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HEALTHCARE SUPPLY CHAIN MANAGEMENT

GLOBAL TRENDS REPORT

2023

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INTRODUCTION

As the global healthcare industry continues to grow and evolve, the supply chain function remains in focus to capitalize on new opportunities, adapt to market changes, and address emerging risks.

From supporting service plan expansions to managing costs and delivering on sustainability goals, supply chain leaders play a critical role in the success of healthcare organizations. To better understand the challenges and opportunities ahead, we conducted a survey of over 100 executives from healthcare organizations around the world.

In this report, we explore strategic priorities, risk management, sustainability programs, talent management, leadership skills, and supply chain resiliency. A special thanks to our three executive contributors listed below for their invaluable and candid insights into their organizations and industry trends.

Whether you're a seasoned supply chain professional or just starting out in your career, we hope this report will provide actionable insights and guidance for navigating the complex and ever-changing world of healthcare supply chain management.



Gerald Knol

Life Sciences & Healthcare
Practice Group Leader

Executive Contributors



Sergio Baumann

Head of the Operations Department, Member of the Executive Board
Kantonsspital Aarau KSA



Ruud Plu

CEO
Intrakoop



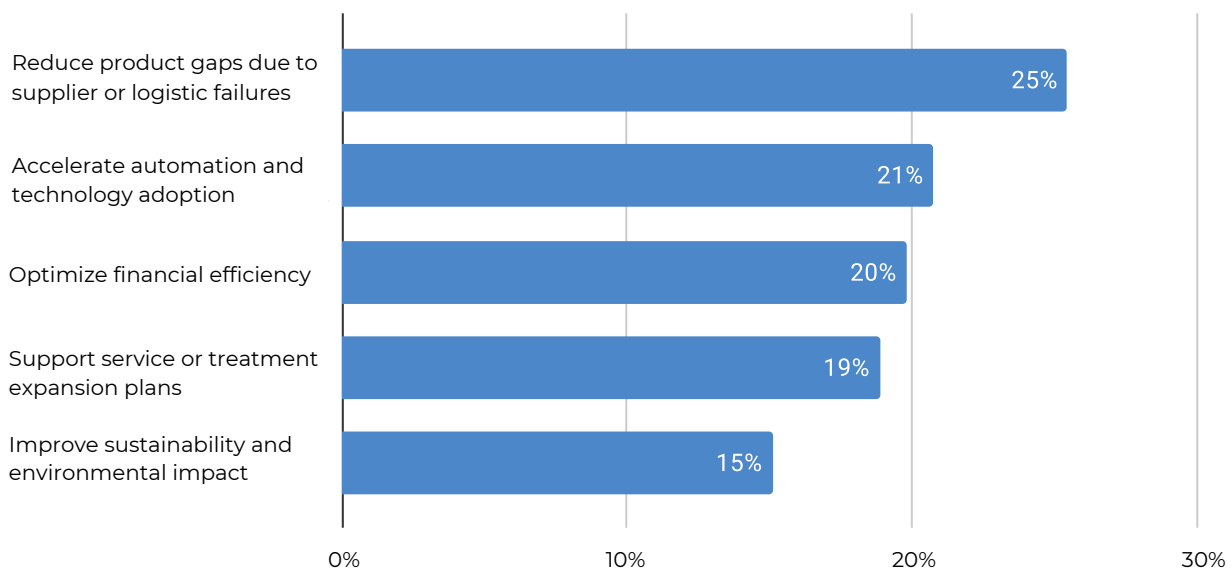
Martin Rupprecht

HR Director OÖG
Upper Austria

Reducing product gaps is the highest priority for supply chain leaders, but the picture is mixed

When asked about key priorities for 2023, reducing product gaps due to supplier or logistic failures was the top concern. However, the responses were spread across all strategic goals with the other options trailing closely behind. It is clear that supply chain executives have multiple and sometimes competing priorities.

Fig 1. What is the most important strategic goal for your supply chain this year?



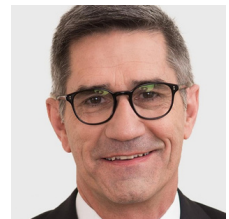
What are some key strategic initiatives for your supply chain operations?



