RESEARCH REPORT

Accelerating the pace and impact of digital transformation

How healthcare and life sciences organizations view the digital agenda

A Harvard Business Review Analytic Services study in association with Genpact Research Institute

Harvard Business Review

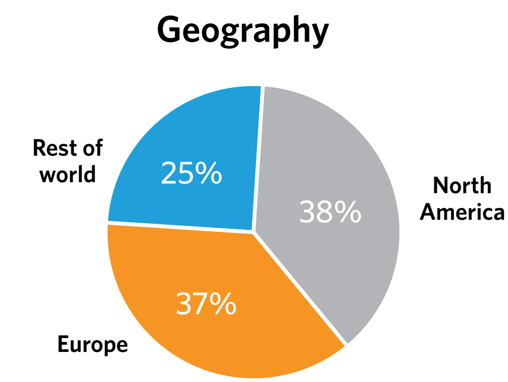
GENPACT RESEARCH INSTITUTE

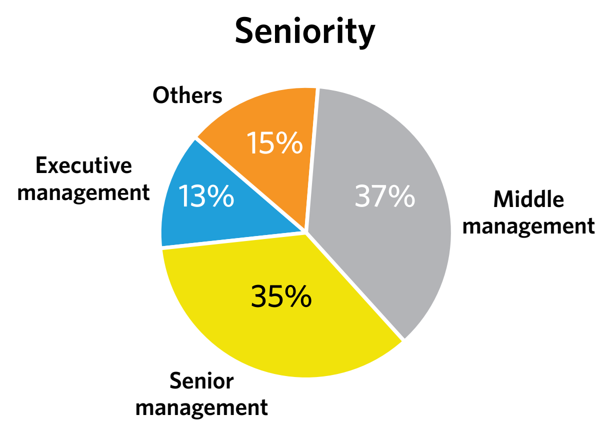
About the **research**

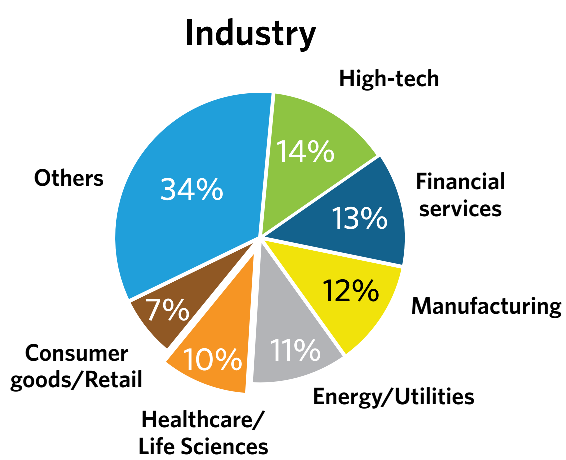
Methodology and sample

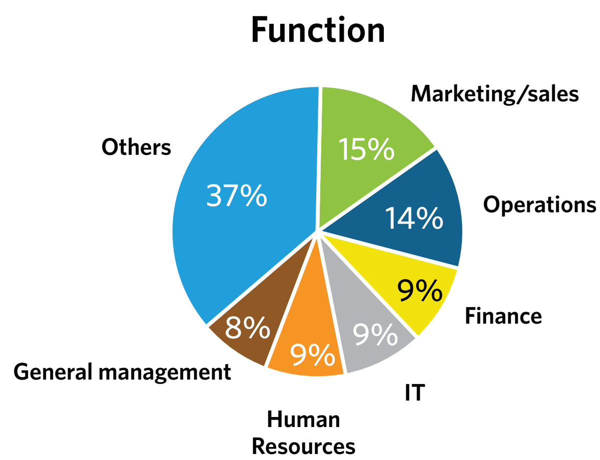
The survey was conducted by Harvard Business Review Analytic Services in association with Genpact.

- 682 respondents (65 from healthcare and life sciences) from HBR Advisory Council, HBR e-newsletter lists and Genpact's clients
- Respondents were surveyed based on the size of the organization (1,000 or more employees) and knowledge of their organization's use of digital technologies
- 51% of organizations with 2014 revenues of $5bn or more
- 68% of respondents work in companies of 10,000 or more employees









At a glance

Introduction

Healthcare needs to accelerate digital adoption experimentation and change management is key

As healthcare works towards optimizing the cost of service and capturing internal efficiencies, digital offers answers, but they need to improve the ability to experiment rapidly, and be less risk averse.

1. **Only 12% of healthcare companies (vs 21% of all respondents) reap the transformative value of digital**

2. Companies unable to optimize **end-to-end user experiences** beyond the front end, as only **20% from healthcare companies** align middle- and back-office to support the front

3. While digital leaders outcompete and grow revenues, healthcare lags in the use of digital to **enable a single view of the customer** (25%) and **improve customer loyalty** (35%)

4. Healthcare companies face key barriers - **inability to perform rapid experiments** (48%), **risk averse** culture (47%), and **poor change management** (45%)

5. To deliver digital success, healthcare companies think that change management, leadership skills and technical knowledge are the skills important to harness digital, even as digital leaders stress the significance of cross-functional change efforts and not technology

6. A **Lean Digital** approach combines customer-focused design-thinking methods with Lean principles, digital technologies, and domain expertise to deliver **digital that works**

Impact

12% healthcare companies achieve significant impact today[1]; 52% expect to in 2 years

Healthcare not a digital success yet; bets on future

Significantly more digital impact experienced by companies with **good back/middle office alignment to customer needs** (53%), and those with a **strong competitive position** (42%). **Healthcare trails peers** (12%).

Overall, companies in **North America** (26%), **IT functions** (27%) and those with **fewer legacy challenges** (28%) **ahead** in achieving significant impact.

Much higher future impact expected by all respondents (64%), those with **good back/middle office** (84%), and in a **strong competitive position** (74%). **Healthcare trails peers** (52%).

Across industries, senior management slightly more **bullish** on future impact (73% vs 64% for all levels).

