those who have confidence say it stems from their belief in the caliber of their people, clear organizational purpose, superior understanding of customer needs, and superior ability to bring innovations to market—all of which were cited by higher shares of executives this year than last. On the other hand, smaller shares of leaders cite their ability to change strategic direction quickly and their ability to

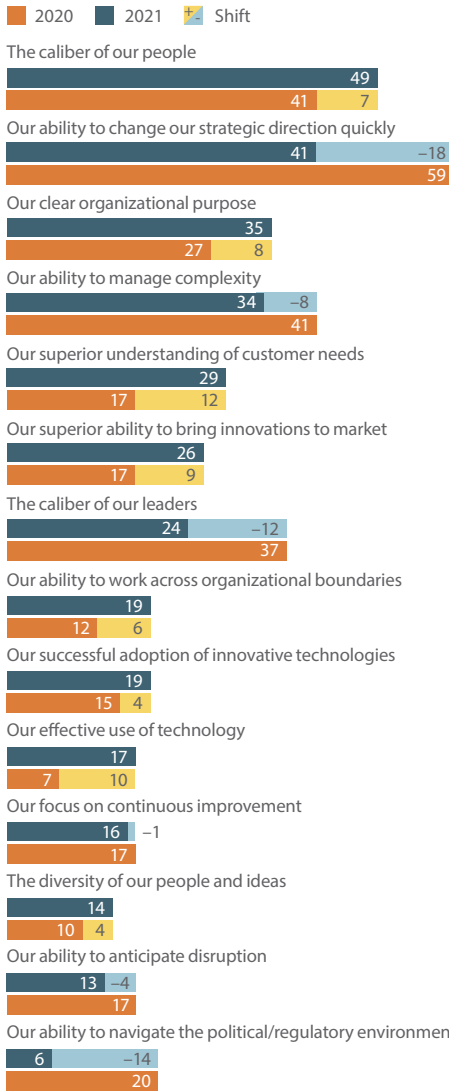
manage complexity, with the latter possibly becoming problematic in a context where organizations will have to improve their digital channels while finding the right formula for hybrid and remote working simultaneously.

In this year's survey, leaders who believe their companies to be disruptive in the marketplace most often see their superior ability to bring innovation into their market and their ability to change strategic direction quickly as key competitive advantages; in addition, a larger share of leaders this year see successful adoption of innovative technologies and their superior understanding of customer needs as

factors in their disruptor ability when compared to last year. Leaders are less reliant in 2021 than they were in 2020 on their diversity of people and ideas, the caliber of their leaders, their ability to manage complexity, and their ability to work across organizational boundaries.

Leaders' shifting areas of confidence in their ability to face market disruptions (%)

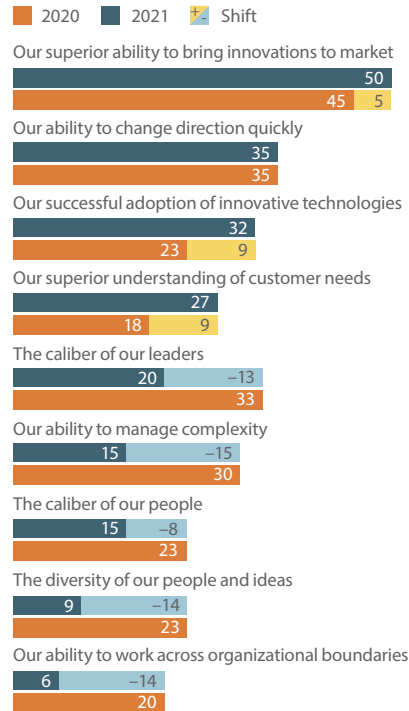
Question: You indicated that your company is well prepared to face marketplace disruptions. Which of the following factors are most responsible for your belief?



Note: Bars may not total each other, because of rounding.

Leaders' shifting areas of confidence in their belief that they are market disruptors (%)

Question: You indicated that your company is a source of disruption in the marketplace. Which of the following factors are most responsible for your belief?



