

# *Fit for the future* *17th Annual Global CEO Survey*

## Key findings in the Healthcare industry

*February 2014*



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# *Sector snapshot*

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## ***Sector snapshot***

***Technology, demographics and new customer expectations are transforming healthcare. But few are ready.***

# Sector snapshot

## A transforming sector

86% of healthcare CEOs believe technological advances will transform their businesses in the next five years. And they're far more conscious than other CEOs of the huge role demographics will play – 84% see it as a transformative trend, compared to just 60% across the sample.

## Changing patient expectations

Most healthcare CEOs plan to make changes to address the many ways in which customers' expectations are evolving: 94% plan to alter their customer growth and retention strategies, while 84% plan to alter their channels to market. Only relatively few have embarked on these changes, though, let alone completed them.

## New frontiers in healthcare

Technology is already having a far-reaching impact on healthcare delivery and CEOs are already planning ways to take advantage of this trend: 89% plan to improve their ability to innovate; 93% plan to change their technology investments; and 95% are exploring better ways of using and managing big data.

But there's a big gap between where healthcare CEOs are now, and where they want to be. Only 25% have already started or completed changes to make their companies more innovative; merely 33% have altered their technology investments, and just 36% have made any headway in getting to grips with big data.



# Sector snapshot

## Keeping up with technology

Why the delay? Only 31% say their research and development (R&D) functions are well prepared, and only 41% say their information technology (IT) functions are well prepared, to capitalise on the trends now reshaping the world.

Concerns that a newer technology could render their efforts obsolete are a likely factor: 57% of healthcare CEOs are worried about the speed at which technology is progressing. That's more than across the sample as a whole.

**57%**

worry about the speed of technological change

## Collaborating for success

To address the changing landscape, healthcare CEOs are also actively looking at transactions. More than half have entered into a joint venture or strategic alliance in the past 12 months (vs. one third of the total sample) and a full 69% plan to do so in the coming 12 months (versus 44% of the total sample).

Still, they acknowledge they could get better: more than four-fifths of all healthcare CEOs concede that they either need to change, or are already changing, their strategies for initiating such arrangements.

**69%**  
Plan a joint venture or strategic alliance

## Developing tomorrow's workforce

Healthcare CEOs recognise that they'll need to build a workforce to cope with tomorrow's markets: 53% want to hire more people in the next 12 months alone, and 63% are concerned about finding people with the right skills.

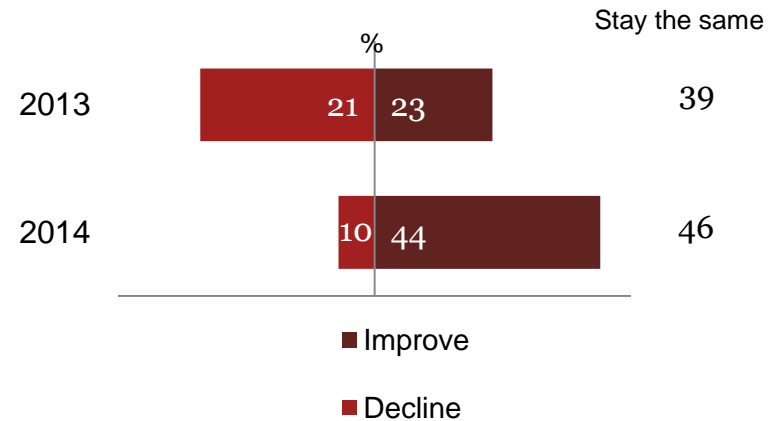
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# *A transforming sector*

# Healthcare CEOs are more optimistic about the economy

Healthcare CEOs, like other CEOs, are feeling more positive about the overall economic outlook than last year: 44% think the global economy will improve in the next 12 months. Last year only 23% saw grounds for hope.

