



A CUSTOMER STATE OF MIND

CHANGING OUR APPROACH TO KEY ACCOUNT MANAGEMENT IN HEALTHCARE

Cross-functional Collaboration for Adaptive Commercial Strategies

Christian Popp and Peter Rademakers share their thoughts about a changing health care market and how this affects future commercial strategies. In a second white paper, we will look at the implications for key account management in more detail.

A deeper issue

Our healthcare costs are skyrocketing without this being reflected in better patient outcomes. COVID has made us all intimately familiar with the fragility of our healthcare system, but the problem lies much deeper. As our aging population grows, so does our need for specialized care, without the amount of available budget, resources, nurses, and specialists increasing the same manner.

Therefore the pressure cooker that is the healthcare market requires a fundamentally different approach from all players to survive. From governments, hospitals, clinics, and other care providers to insurance companies, pharmaceutical companies, and Medical IT and device vendors. The system and providers need to change their commercial approach significantly.



Commercial disconnect

What worked five years ago is often no longer affordable. Even though change is both imminent and inevitable, the health care market is traditionally more conservative and slower to adapt. While there is no doubt about this pressure heavily impacting the entire healthcare system, many companies still pursue classic approaches to maximize short-term performance rather than long-term stability.

Adapt and collaborate

Research on Complex Adaptive Systems, a system that can adapt and learn from previous experience, in short CAS, has demonstrated that successful adaptation depends on increasing the scope of collaboration across the entire (commercial) organization in periods of disruptive change. Hence, from a more holistic perspective, it concerns the whole ecosystem of healthcare providers, not just from one company's perspective.

There is an entire community of frontline employees with valuable information that typically isn't shared beyond the front line. In addition, even these frontliners often work in different teams and in a variety of roles (sales, customer service, technical service, medical education, clinical). So, these are rarely interconnected. Looking at key account management research (Gartner, 2021) shows that cross-functional collaboration increases the amount of key customer spending by 215% compared to lesser levels of cooperation.

"IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVES, NOR THE MOST INTELLIGENT; IT IS THE ONE MOST ADAPTABLE TO CHANGE"

— Charles Darwin -

Managers need to be realistic about what they can predict and control, what they can shape collaboratively, and what is beyond their sphere of influence. The entire company needs to contribute positively to the system while receiving sufficient benefits to justify all the inevitable extra effort. Companies that fail to create value for key stakeholders in the broader system will eventually be marginalized.



We cannot predict the future state of Complex Adaptive Systems. However, we can collect signals, detect patterns of change, imagine plausible outcomes—and take action to minimize any possible risks. This requires a structured thinking process and approach as part of a new key account management strategy.

The goal is to define and monitor a strategic partnership between a healthcare provider and a medical technology company somewhere along the patient pathway and share patient success criteria to better predict outcomes. Not in the least to describe the desired and innovative commercial behavior, minimize risks and maximize and protect profitability.

Global health care costs are increasing, quality of life is not

Global healthcare spending is projected to increase at an annual rate of 5.4% in 2017–2022, from \$7.7 trillion to \$10.1 trillion. These costs are growing 1.5 times faster than our average GDP. Countries have many variations for key healthcare outcomes. Common challenges are high staff burnout rates, administrative complexity, and excessive and widely varying prices. The existing healthcare system cannot further decrease mortality and increase healthy life expectancies. More importantly: it does not necessarily work in the patient's best interests. For example, in the traditional fee-for-service model, the patient (or their insurance provider) pays for every step in the process – every time they see a doctor or undergo a medical test or procedure. This payment (or reward) happens regardless of whether a diagnosis or procedure is successful or not and whether the steps taken are high-quality or even considered best practice. Patient outcomes and quality of life seem to be even less relevant in this picture.

Changing a system that wants to be traditional

So, how do we change the system? We focus on 'Value-Based-Health Care' (VBHC): a delivery framework to improve patient outcomes at a lower cost. It focuses on what patients value and allocates resources according to the health outcomes delivered by the system. Implementing VBHC is complex and requires all system stakeholders (clinicians, administrators, technicians, technology- and supply-chain partners, policymakers, and governments) to commit to a "measure, optimize, repeat" lean methodology. In addition, we need standardized data formats to support standard platform integration. Health systems are proceeding with caution despite a growing number of pilots and visible pockets of excellence (Atlanta or Ontario Initiatives). A recent survey of 364 healthcare executives in the US reported that just one-third are experimenting with value-based reimbursements.



Hospitals focus on their immediate interest and current business model

In recent decades, the gain in biomedical knowledge contributed to increased healthcare complexity across hospitals and communities. New knowledge has led to effective new diagnostic and therapeutic alternatives. But it has also led to increased specialization. While not without its benefits, specialization has contributed to the fragmentation of care delivery and a dilution of accountability, making it difficult for practitioners and economic stakeholders to work together and develop a holistic perspective.

Confronted with growing cost pressure, the impulse for any individual organization is to "keep its head down" and focus conservatively on its immediate interests and current business model.

As a result, the hospital decision committees focus on price and transactional purchasing. At the same time, they wish to develop strategic relationships with suppliers, aim for longterm clinical results, and want better control of the costs along the patient pathway.

To better understand variations in treatment outcomes and monitor an increasing number of patient outcome criteria, hospitals need to overcome their fragmentation and specialization and develop processes along the patient pathway to enable collaboration between specialists with outpatient departments.

Lighthouse projects: Innovation in the short term

Medical device companies pioneer new solutions with the goal to partner with their customers strategically. The aim here is to offer more and more added value and services in addition to the traditional business model, sometimes with considerable savings. However, these lighthouse projects have limited impact and come with significant challenges and limitations. In our experience with medical device and technology companies, we can name a few:

- Many of those projects do not result in changes in the patient pathway or a changed behavior of the hospital staff.
- Even more specialized, clinical teams are often not prepared to manage the projects and its commitments.
- The core business model to sell products and new technology remains. The added value (consultancy service, technology investment) compromises the margin and cannibalizes on existing business.



- National, specialized healthcare teams and clinical specialists were not fully integrated into the existing sales and marketing team; their collaboration and communication is currently still inefficient.
- Individual projects are generally not integrated into existing systems and business processes. Processes focus on reviewing the past instead of predicting the future. This affects the project execution and the connection to the sales organization.
- The projects are oftentimes not monitored through consistent and regular customer meetings.
- Many customer-facing roles are not considered for integration into the project

What about Key Account Management?

According to Gartner's research, 58% of key accounts miss the quota, and 68% of the key account managers think their key account strategy is ineffective. In addition, many key accounts are wrongly or over-resourced—which results in a frequent change in account strategy.

Dynamic strategies

Instead of rebuilding the account strategy every year, companies in the healthcare market need to develop an account strategy in several successive iterations to be more effective in the long run. It should also be updated regularly so that the current version always fits with the continuous and inevitable changes in the market and the customer environment. Account planning is, therefore, by definition, an agile and dynamic process, preferably supported by a process, method, clear governance structure, and skills that suit this new reality. You progressively build cross-functional teams and co-create cost-effective strategies with the customer.



This whitepaper is co-written by Peter Rademakers, founder, and owner of Motion5, and Christian Popp, healthcare professional and associate partner at Motion5.

Want to know more?

We are happy to support with any commercial challenges. Contact us via www.motion5.com or send an e-mail to info@motion5.com.



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MOTION5

HEADQUARTERS

Communicatieweg 9-16
3641 SG Mijdrecht
the Netherlands

www.motion5.com

info@motion5.com

Motion5

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