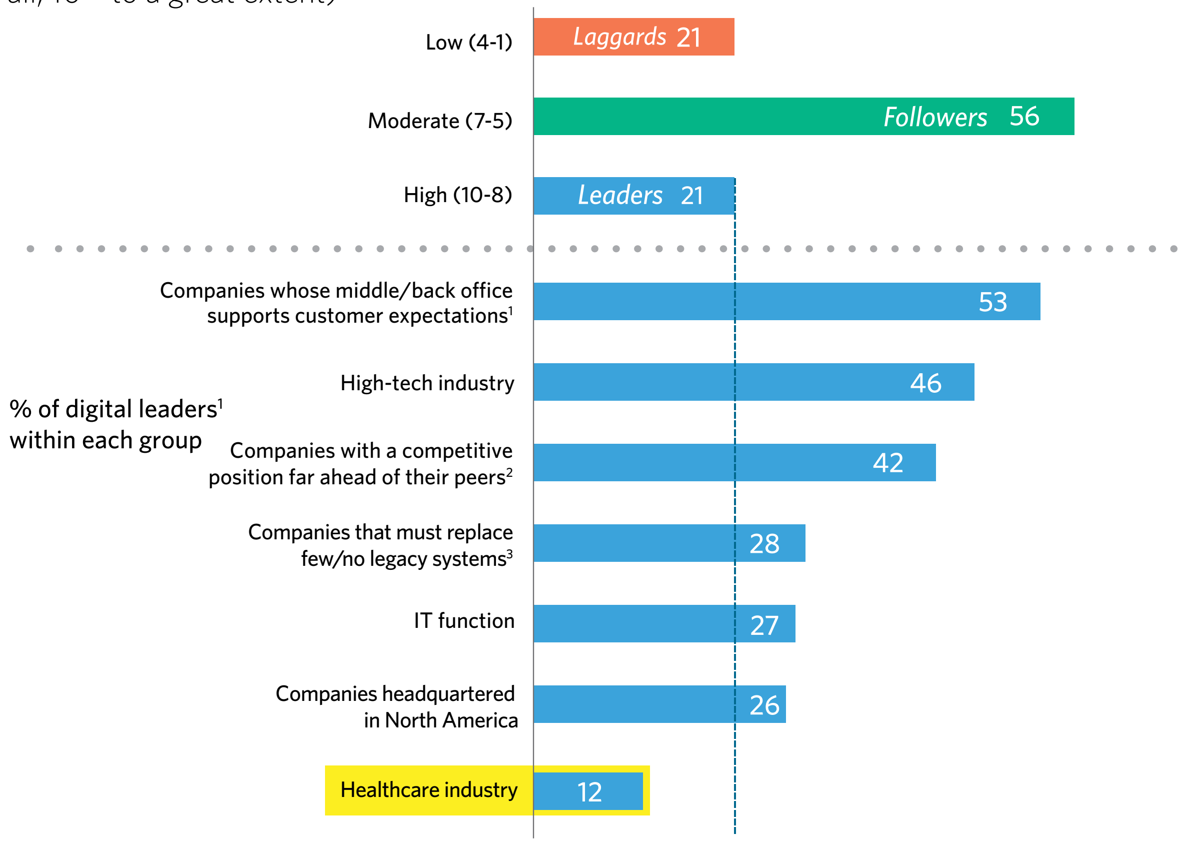
[1] Respondents rating the extent to which their organization is currently achieving positive business outcomes as a result of its use of digital technologies as 8-10 (on a 1-10 scale, 1 – not at all, 10 – to a great extent)

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Among companies whose middle- and back-office supports customer expectations, more than 1 in 2 harness digital effectively

Who is succeeding with digital? Meet the leaders

Percentage of respondents rating the extent to which their organization is currently achieving positive business outcomes as a result of its use of digital technologies (on a 1-10 scale, 1 – not at all, 10 – to a great extent)



[1] Respondents who state that their organization's middle/back office support customer experience expectations (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent)

[2] Far ahead defined as respondents who rate their organization's market position as 5 (on 1-5 scale, 1-considerably behind, 5-considerably ahead); 'behind peers' rated 1 and 2

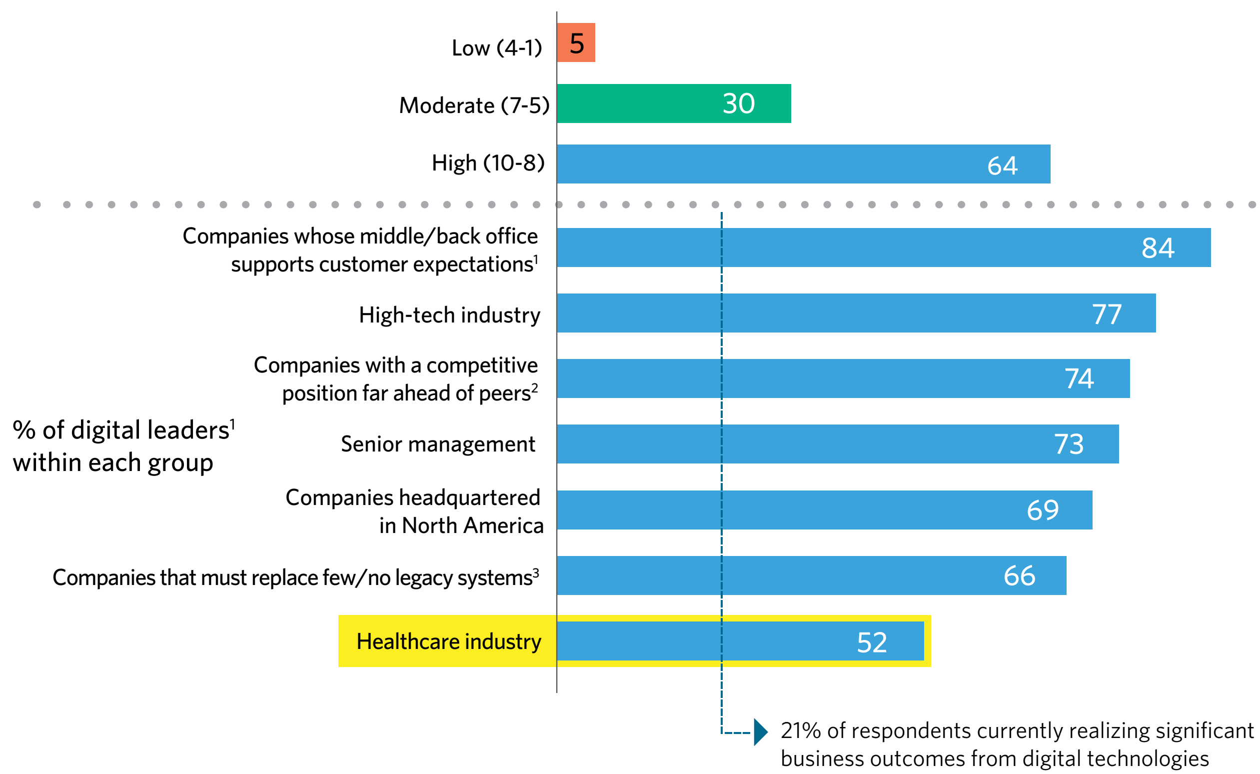
[3] Respondents who state few/no legacy systems need to be completely replaced as a result of digital technologies in their organization