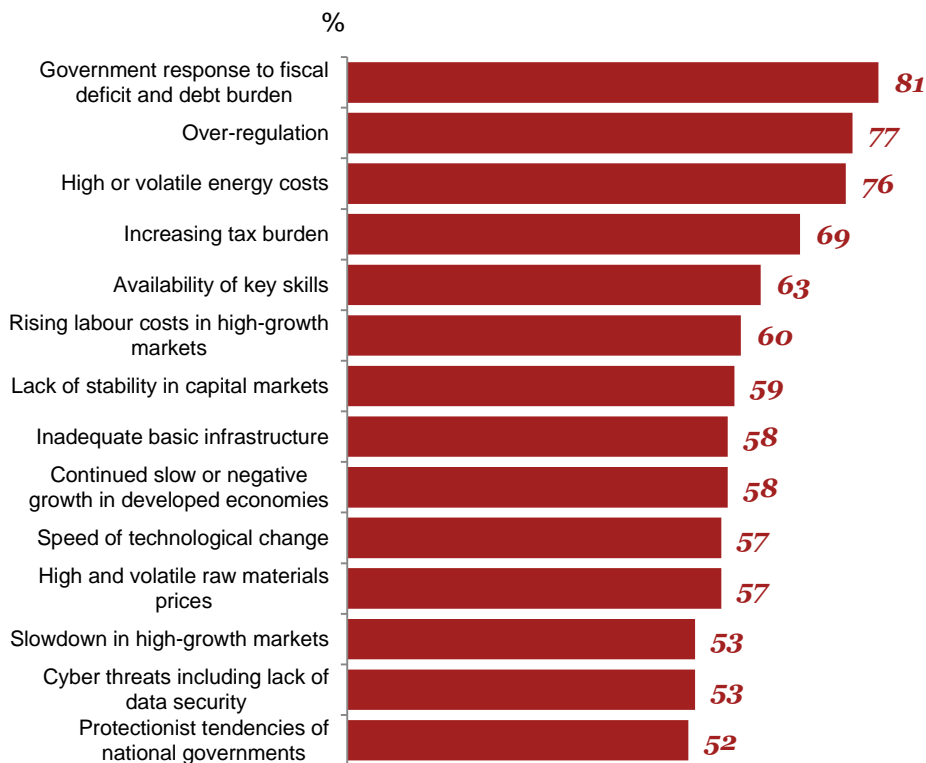
Q: Do you believe the global economy will improve, stay the same, or decline over the next 12 months?



Base: All respondents 2014 (Healthcare, 81)  
2013 (Healthcare, 90)  
Source: PwC 16th Annual Global CEO Survey 2013  
PwC 17th Annual Global CEO Survey 2014



# *But they're still concerned about how government decisions could impact their business*



Governments play a major role in healthcare delivery so it's not surprising that most healthcare CEOs are concerned about the government's response to fiscal deficit and debt burden, and over-regulation.

This is consistent with last year's results when almost four-fifths of healthcare CEOs were worried about the government's response to fiscal deficit and debt burden, and nearly three-fourths about over-regulation.

**Q: How concerned are you, if at all, about each of the following threats to your growth prospects? Top choices listed**

Base: All respondents (Total sample, 1344; Healthcare, 81)

Note: Respondents who stated 'extremely' or 'somewhat' concerned.

Source: PwC 17th Annual Global CEO Survey 2014

# *Healthcare CEOs believe technological advances and demographic shifts will have the most impact*

Q: Which of the following global trends do you believe will transform your business the most over the next five years? (Top three trends healthcare CEOs named.)

**86%**

Technological advances

**84%**

Demographic shifts

**49%**

Shift in global economic power

Base: All respondents (Total sample, 1344; Healthcare, 81).  
Source: PwC 17th Annual Global CEO Survey 2014

More than four-fifths of healthcare CEOs identified technological advances such as the digital economy, social media, mobile devices and big data as key trends transforming their business.

Nearly as many pointed to demographic shifts, far more than across the total sample.

And almost half identified global shifts in economic power, in line with the global sample.

# *Changing patient expectations, evolving business models*

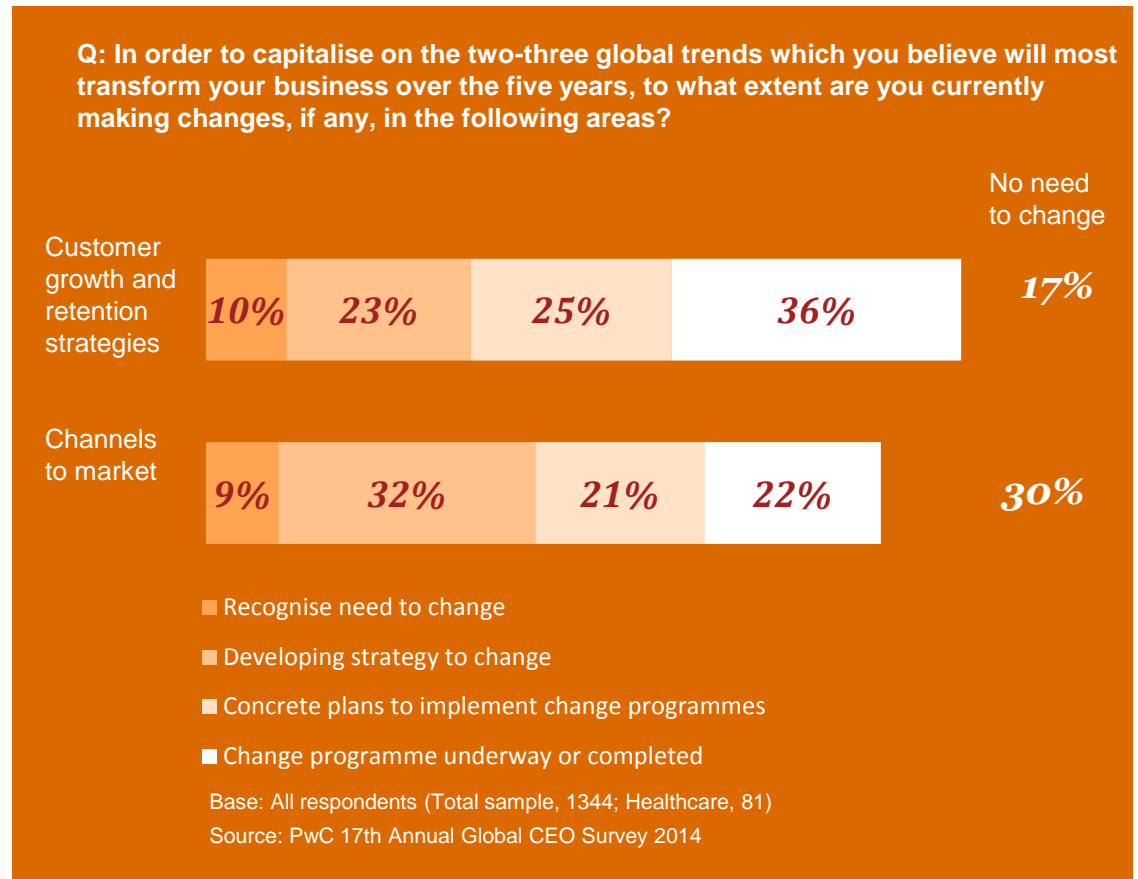
“I think in the next 20 to 25 years, we will see consistent growth in the sector. Those who are able to really deliver high-quality clinical outcomes and superior service will prosper because consumers are turning discerning. They are sometimes more knowledgeable than some of the clinicians themselves simply since information is now available at their fingertips.”