Ruud Plu

“A big focus now is dual-sourcing strategy. It starts with research into the risks and the application of mitigation strategies such as dual sourcing or starting your own domestic production. If there is an issue with critical material, the Netherlands government has noticed that there are immediately issues at all hospitals. That is why a ‘national hotline’ platform was created. From that central point, alternatives for the entire sector are visible. With starting production in your own country, you also get to the theme of sustainability.”

“Our warehouse is outsourced to an external logistics provider, where deliveries to the target destination are made just-in-time. From the logistics hub, the goods are transported by AGVs (automated guided vehicles). Moreover, packaging waste is transported with the same system and the whole system is controlled by an app. In addition, Tontos by Pharmafilter are installed on the wards. With these, all waste is immediately shredded and transported via the internal sewer system to the water treatment plant, where all the water is purified and used as service water for toilet flushing and park irrigation.”



Sergio Baumann



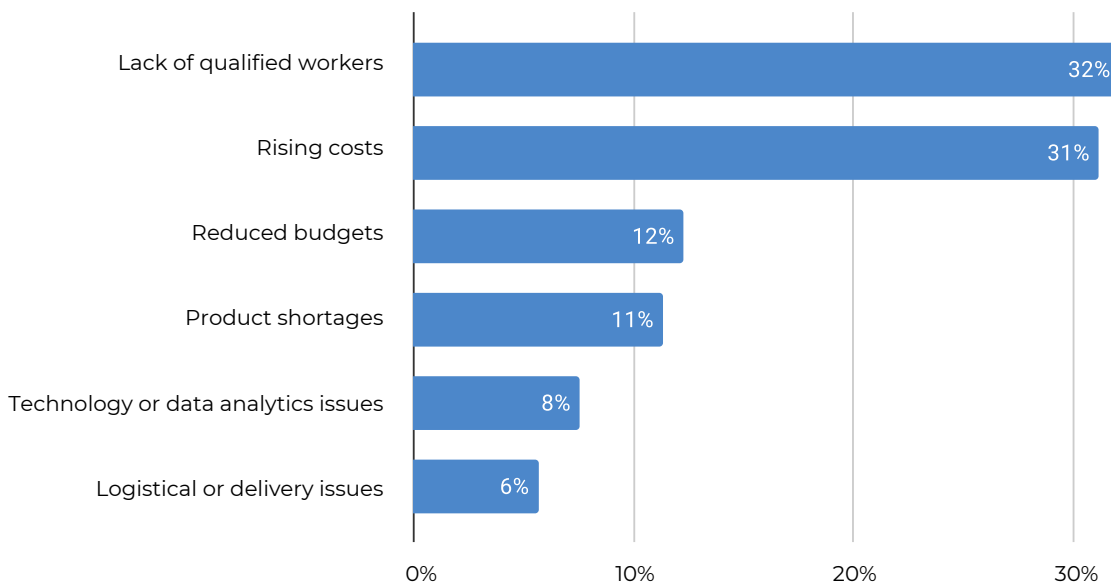
Martin Rupprecht

“During the pandemic, the group set up a central warehouse for medicines and medical products. Depending on the product or product group, the warehouse covers a period of 1-5 years. Recent conflict has further confirmed the correctness of this decision.”

Rising costs and a lack of qualified workers are the biggest challenges this year

In addition, reduced budgets were the third most pressing challenge, creating a complex scenario for leaders to overcome. With costs rising, budgets falling, and a tight talent market, being able to compete for top executives who can lead through these market conditions is extremely difficult. Creative recruitment strategies are required, such as looking to different industries or prioritizing skill-based hiring with robust coaching and development plans.

Fig 2. What is the most challenging obstacle your team must face this year?



“Non-conventional hiring is far more impactful and beneficial when it is blended with a structured ‘New Leader Integration’ process based on an executive coaching model for the first 90 days. When a leader is hired from a different industry, while the skills and competencies are evaluated, it is important to understand the cultural nuances and support leaders to be successful in the context of the new role – this is what we term ‘Hiring for Success’ rather than merely hiring for the role.”