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Those with strong end-to-end alignment will continue to outperform

Much higher digital impact expected in the future

Percentage of respondents rating the future impact (in 2 years from now) of digital technologies on achieving positive business outcomes (1 – not at all, 10 – to a great extent)



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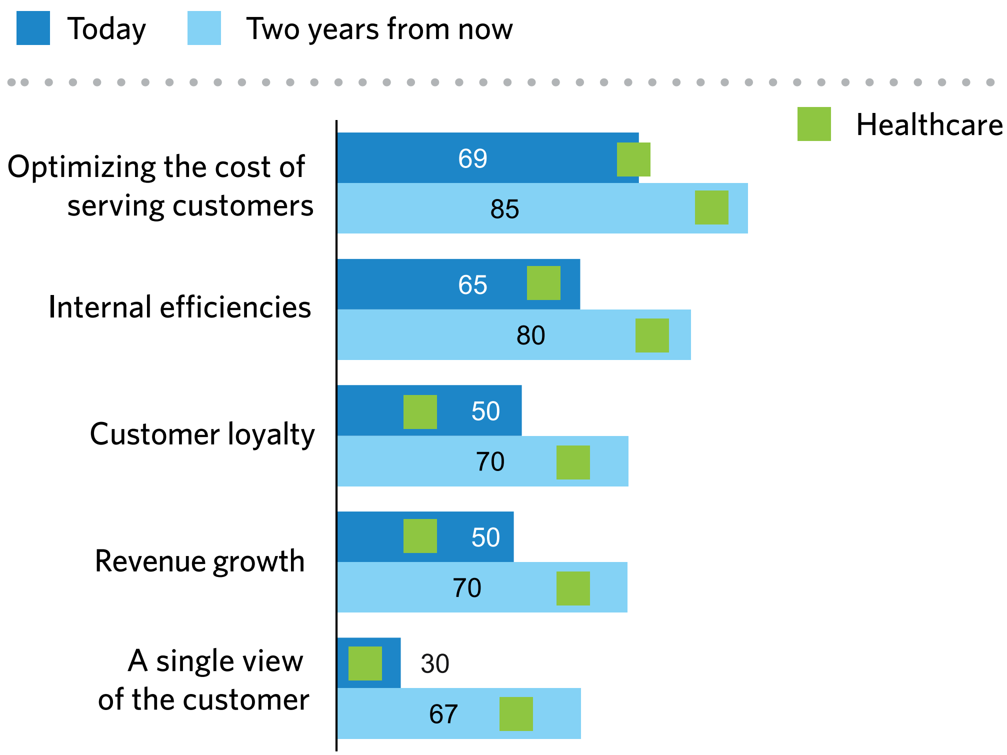
[3] Respondents who state few/no legacy systems need to be completely replaced as a result of digital technologies in their organization
Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Healthcare less concerned about enabling a single view of the customer today

Today's impact is primarily on efficiency and cost

Percentage of respondents who agree ('Strongly agree', 'Somewhat agree') that digital has a positive impact on the following business outcomes today and expect to achieve an impact two years from now



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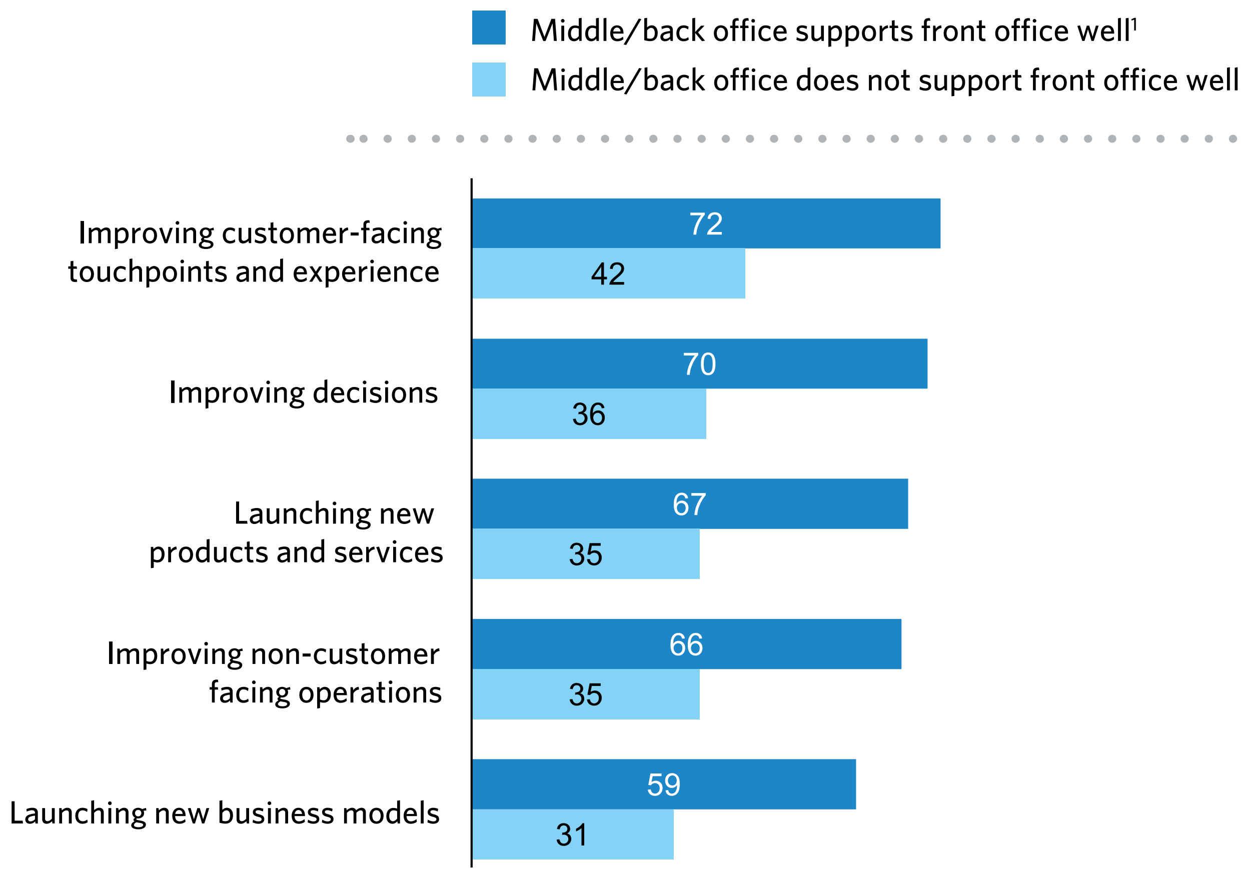
Companies unable to optimize end-to-end user experiences beyond the front end, unless they align middle- and back-office to support the front

