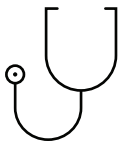


# Healthcare

## Incumbents Strike Back

Global C-suite Study  
19th edition

IBM Institute for  
Business Value



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## Which way to the future?

The signals are utterly bewildering. As digital technologies transform the world, monopolies are winning big-time. Yet collaborative systems are also flourishing, and even in industries where the competition is shrinking there's still plenty of creativity. Little wonder top executives are puzzled.

Healthcare CxOs are no exception. They're equally divided as to whether the focus will be on new or established markets (39 versus 40 percent). And where, previously, they assumed that open innovation would predominate, a growing number now anticipate more internal innovation. But there are two points on which they broadly agree: how both value propositions and value chains are altering. A full 73 percent of Healthcare CxOs expect more emphasis on customer experiences than standalone products over the next few years. Similarly, 58 percent envisage that most organizations will continue to expand their network of partners.

Healthcare CxOs also report that there's been a major shift in the external factors most likely to affect their organizations in the near future. Market forces have overtaken technological advances for the first time since 2010. But it's people skills that top the Healthcare C-suite's agenda: 69 percent of respondents say talent will be the single biggest influence on their enterprises – recognition, perhaps, of how medical training and healthcare delivery models have failed to keep pace with demand for healthcare, creating an enormous shortage of caregivers.

The IBM Institute for Business Value, in cooperation with Oxford Economics, interviewed 499 CxOs from the Healthcare industry. These conversations included both quantitative and qualitative responses. The analytical basis for this Healthcare industry report uses 443 valid responses from the total data sample collected.

More than 12,800 CxOs, representing six C-suite roles, 20 industries and 112 countries, contributed to our latest research. We used the IBM Watson Natural Language Classifier to analyze their contextual responses and ascertain overarching themes. We also used various statistical methods, including cluster analysis and discriminant analysis, to scrutinize the millions of data points we collected.

## Reinventors race ahead

In the course of our research, we identified three distinct organizational “archetypes,” each at a different stage on the road to Digital Reinvention™ (see Figure 1).

Reinventors focus on developing breakthrough products, services and business models; excel at extracting value from their ecosystems; and actively experiment. Their IT strategies are aligned with their commercial goals, and they’re superb at managing change – all of which helps them stand out both financially and as innovators.

Practitioners are ambitious but haven’t yet acquired the capabilities required to realize their ambitions. They’re neither as focused nor as agile as Reinventors.

Aspirationals have even further to travel. They still need to devise a clear strategy, put the right processes and resources in place, and develop the agility to seize new opportunities.

## Reading the road signs

So what’s actually going on? Four topics stand out from our conversations with CxOs and our work with academics:

Dancing with disruption

The path to personalization

The pull of platform models

Innovation in motion.

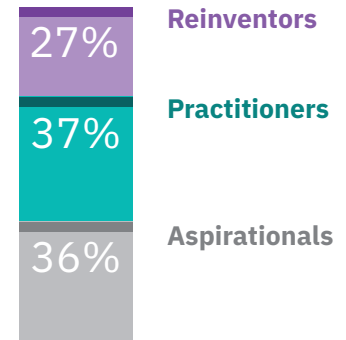
“I don’t want technology to revolutionize business; rather, technology should revolutionize outcomes.”

Chief Information Officer, Healthcare, United States

Figure 1

### Healthcare split

Industry archetypes have distinct characteristics that lead to differing vantage points



## Dancing with disruption

Two years ago, CxOs told us they were deeply worried about digital giants and ankle-biters from other industries invading their territory. Now, they're far more relaxed. Only 30 percent of Healthcare CxOs say their sector is experiencing huge upheavals, and only 20 percent recognize an urgent need to transform their enterprises in response. Moreover, it's not outsiders they're most concerned about: 67 percent of Healthcare CxOs report that the *real* disruption is coming from innovative industry incumbents – once unwieldy enterprises that have reinvented themselves to thrive in a disruptive digital era.