Ram Iyer

Associate Director, Claricent Partners
IIC Partners: Mumbai

8 out of 10 supply chain leaders plan to expand their teams but are facing recruitment challenges

In relation to the previous insight, it is not surprising that there is a lack of qualified workers when the overwhelming majority of leaders are looking to expand their teams. And while supply chain recruitment has always been complex, 81% of the surveyed executives believe recruitment is now harder or much harder than five years ago.

Fig 3. Are you planning to expand your team in the next 12 months?

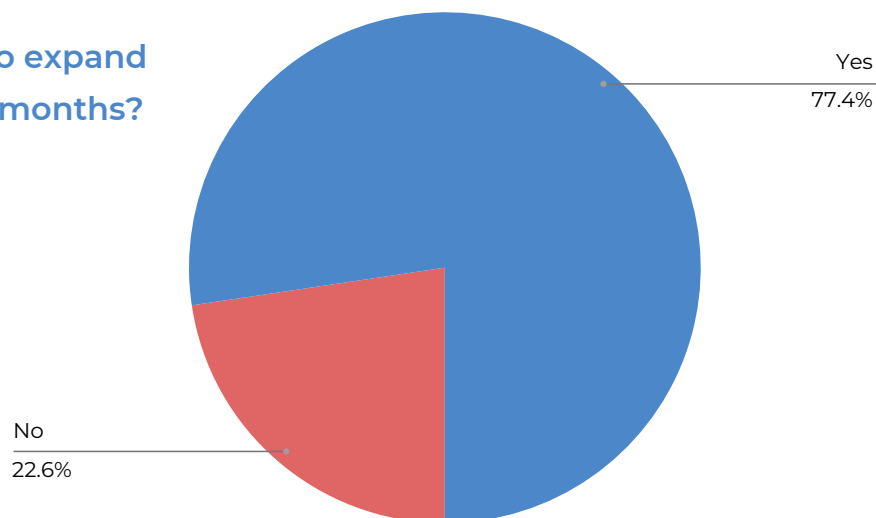
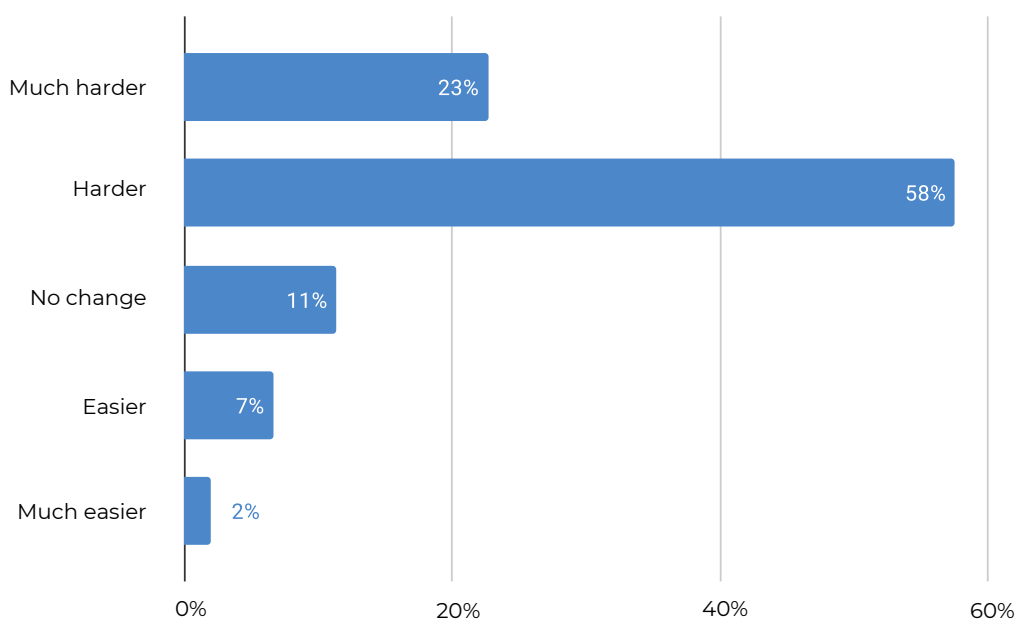


Fig 4. Compared to five years ago, do you feel that recruiting new staff is:



How can supply chain leaders reduce environmental impact and positively influence sustainability?