***Preetha Reddy, Managing  
Director, Apollo Hospitals***

# Customer strategies are evolving

The vast majority of healthcare CEOs intend to make changes to address the many ways in which customers' expectations are evolving: 94% plan to alter their customer growth and retention strategies, while 84% plan to alter their channels to market.

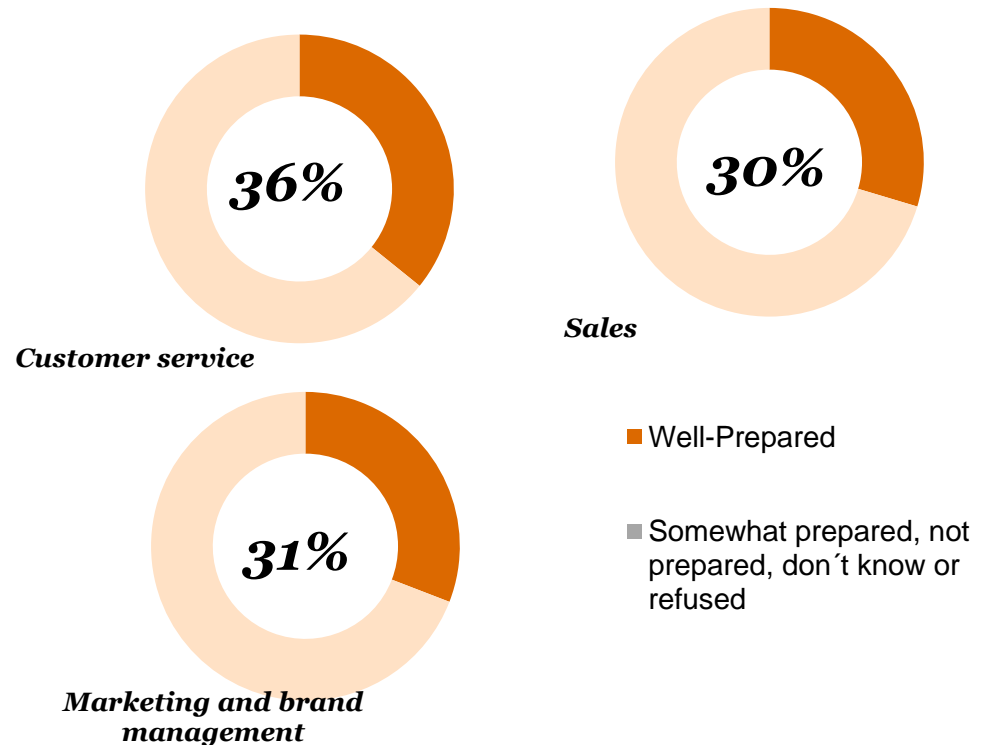
However, relatively few have embarked on these changes, let alone completed them.



# *But here, too, there's work to do to get ready*

Only around one-third of all healthcare CEOs think their customer service, sales and marketing functions are well-prepared to execute on plans that capitalise on transformative global trends.

Q: Thinking about the changes you are making to capitalise on transformative global trends, to what degree are the following areas of your organisation prepared to make these changes?