Healthcare CxOs are responding to this reinvigorated competition in several ways. They're expanding into new therapeutic areas (59 percent), partnering with other organizations to enhance their offerings (49 percent), and delivering personalized patient services (47 percent). Creating interoperable provider systems and patient engagement solutions likewise features high on their to-do lists. But Healthcare Reinventors are more fleet-footed than many other healthcare organizations: 56 percent have cultures that reward fast failure and rapid innovation. They're also putting more effort into developing new business models, primarily by shifting from fee-for-service to value-based payment models and offering wraparound services alongside drugs and devices. Aspirational, by contrast, are still at the stage of worrying about interlopers and more likely to be looking for allies outside the healthcare industry to help them counter disruption.

## The path to personalization

Connecting with the customer – be it a patient, caregiver, payer or another healthcare enterprise – on a personal level is vital these days, but designing compelling personalized experiences is very difficult; it takes a profound understanding of what makes different people tick. Again, Healthcare Reinventors are ahead of the curve. They're particularly skilled at using data to identify unmet customer needs (see Figure 2).

However, Healthcare Reinventors don't just trawl through yottabytes of data. They approach problems like design thinkers – by empathizing and engaging directly with customers, consulting their partners to get a better picture of the customer experience, analyzing detailed journey maps and using cognitive solutions to unearth deeply buried insights. The result? A full 70 percent of Healthcare Reinventors say they're very effective at creating personalized patient experiences, compared with 64 percent of Practitioners and just 41 percent of Aspirational.

“We want to technically enable the patient journey – moving from reactive to proactive healthcare.”

Director, Healthcare, Qatar

## The pull of platform business models

One of the most exciting recent trends is the emergence of the platform business model, which connects producers directly with consumers, enabling organizations to grow faster and generate higher profits. While only 6 percent of Healthcare CxOs already have platforms, 31 percent are experimenting with the concept and 17 percent are planning to reallocate capital for this purpose.

That said, the average amount of capital they've earmarked is only 13 percent – marginally less than the percentage the industry has invested in building platforms over the past few years.

So what makes a platform work? We identified three “rules” for success: creating value from reciprocity, capitalizing on data, and committing to innovation. Healthcare Reinventors fit this profile particularly well. Fifty percent collaborate selectively with competitors (versus just 36 percent of Practitioners and 33 percent of Aspirationals). Healthcare Reinventors are also better at teaming up with patients to design and develop new products and services. Lastly, unlike other Healthcare CxOs, they're reinventing their business models by concentrating on a smaller number of therapeutic areas and selling off non-core divisions, such as consumer health and animal health.

Figure 2

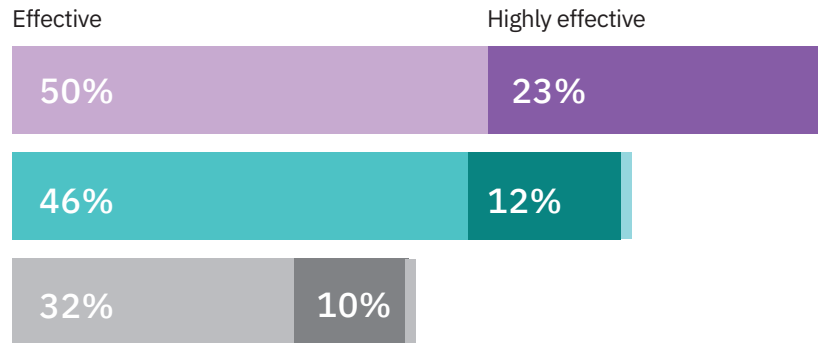
### Know now

Reinventors excel at using data to understand their customers' unmet needs

#### Reinventors

#### Practitioners

#### Aspirationals



Q: How effective is your enterprise at using data to identify undefined and unmet customer needs?