Across industries, alignment between front and middle/back office critical to realizing impact

Percentage of respondents stating that their organization significantly supports each of the following with digital technologies (8-10 on a scale of 1-10, 1 - not at all, 10 - to a great extent)



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Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Barriers

Leaders much ahead on vision and ability to experiment quickly

Key barriers: risk averse culture, and cyber security

Biggest hurdles for **healthcare** are the **inability to experiment quickly** (48%), **risk aversion** (46%), **cyber security** (45%), and **inability to operate across siloes** (45%).

Overall, **digital leaders**[1] are less affected by barriers than **laggards[1]**. Biggest differences are the **lack of vision** (12% vs. 48%) and **inability to experiment quickly** (29% vs. 60%).

IT skills (12%) and budgets (29%) perceived as **least challenging for healthcare**.

Only 17% companies across the board feel that their **middle and back office** supports the front office well in meeting customer expectations.

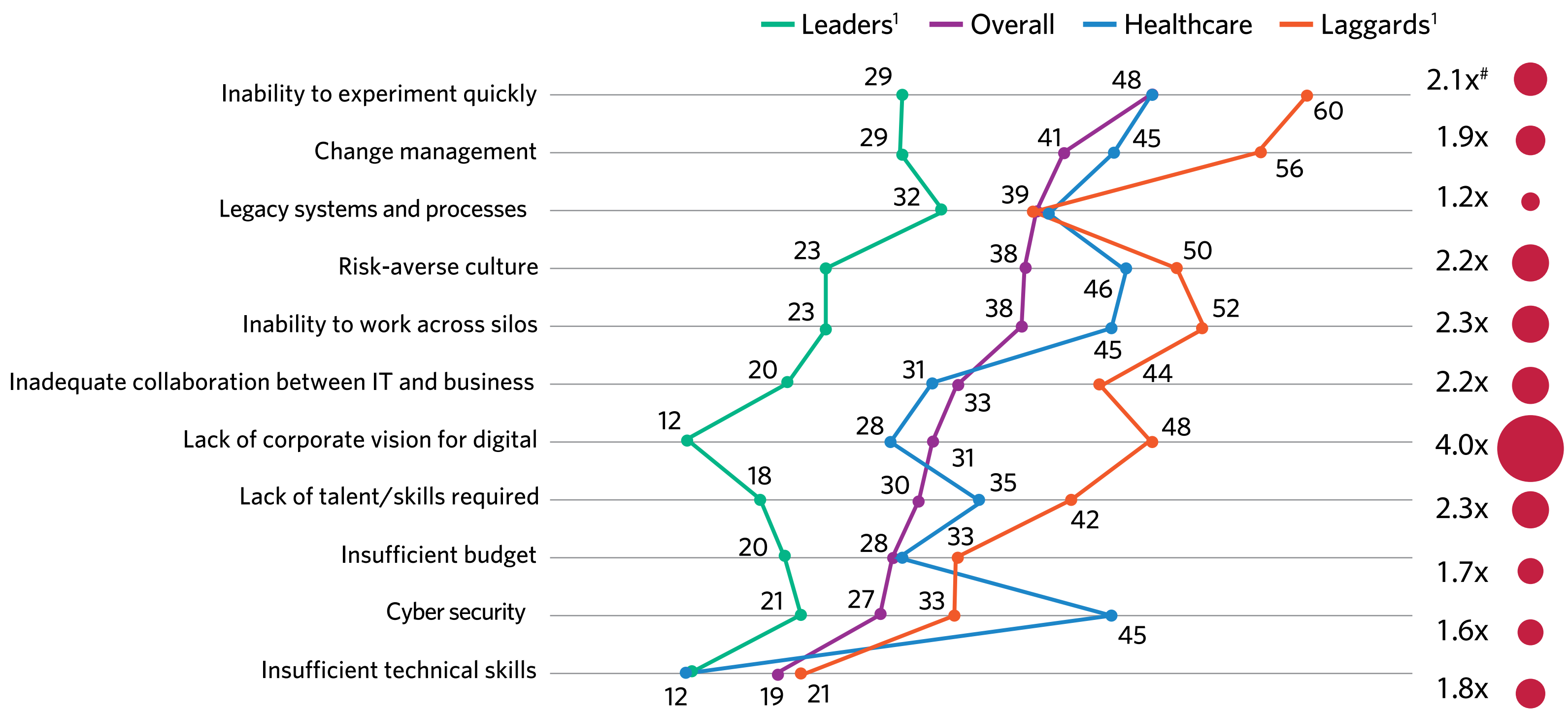
[1] Digital leaders defined as respondents who state that their organization is achieving significant positive business outcomes as a result of its use of digital technologies (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent); digital laggards rated 1-4