A time for stability

The quest for stability is one of the threads we saw in the survey responses. Leaders show a significantly decreased appetite for change on most fronts, particularly in areas such as organizational restructuring (41% in 2021, compared to 57% in 2020), defining or clarifying organizational purpose (19% in 2021, compared to 33% in 2020), or changing their leadership teams (26% in 2021, compared to

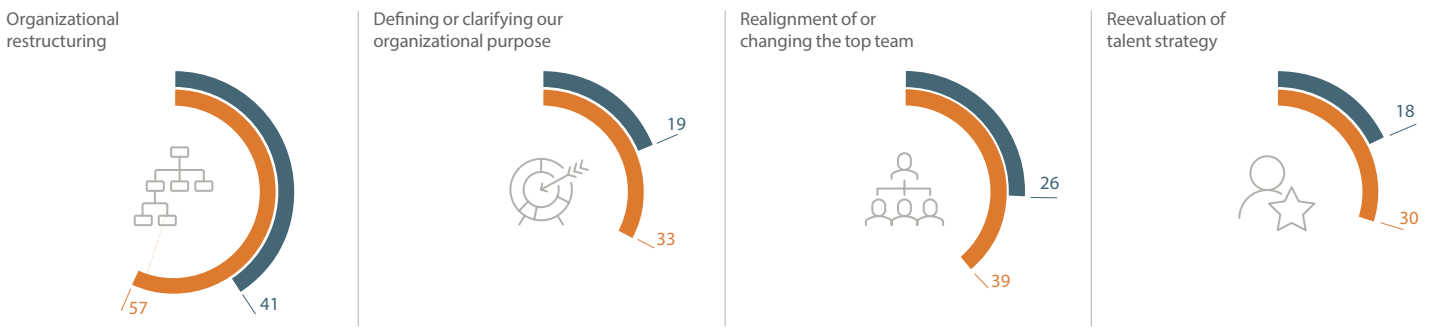
39% in 2020). Many leadership teams spent significant time during the pandemic looking at different scenarios and recalibrating their approaches, and might now feel confident that they have the right structure to tackle 2021 and beyond. There are similarly lower degrees of interest in changes at the leadership level, be that of the top team, the board, the CEO, or wider talent, even though only 24% of the

executives highlighted the caliber of their leaders as a factor in their confidence in their organization's ability to navigate marketplace disruptions. The only exception to this apparent aversion to change is on diversity and diverse leadership, with 35% of leaders highlighting it as an area of change in 2021 compared to 2020.

Areas of change

Sector leaders signal reduced appetite for change in 2021 compared to 2020 (%)

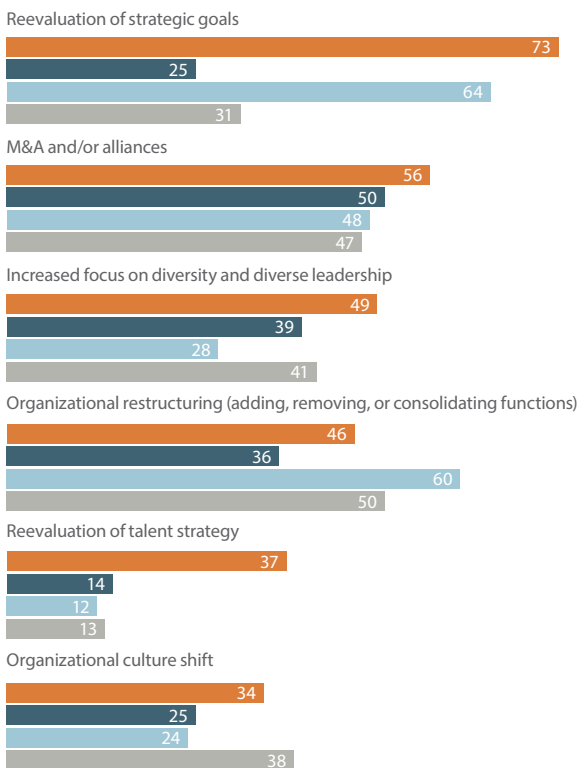
Question: Which of the following changes, if any, have you made in the past year or are now considering making in your organization to meet the rapid pace of change?



But there are marked differences among how executives in different roles responded (%)

Question: Which of the following changes, if any, have you made in the past year or are now considering making in your organization to meet the rapid pace of change?