## Innovation in motion

The organization of work is altering dramatically as enterprises collaborate to innovate and ecosystems replace go-it-alone entities. The smartest C-suites are preparing for the future by creating teams that learn on the fly. Most of the Reinventors and Practitioners in our healthcare sample already solicit input from employees to develop new approaches. But the Reinventors have gone much further: 63 percent are embracing fluid, cross-functional teams to stimulate continuous learning (versus just 53 percent of Practitioners and 44 percent of Aspirational, respectively). More than half of all Healthcare Reinventors also empower their teams to decide on the best course of action (see Figure 3). The CxOs who head these companies lead through trust.

“We need to develop a connected-care ecosystem that links patients, healthcare providers, pharmaceutical companies and payers to provide the right healthcare for every patient.”

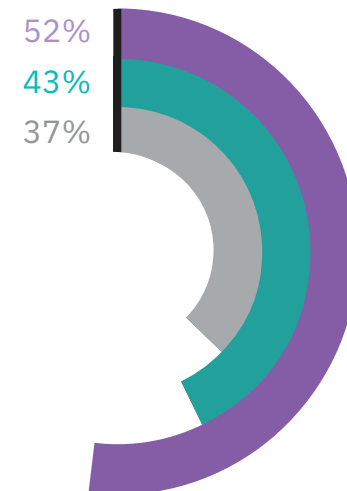
Chief Financial Officer, Healthcare, Netherlands

Figure 3

**Reinventors**  
**Practitioners**  
**Aspirational**

## Autonomous teams

Reinventors empower their teams to decide on the best course of action



*Q: To what extent does your enterprise empower teams to decide on the best course of action? (Percentage of respondents choosing “to a large extent.”)*

There's more. Healthcare Reinventors have C-suites that are consistently better than those heading Practitioners and Aspirationals at promoting a culture of transparency and ongoing dialogue among employees; creating the right network of partners, suppliers and distributors; and putting in place the right resources, including people with the right skills, to execute their strategies. In other words, they combine a dynamic vision with an open culture and agile operations – and these, as our research shows, are the three stepping stones to organizational dexterity.

## Strengthening advantage: Actions to take now

*Get close and personal.* Create regular opportunities for open dialogue with patients, caregivers, consumers, partners and competitors. Bring patients, as well as healthcare professionals, into your design and planning sessions to help you develop innovative solutions.

*Hunt for new opportunities regularly, at speed.* Build secure platforms that provide the flexibility to act nimbly and alter course frequently without compromising patients' privacy. Use data to identify unmet customer needs, and tap new technologies for monitoring and responding to patients with medical conditions as they go about their daily business.

*Throw out the rulebook.* Build a more open, collaborative culture centered on the individual. Scan the horizon continuously for potential ecosystem partners, including digital giants like Amazon – now entering the healthcare arena – and capitalize on such companies' distribution networks and customer skills.<sup>1</sup>

### **Related IBM IBV C-suite Program executive reports**

To read the full report, “Incumbents Strike Back,” please go to [ibm.com/globalcsuitestudy](http://ibm.com/globalcsuitestudy). You can also find copies of our monthly insights and four related C-suite executive reports on IoT, artificial intelligence, blockchain and the experience revolution at the same location. Additionally, read our related healthcare report: “A healthy outlook: Digital Reinvention in healthcare.” IBM Institute for Business Value. October 2017. [ibm.biz/drhealthcare](http://ibm.biz/drhealthcare)

### **For more information**

To learn more about this IBM Institute for Business Value study, please contact us at [iibv@us.ibm.com](mailto:iibv@us.ibm.com). Follow @IBMIBV on Twitter, and for a full catalog of our research or to subscribe to our monthly newsletter, visit: [ibm.com/iibv](http://ibm.com/iibv)

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Produced in the United States of America  
March 2018

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#### Notes and sources

- 1 Wingfield, Nick, Katie Thomas and Reed Abelson. "Amazon, Berkshire Hathaway and JPMorgan Team Up to Try to Disrupt Health Care." *The New York Times*. January 30, 2018. <https://www.nytimes.com/2018/01/30/technology/amazon-berkshire-hathaway-jpmorgan-health-care.html>