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Inability to work across silos and cyber security also seen as a significant barrier in digital adoption for healthcare

Healthcare's key challenge: Inability to experiment

Percentage of respondents rating the extent to which each of the following is a barrier to their organization's use of digital technologies as "high" (rated 8-10 on a 1-10 scale, 1-not at all, 10-to a great extent)



[1] Digital leaders defined as respondents who state their organization is achieving significant positive business outcomes as a result of its use of digital technologies (rated 8-10 on a 1-10 scale, 1 – not at all, 10 – to a great extent); digital laggards rated 1-4

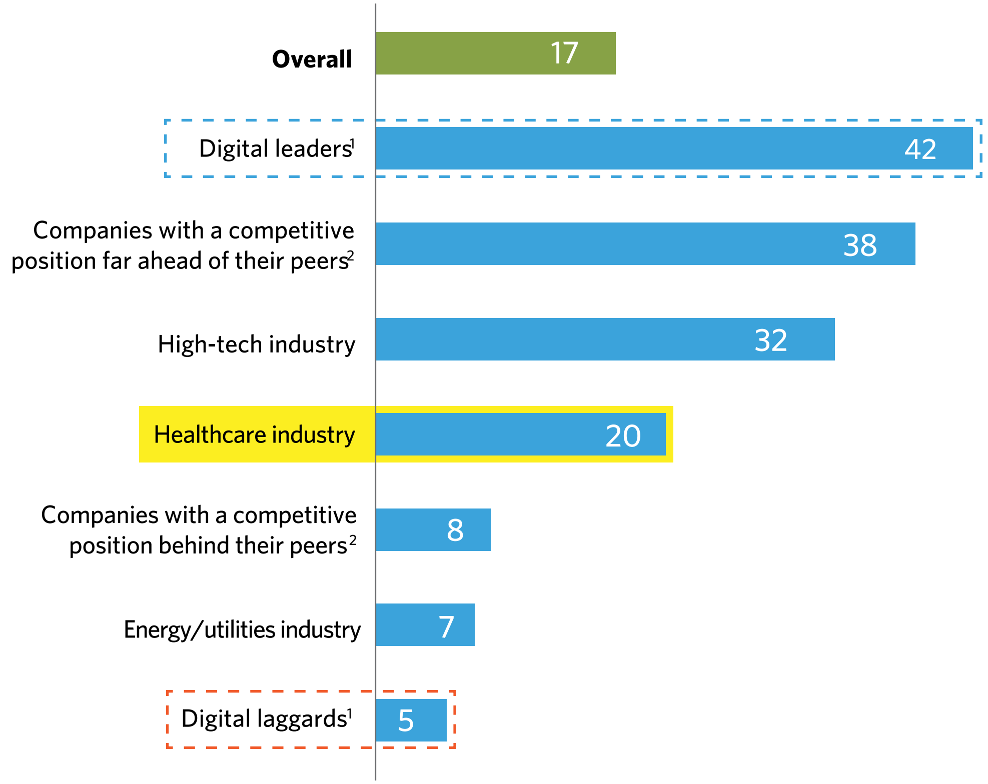
The multiple by which the % respondents rating a barrier as "high" varies for digital laggards[1] compared to digital leaders[1]

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Significant opportunity for healthcare to enable middle- and back-office to meet customer expectations

Middle- and back-office fail to support the front

Percentage of respondents stating that their organization's middle/back office functions and systems support customer experience expectation well (rated 8 - 10 on a 1 - 10 scale, 1 - not at all, 10 - to a great extent)



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Capabilities

Healthcare can adopt better design and implementation approaches, to overcome the challenge of legacy systems and processes

Key capabilities: Ability to manage change, and leadership skills

Only half of overall respondents believe their company has an **enterprise-wide digital strategy**.

Only one-third of overall respondents think that their **design and implementation approach** is **effective** at overcoming the challenges of legacy systems and processes.

54% of respondents from **healthcare** have a **clear, enterprise-wide digital strategy,** but their **reliance on digital natives** (29%) and **effective design/implementation approaches** (31%) below peers.

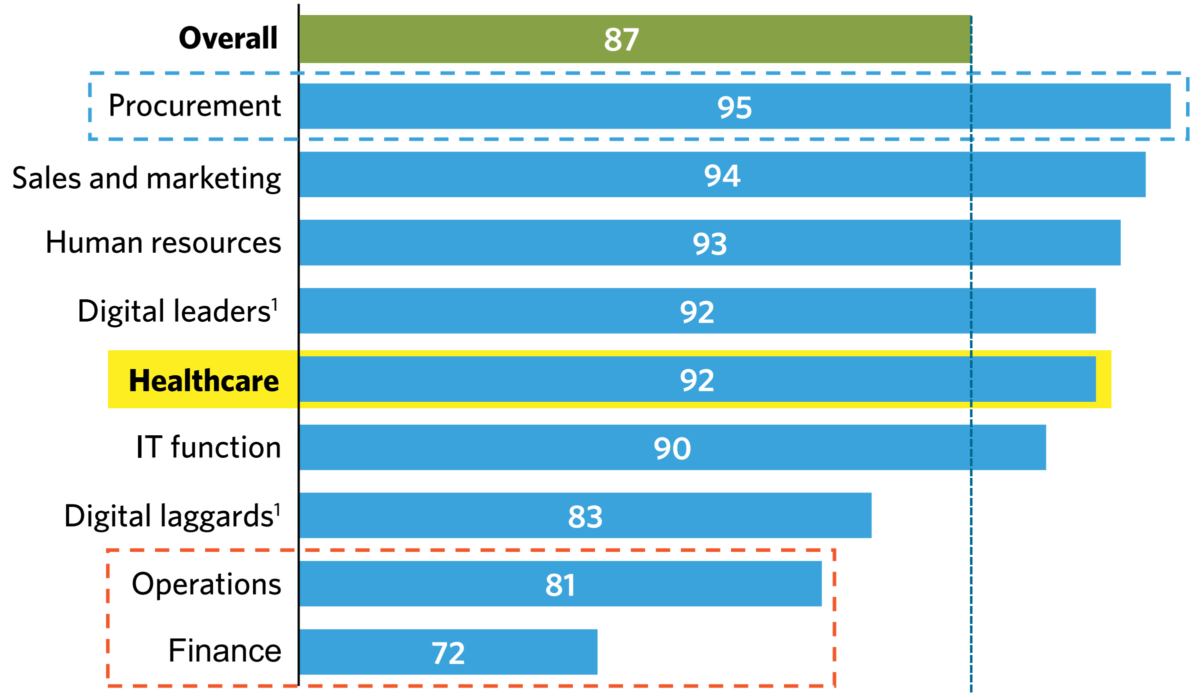
Leadership for **digital transformation fragmented** as roles dealing with technology, leading less often - CIO (52%), CDO (16%).