Base: All respondents (Total sample, 1344; Healthcare, 81)

Source: PwC 17th Annual Global CEO Survey 2014

# *Forging new frontiers in healthcare through technology*

“I think the next big thing to revolutionise the healthcare industry is technology. There has to be a consistent acknowledgement of what technology can do in terms of healthcare delivery. We have to invest in it and find ways and means to be extremely cost-effective in taking the point of care from within the hospital system to the doorstep of the consumer.”

***Preetha Reddy, Managing Director, Apollo Hospitals***

## *Technological change is moving at a fast pace*

Technological advances are changing the way the healthcare industry operates, empowering a new generation of tech-savvy consumers to take greater accountability for their care. It also has the potential to address long-standing issues of healthcare provision, thus holding the promise to generate value in a number of ways.

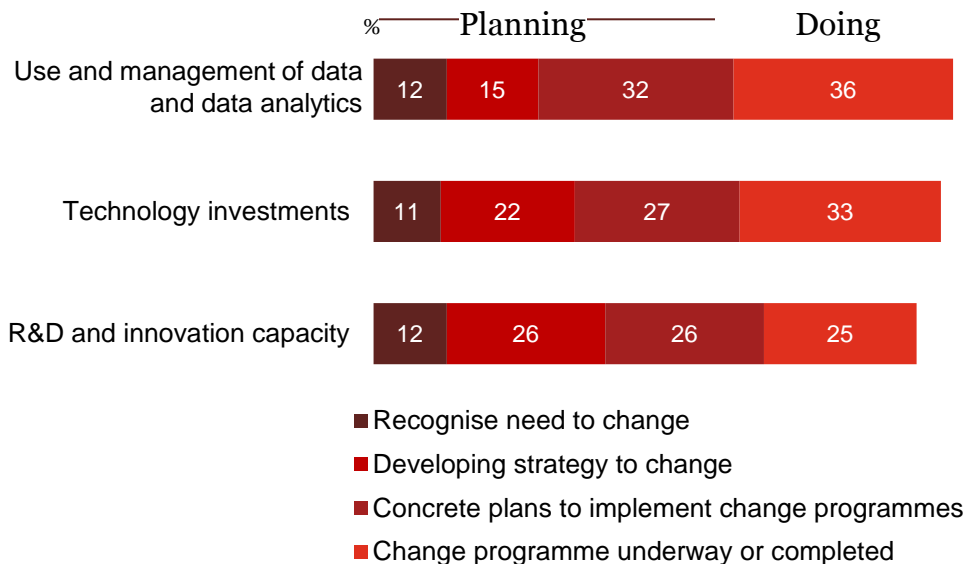
But it's not easy to keep up. 57% of healthcare CEOs, compared to 47% of the total sample, are worried about the speed at which technology is progressing.

Healthcare CEOs who are concerned that the speed of technological change could slow down growth

**57%**

# Healthcare CEOs want to make their companies more innovative, but they have a long way to go

**Q: In order to capitalise on the top-three global trends which you believe will most transform your business over the next five years, to what extent are you making changes, if any, to the following areas?**



Most healthcare CEOs are already planning ways to keep up with the pace and take advantage of what technology can offer: 89% plan to improve their ability to innovate; 93% plan to change their technology investments; and 95% are exploring better ways of using and managing big data.

There's a big gap between where healthcare CEOs are now, and where they want to be. Only 25% have already started or completed changes to make their companies more innovative; merely 33% have altered their technology investments, and just 36% have made any headway in getting to grips with big data.

Base: All respondents (Total sample, 1344; Healthcare, 81)

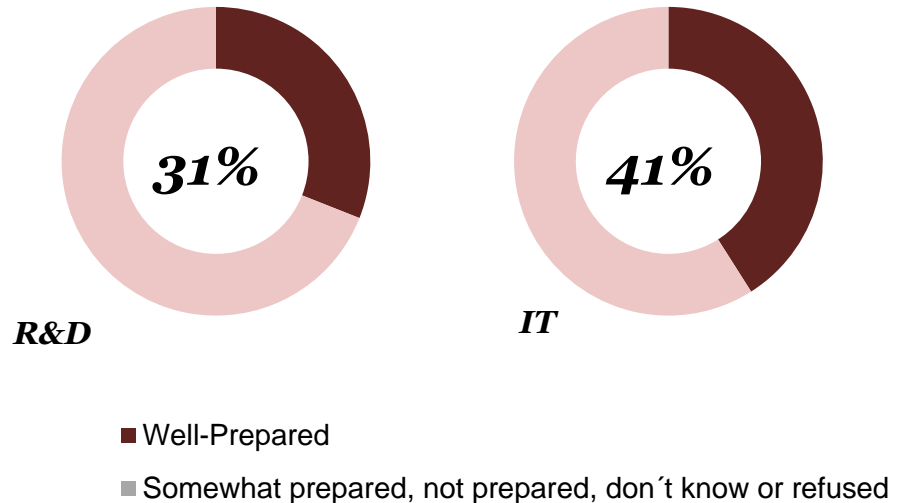
Source: PwC 17th Annual Global CEO Survey 2014



# *...and only a minority of CEOs believe that their teams are well-prepared*

Some reasons for the delay: only 31% of healthcare CEOs say their R&D functions are well prepared, and only 41% say their IT functions are well prepared, to capitalise on the trends now reshaping the world.