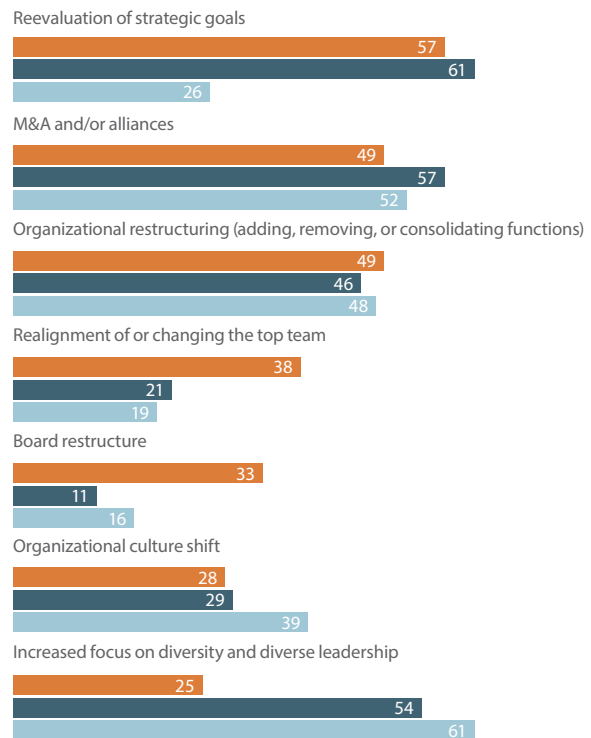
Legend: CEO (orange), Board member (dark blue), General manager or business unit leader (light blue), Other (grey)



And differences also appear among executives from companies of different sizes (%)

Question: Which of the following changes, if any, have you made in the past year or are now considering making in your organization to meet the rapid pace of change?

Legend: Less than \$1bn in revenue (orange), \$1bn-\$5bn in revenue (dark blue), More than \$5bn in revenue (light blue)



Customer centricity gains traction in the midst of a very disruptive year

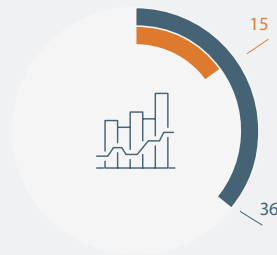
More leaders see patient centricity and growing digital sales channels as key factors for disruption over the next 18 months (%)

■ 2020 ■ 2021

Patient centricity

Growing digital sales channels

Seventy-two percent are confident they have the right leadership in place to drive customer focus



Healthcare and life sciences leaders are highly confident in the quality of their products and services



say that their customers regard their products and services consistently excellent, compared to 78% who said the same in 2020

Digital offerings is the only area where a higher share of leaders say they will invest for competitive advantage



of leaders say digital offerings is one of the most important areas in which to invest in order to gain competitive advantage, compared to 22% who said the same in 2020

The focus going forward

As leaders are planning their reset to "business as new usual" and progressing their shift to customer centricity and operational excellence, our findings suggest that they should focus more on making sure they have the right talent strategy and leadership and a strong culture that can help them thrive.

Invest in a technology-enabled, customer-first approach

Healthcare and life sciences companies were already in transition from a provider-dominated, decision-making enterprise to a patient-centric system; this transition has been accelerated in the past year as customers have been demanding omnichannel services and solutions. While many sector leaders in

our survey show high levels of confidence in their capabilities and products, their focus now should be to put in place the right digital channels to bring their products to their customers. This requires a mindset shift and sustained organization-wide, patient experience-focused behaviors. In this new environment, technology and digital are not differentiators; they are a necessity, as business operating model and digital become one coherent approach.

Creating customer-centric organizations starts with leaders who put customers first, which, at individual levels, means they understand and can shape customers' needs and are able to build deeper relationships with them; as a result, leaders can create distinctive value.²

Our findings suggest that leaders should focus more on making sure they have the right talent strategy and leadership and a strong culture that can help them thrive.

² Karen Rosa West and Megan Herbst, "Putting the customer first—for real," Heidrick & Struggles, May 6, 2020, heidrick.com.