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

While healthcare expects increase in investments for digital, Finance and operations' opinions more nuanced

Investment in digital will increase

Percentage of respondents who expect an increase (increase slightly, increase significantly) in digital investments in their organization over the next two years



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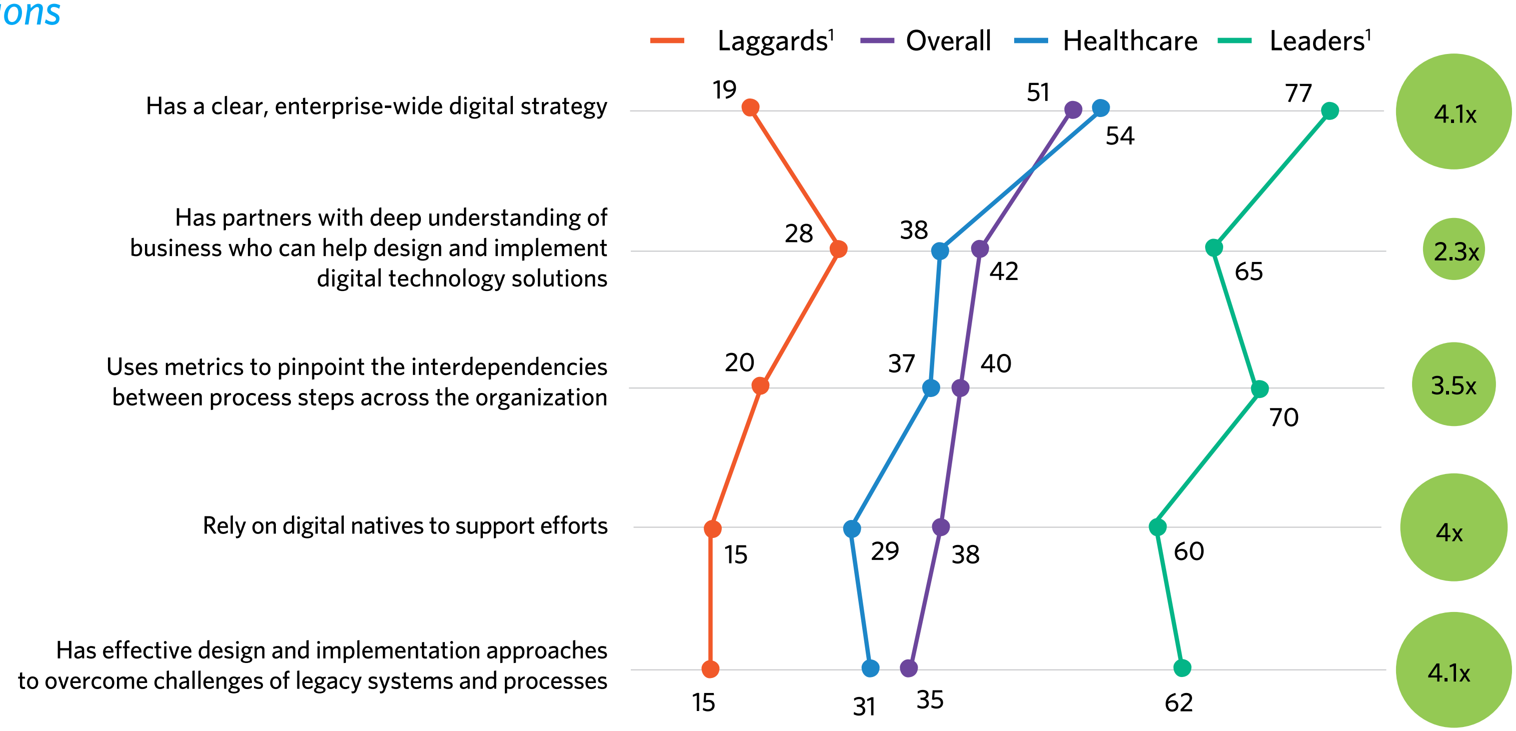
Leaders have the deepest level of collaboration with partners who possess a deep understanding of their companies' business, and help design and implement digital technology solutions

Digital leaders ahead on strategy and execution

Percentage of respondents who agree (Strongly agree, Somewhat agree) with the following statements about how their company manages and uses digital technologies to transform the enterprise