Q: Thinking about the changes you are making to capitalise on transformative global trends, to what degree are the following areas of your organisation prepared to make these changes?



Base: All respondents (Total sample, 1344; Healthcare, 81)  
Source: PwC 17th Annual Global CEO Survey 2014

# *Partnering in new markets*

69%

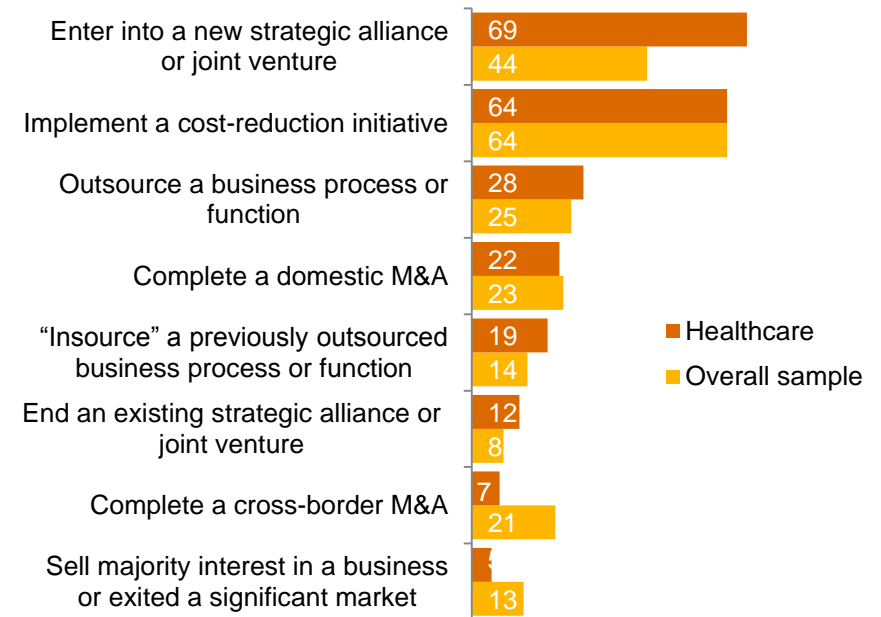
of healthcare CEOs plan a joint venture or strategic alliance in the coming 12 months

# Healthcare CEOs are collaborating extensively with a wide range of partners

To address the changing landscape and find new opportunities for growth, healthcare CEOs are actively engaging in new transactions.

More than half have entered into a joint venture or strategic alliance in the past 12 months (versus 34% of the total sample) and 69% plan to do so in the next 12 months. This is compared to 44% of the total sample.

**Q: Which, if any, of the following restructuring activities do you plan to initiate in the coming twelve months?**



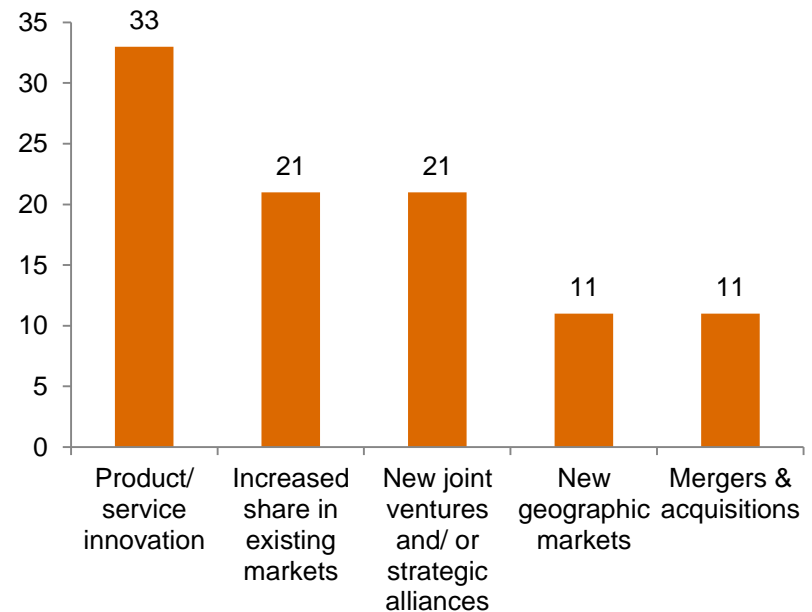
Base: All respondents (Total sample, 1344 ; Healthcare, 81)  
Source: PwC 17th Annual Global CEO Survey 2014

# *Few are venturing outside their borders*

For the most part, healthcare CEOs are sticking close to home.