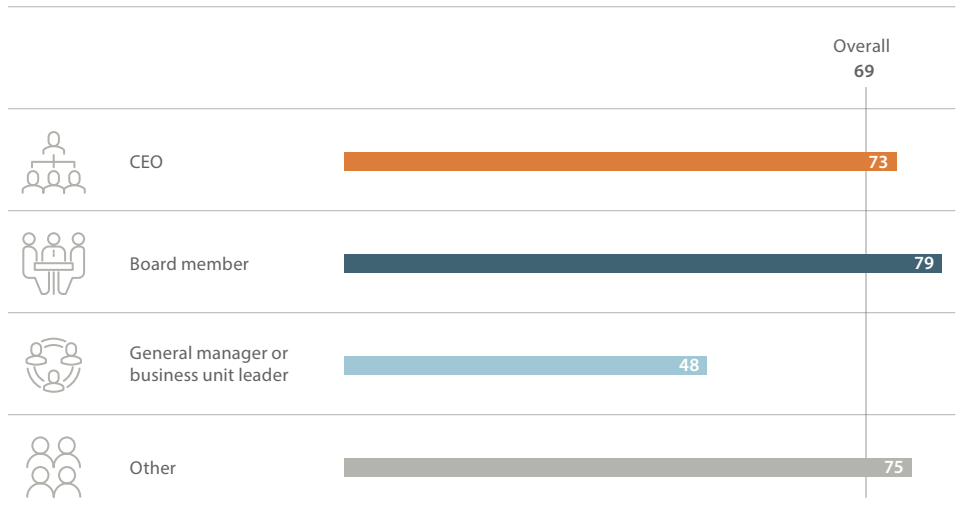
Bolster execution and simplicity

Another critical cog in the organizational engine is operational efficiency. Yet a smaller share of leaders this year indicate that they are prepared to deliver excellence in execution and continuous operational improvement, with the number of those who agreed and strongly agreed slipping down from 75% in 2020 to 69% in 2021. What was striking in our findings this year was that there is a vast perception gap between how CEOs and boards see their level of preparedness for execution and how general managers and business unit leaders, who have to oversee on-the-ground implementation of many processes, see it: 73% of CEOs and 79% of board members say that they harness and streamline resources to consistently deliver excellence in execution and continuous operational improvement, while only 48% of general managers and business unit leaders agree.

It is somewhat concerning that a slightly lower share of leaders say their organizations have been breaking down silos (60% in 2021, compared to 63% in 2020) and only 34% of leaders think their ability to manage complexity is a key factor in their organization's ability to face disruption. Other Heidrick & Struggles work shows that simplicity is a key ingredient in a company's ability to be agile and competitive.³

Perception gap in excellence in execution

Please indicate the extent to which you agree or disagree with the following statement: In my company, we harness and streamline resources to consistently deliver excellence in execution and continuous operational improvement. (% agree and strongly agree)