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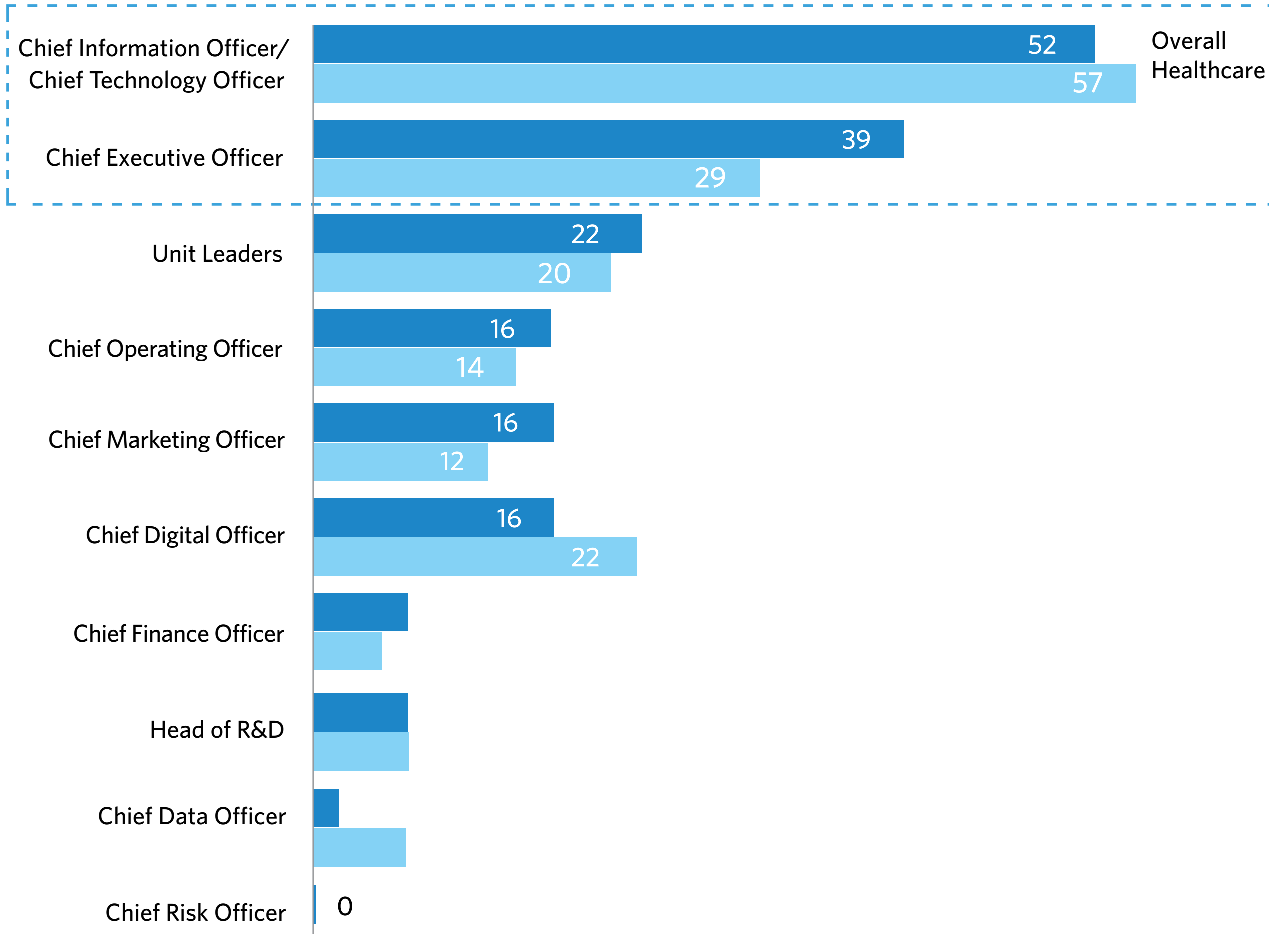
[#] The multiple by which the % respondents agreeing to above statements varies for digital leaders[1] compared to the digital laggards[1]

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

CTO leads most often, followed by CEO; CMO, COO in charge in a minority of companies

Leadership for digital fragmented

Percentage of respondents stating which roles are responsible for creating the vision for digital technologies in their organization



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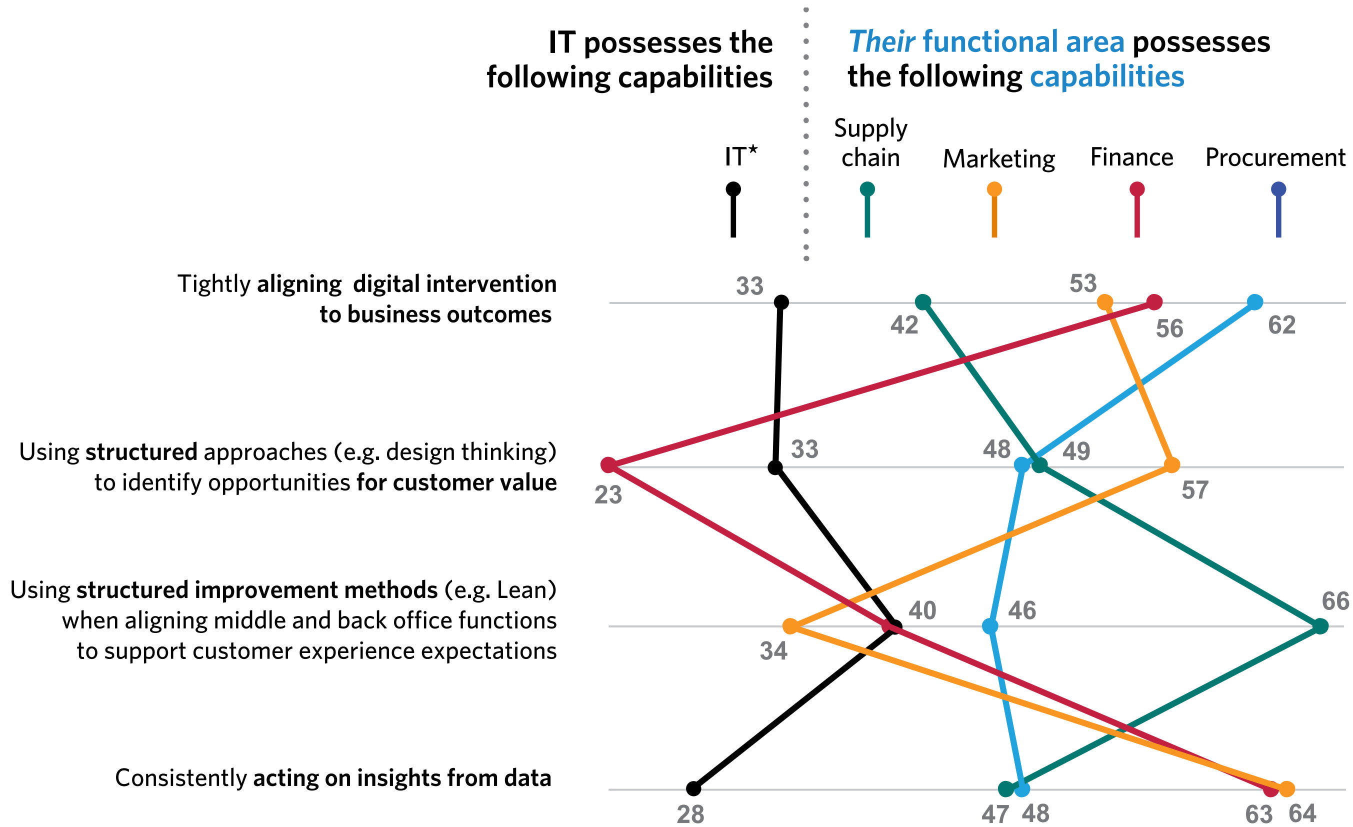
Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Combining cross-functional strengths likely to generate greater impact

Digital abilities also fragmented across groups

Percentage of respondents in functions other than IT stating...