Only 11% view new geographic markets as the main opportunity to grow their business in the next 12 months. This dropped slightly from last year's results of 12%.

**Q: Which one of these potential opportunities for business growth do you see as the main opportunity to grow your business in the next 12 months?**



Base: All respondents (Total sample, 1344 ; Healthcare, 81)

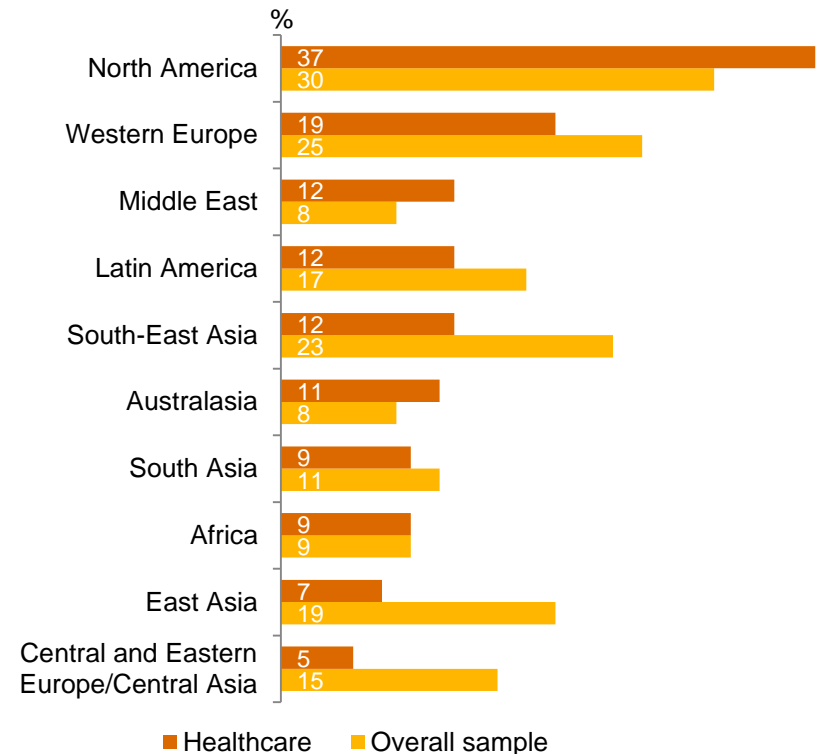
Source: PwC 17th Annual Global CEO Survey 2014

# Developed markets are still the priority region

North America still remains the preferred region, followed by Western Europe for M&As, joint ventures or strategic alliances.

That said, healthcare CEOs aren't ignoring the potential of emerging markets. The Middle East, Latin America and South-East Asia are also attracting investments.