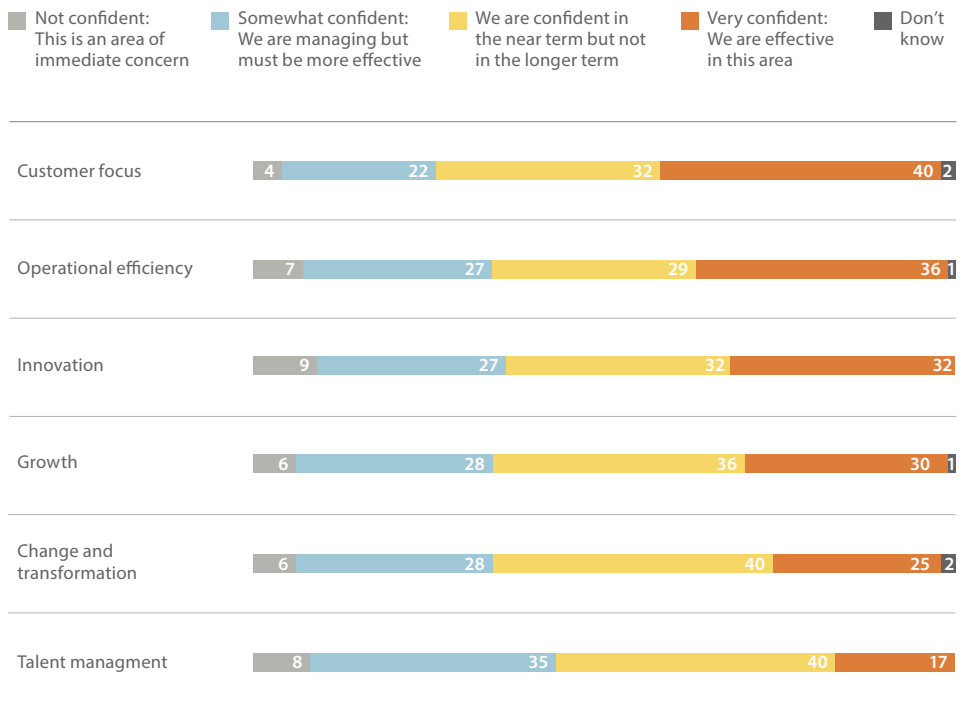


Put more focus on talent, culture, and leadership

Our survey shows that leaders are prioritizing customer experience and digitization for 2021 and that culture, talent, and leadership have taken a backseat. That might make sense when it comes to talent—leaders rank the caliber of their people as the top factor in their confidence in their companies' preparedness to navigate marketplace disruptions, and 58% say they use interim and contract talent to enhance their in-house capabilities. But, when asked to express their levels of confidence in their leaders across various critical areas in the organization, talent management ranked last, with only 17% of leaders saying they are very confident they have the talent leadership they need. In that light, it is concerning that, overall, investment in superior talent and leadership as a priority has fallen from 70% in 2020 to 43% in 2021.

Confidence in leadership's ability to drive business requirements (%)

Question: How confident are you that you have the necessary leadership in place to drive the following business requirements?



Note: Numbers may not sum to 100%, because of rounding.

³ Alice Breeden and Adam Howe, "Why simplicity is the key to accelerating performance," Heidrick & Struggles, December 5, 2019, heidrick.com.

There is a consistent trend of a decline in trust in companies' leadership in 2021: a smaller share of executives believe they have the right leaders or that their top teams are aligned and can make bold decisions compared to 2020. Nonetheless, healthcare companies show little appetite for changing their leaders, which underlines the clear need for stability that comes across in the survey. Since the World Health Organization (WHO) declared COVID-19 a pandemic in March 2020, companies across sectors have either paused their search for CEOs or opted for the tried-and-trusted profile of a leader with a strong track record and previous CEO experience.⁴

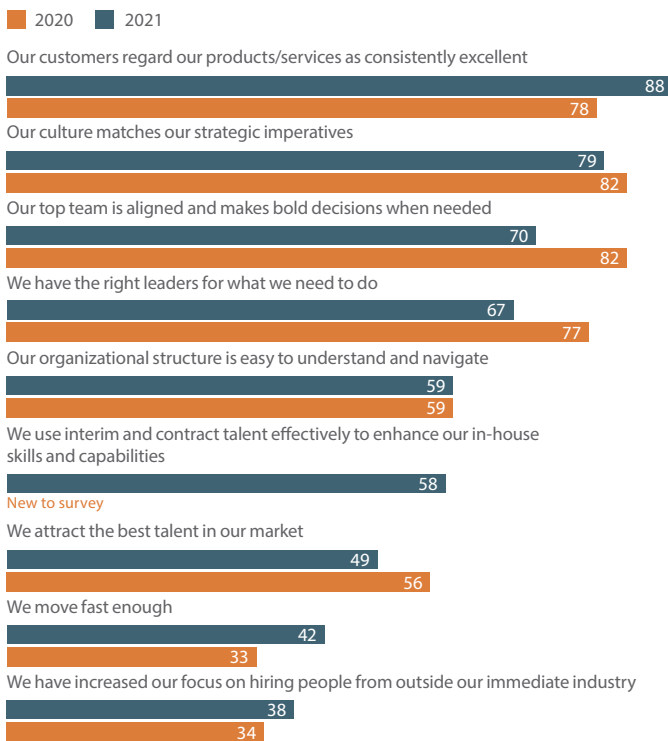
It remains to be seen if the experienced, traditional CEO profiles are the best fit to see healthcare companies through the next cycle of their development. Other Heidrick & Struggles research shows that while many companies start their leader-recruitment processes with innovation at the top of the requirements list, they still end up selecting executives who have proven capabilities to deliver results. But when an organization is being disrupted, it is leaders with the ability to disrupt, challenge, and innovate who can provide an understanding of how disruption will play out and reimagine a company's future.⁵

4 *Route to the Top 2020*, Heidrick & Struggles, November 19, 2020, heidrick.com.

5 Paul Gibson, Ryan Pastrovich, and Karen Rosa West, "Disruptive leaders: An overlooked source of organizational resilience," Heidrick & Struggles, April 1, 2020, heidrick.com.