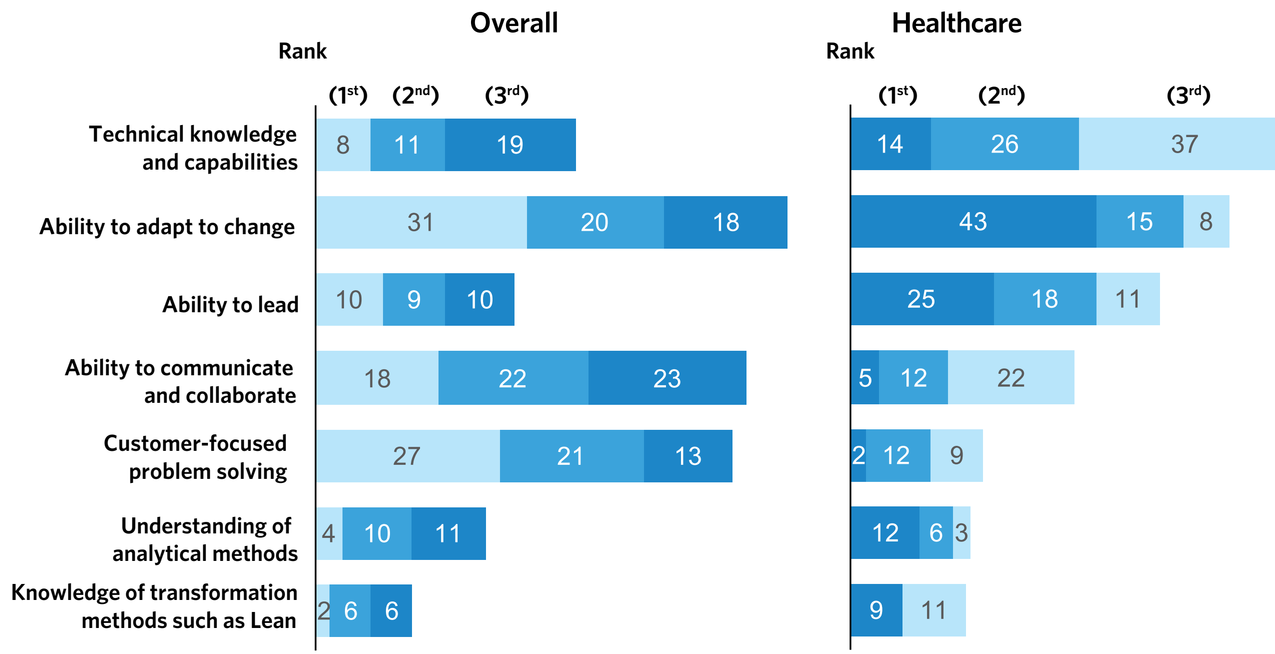
[1] % across all respondents in functions other than IT that state that the IT function in their organization possesses the identified capabilities

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

Transformation methods and analytical skills under rated capabilities

Healthcare must improve their ability to adapt change, and leadership skills

Percentage of respondents who rated the top-three most important skills for employees in their organization to have to harness digital effectively



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Conclusion

Digital transformation beyond technology

Although healthcare companies have been embracing digital for several years, only 12% are generating significant impact from digital, underperforming peer averages. Indeed healthcare lags behind most of its peers in enabling a single view of the customer, and growth using digital.

Big digital ambitions but barriers to overcome

Despite the current state, this study shows that healthcare companies have high expectations from digital to strengthen competitive capabilities but all groups face barriers, including the inability to perform rapid experiments, poor change management and a risk averse culture.

Healthcare companies need to improve their ability to adapt to change, and build technical capabilities to deliver digital transformation.

Following the digital leader

As more healthcare companies teams adopt digital technologies to capture internal efficiencies and optimize the cost of service, they should look to the embrace traits of digital leaders and improve their design and implementation approaches, and reliance on digital natives to drive new capabilities, overcome barriers, and accelerate the pace and impact of digital transformation.

Source: Survey of 682 senior executives (65 from healthcare and life sciences, collectively referenced as healthcare) conducted by Harvard Business Review Analytic Services in association with Genpact

GENPACT RESEARCH INSTITUTE

Genpact Research Institute

The Genpact Research Institute is a specialized think tank harnessing the collective intelligence of Genpact – as the leading business process service provider worldwide - its ecosystem of clients and partners, and thousands of process operations experts. Its mission is to advance the "art of the possible" in our clients' journey of business transformation and adoption of advanced operating models.

www.genpact.com/research-institute

About Genpact

Genpact (NYSE: G) stands for "**generating business impact**." We are a global leader in digitally-powered business process management and services. We architect the **Lean Digital**SM enterprise through our patented Smart Enterprise Processes (SEPSM) framework that reimagines our clients' operating models end-to-end, including the middle and back offices. This creates Intelligent OperationsSM that we help design, transform, and run. The impact on our clients is a high return on transformation investments through growth, efficiency, and business agility. For two decades, first as a General Electric division and later as an independent company, we have been passionately serving our clients. Today, we generate impact for a few hundred strategic clients, including approximately one-fifth of the Fortune Global 500, and have grown to over 75,000 people in 25 countries, with key offices in New York City. The resulting business process and industry domain expertise and experience running complex operations are a unique heritage and focus that help us drive the best choices across technology, analytics, and organizational design.

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