**Q: In which regions are you planning to carry out an M&A, joint venture or strategic alliance?**

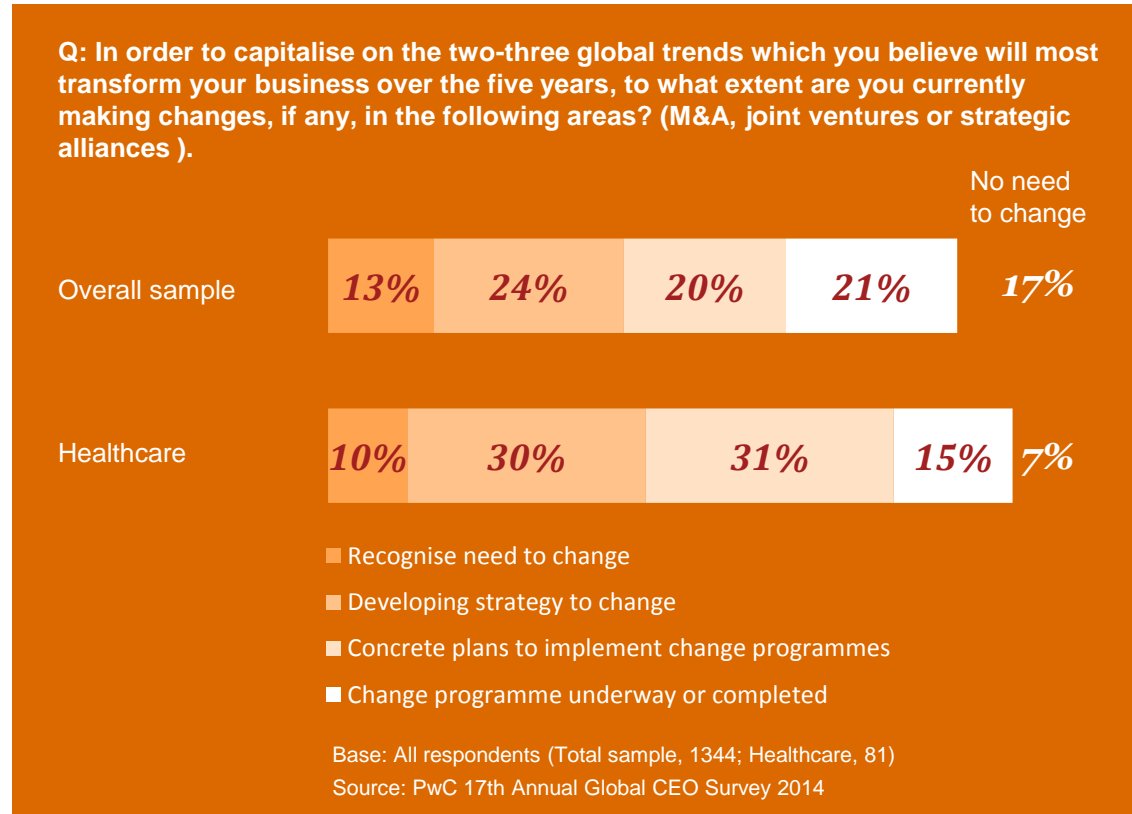


Base: Respondents who say they are planning an M&A, JV or strategic alliance (Total sample, 725; Healthcare, 57)

Source: PwC 17th Annual Global CEO Survey 2014

# *They see a need to re-vamp M&A strategies – but few have gotten started*

While nearly all healthcare CEOs see a need to change their transaction strategies – only 15% actually have a change programme underway or completed. So there's still a lot of work to do.



# *The search for talent*

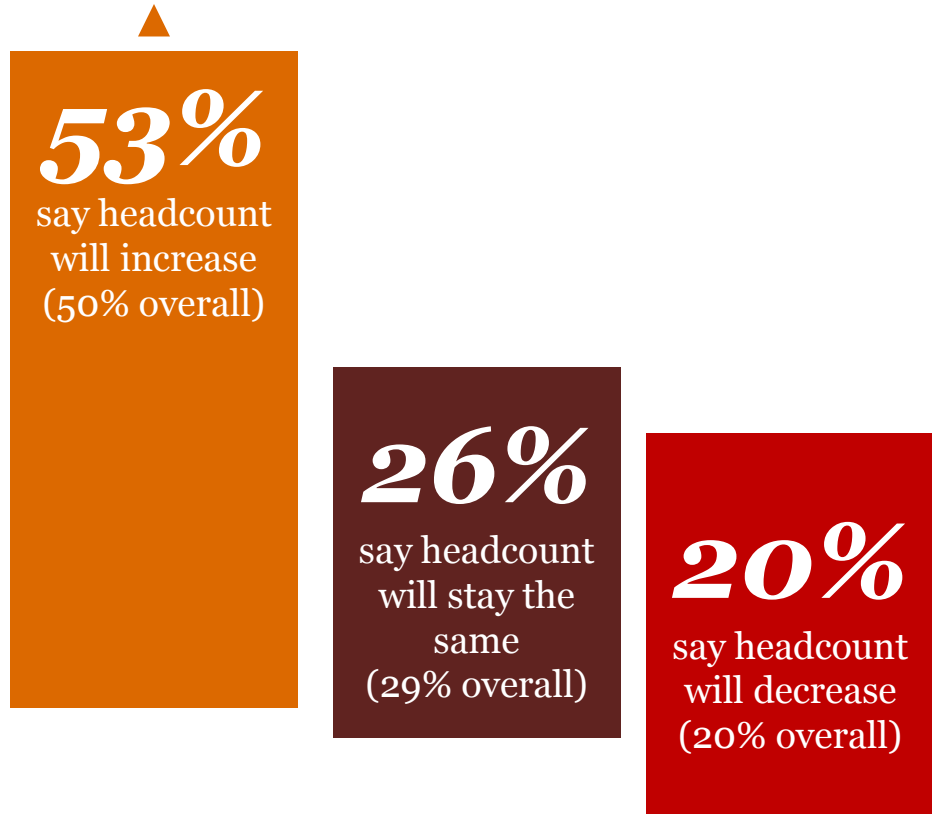
77%

of healthcare CEOs regard creating a skilled workforce as a key business goal

# *The need to grow the workforce is increasing*

Like most CEOs in other industries, healthcare CEOs are concerned about recruiting and retaining talented employees.

Over half want to hire more people in the next 12 months alone and 63% are concerned about finding people with the right skills.