How leaders see their companies' capabilities

Please indicate the extent to which you agree or disagree with each of the following statements: In my company... (% agree and strongly agree)



Leaders may underestimate the importance of managing the cultural shift that comes with a remote or hybrid working environment, with only 27% of leaders in our survey either having made changes in their organizational culture in the past year or are considering doing so. Many organizations used a large portion of their social or cultural capital to manage the abrupt changes brought on by the pandemic, and, as the workforce evolves with each new joiner and person departing, that capital needs to be rebuilt. Finding the right blueprint to nurture a radically different organizational culture requires a long-term change-management process to support it.

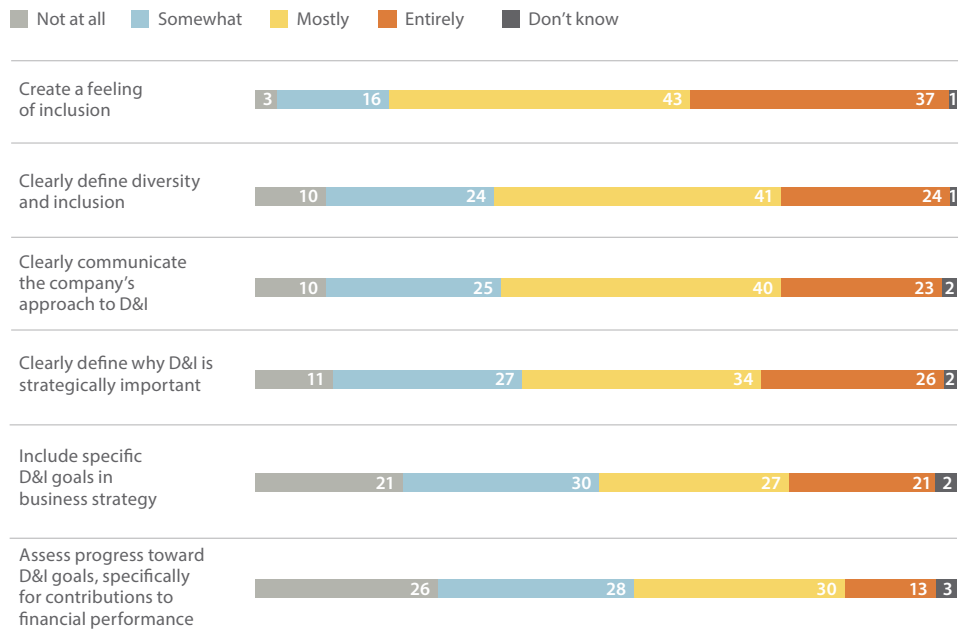
Concurrently, healthcare has made great strides in diversity and inclusion: the most recent Refinitiv index places nine pharma and three healthcare companies in its 2020 D&I top 100, tying the healthcare industry with banking, while the software and IT sector had only one entry.⁶ In other Heidrick & Struggles research, we identified a best-in-class group of organizations that more often than others see their D&I efforts as important contributors to their business success—we call this group the D&I Vanguard.⁷ About 20% of companies in the Refinitiv index qualified, while 27% of companies in this survey meet the same criteria. This means that many leaders have much more work to do in order to advance their diversity and inclusion efforts. While 80% of leaders say their companies create a

feeling of inclusion, fewer respond positively to other Vanguard criteria, which are more clearly measurable areas such as defining D&I, defining why it's important to strategy, and clearly communicating the company's D&I approach to the organization. Even fewer organizations include specific D&I goals in their business strategy or assess progress toward those goals and their specific contributions to financial performance, which are key areas in ensuring organizations understand the actual impact of D&I and how to improve it.

Twenty-one percent of leaders say their companies include specific D&I goals in business strategy.

How leaders see their companies' D&I efforts (%)

Question: To what extent, if at all, does your company do each of the following?



Note: Numbers may not sum to 100%, because of rounding.

⁶ "Top 100 diversity and inclusion companies," Refinitiv, September 2020, refinitiv.com.

⁷ Krishnan Rajagopalan and Lyndon A. Taylor, *Meeting the Inclusion Imperative: How Leaders Can Link Diversity, Inclusion, and Accelerated Performance*, Heidrick & Struggles, April 30, 2020, heidrick.com.

Conclusion

The past year has provided cause and opportunity for healthcare and life sciences companies to lead the response to a once-in-a-lifetime pandemic and at the same time change their organizations in ways that will bring them closer to their customers. As leaders seek to execute these new business models, they should continue to focus on their talent strategy, leadership development, and culture alongside their investments in digital.



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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ONE LEADERSHIP TEAM AT A TIME®

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