**Q: What do you expect to happen to headcount in your company globally over the next 12 months?**

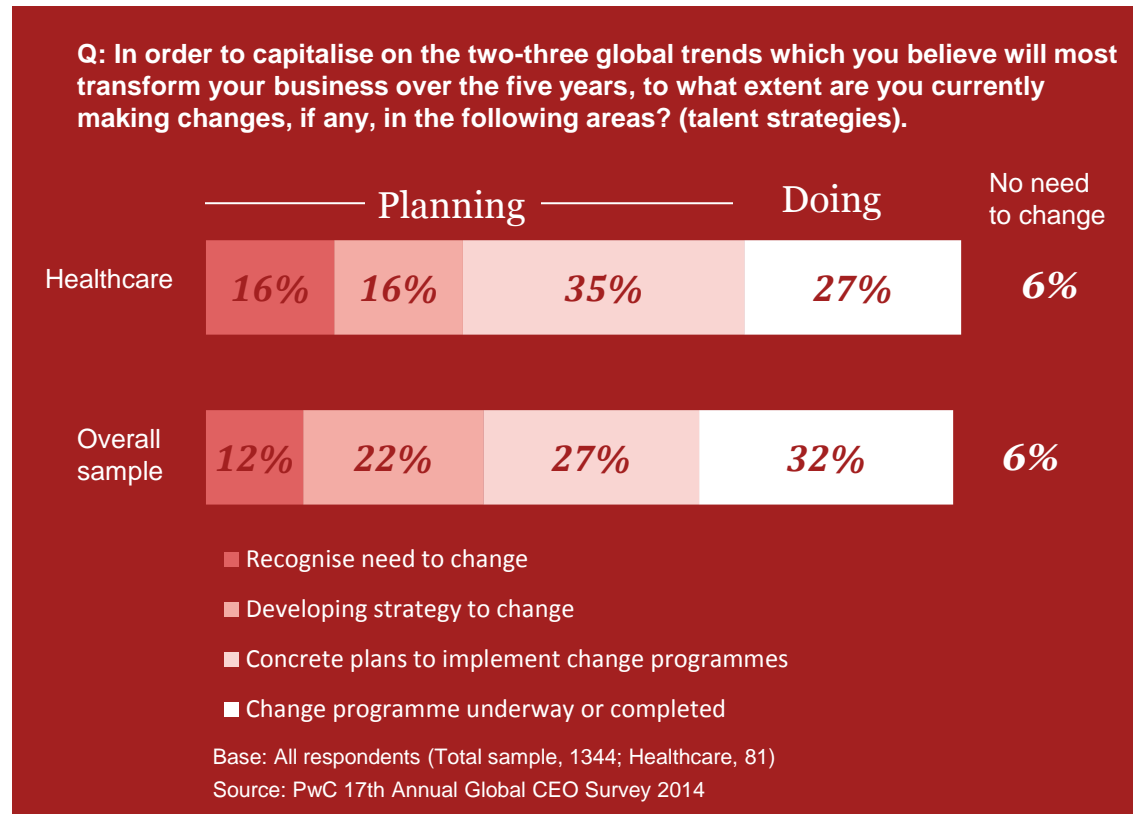
Base: All respondents (Total sample, 1344; Healthcare, 81)

Source: PwC 17th Annual Global CEO Survey 2014



# Only a minority are changing strategies to cope

While 94% of healthcare CEOs recognise that they need to alter their strategies for attracting and retaining talent, 67% haven't yet acted on their plans – possibly because they don't think their human resource (HR) function could cope. Only a minority think HR is prepared.



# About PwC's 17<sup>th</sup> Annual Global CEO Survey



Healthcare  
respondents

81

In countries across the  
world

28

We surveyed 1,344 business leaders across 68 countries around the world, in the last quarter of 2013, and conducted further in-depth interviews with 34 CEOs.

Our overall survey sees a leap in CEOs' confidence in the global economy – but caution as to whether this will translate into better prospects for their own companies. The search for growth is getting more and more complicated as opportunities in both developed and emerging economies becomes more nuanced, leading CEOs to revise the portfolio of overseas markets they will focus on.

In 'Fit for the future: Capitalising on global trends', we also explore three forces that business leaders think will transform their business in the next five years: technological advances, demographic changes and global economic shifts. We show how these trends, and more importantly the interplay between them, are creating many new – but challenging – opportunities for growth through: creating value in totally new ways; developing tomorrow's workforce; and serving the new consumers.

We also show how, in responding to these trends, CEOs have the opportunity to help solve important social problems.

In short, the demands being placed on business leaders to adapt to the changing environment are increasing exponentially; CEOs are having to become hybrid leaders who can successfully run the business of today while creating the business of tomorrow.

This sector key findings report takes a closer look at responses from healthcare industry CEOs. It is based on 81 interviews, conducted in 28 countries around the world. We also cite a more in-depth conversation with one healthcare CEO.

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## Acknowledgements

Our thanks to the following CEO who is quoted in this document.

Preetha Reddy, Managing Director, Apollo Hospitals



Download the main report, access the results and explore the CEO interviews from our 17th Annual Global CEO Survey online at [www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey)

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