Martin Rupprecht

“Relocation of production back to your home country or region to minimize CO₂ emissions and become more independent overall.”

“Through the use of new technologies. For example, our suppliers are encouraged to deliver goods with electric or hydrogen vehicles. Reduction and mitigation of waste. Avoiding empty truck journeys by loading each truck that delivers goods with waste for their return journey. Producing electricity using your own renewable energy systems, for example, we use photovoltaic systems.”



Sergio Baumann



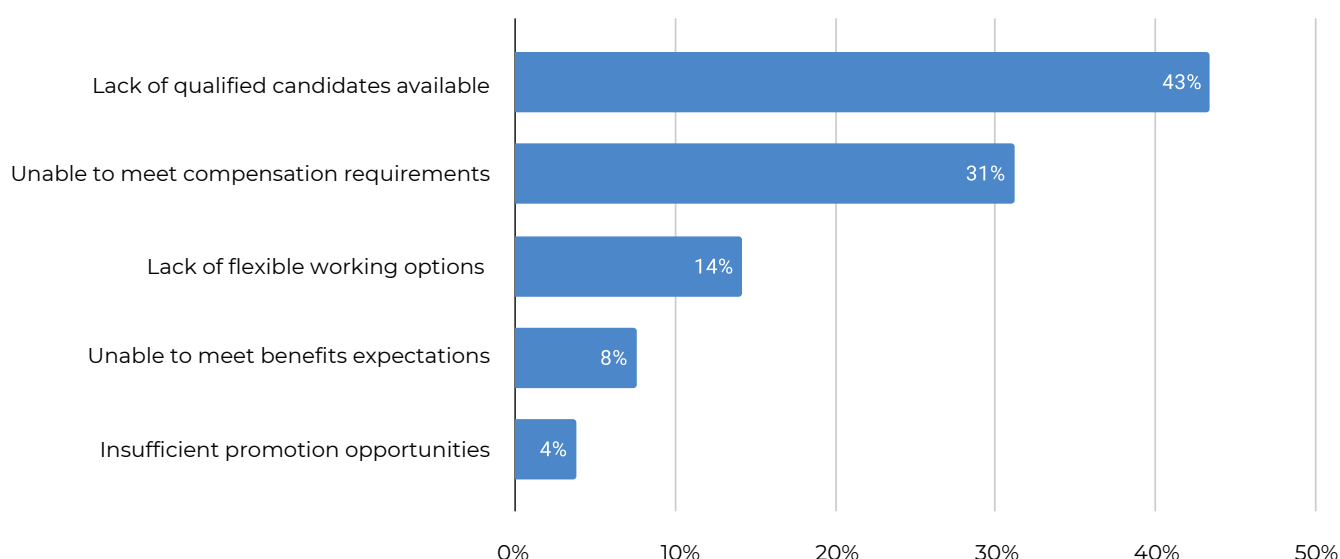
Ruud Plu

“In the Netherlands, the healthcare ‘green deal’ is not optional for participating organizations and helps influence sustainability thinking. There are many other sustainability initiatives, but they are often very local. The sector should act together because some local initiatives are scalable. People also find it difficult to know where to start. It doesn't matter as long as you start! Intrakoop helps organizations take their first steps. Furthermore, there is a misconception that everything has to be grand. Small things can also have a big impact. For example, omitting something as minor as staples already prevents a lot of iron use. Just start, the time of reports and research is over.”

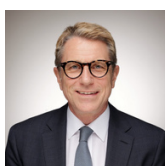
Not enough qualified candidates is the greatest recruitment challenge, followed by not being able to meet compensation requirements

The greatest barriers to recruiting new employees are the ones that are the hardest to overcome when facing rising costs and fierce competition for talent. Yet with the right search partners and the use of creative strategies, successful outcomes can be achieved.

Fig 5. What is your greatest challenge in recruiting new employees?



“Experience has proven that hiring talent from a different sector can lead to an exciting employee culture with a greater diversity of thought. Through comprehensive coaching and development programs, new hires can acquire the required market knowledge and adapt their leadership style to the new organization. Overall, this approach can have a very positive effect on making the company more resilient.”



Stephan Breitfeld

Managing Partner, Ingeniam
IIC Partners: Frankfurt

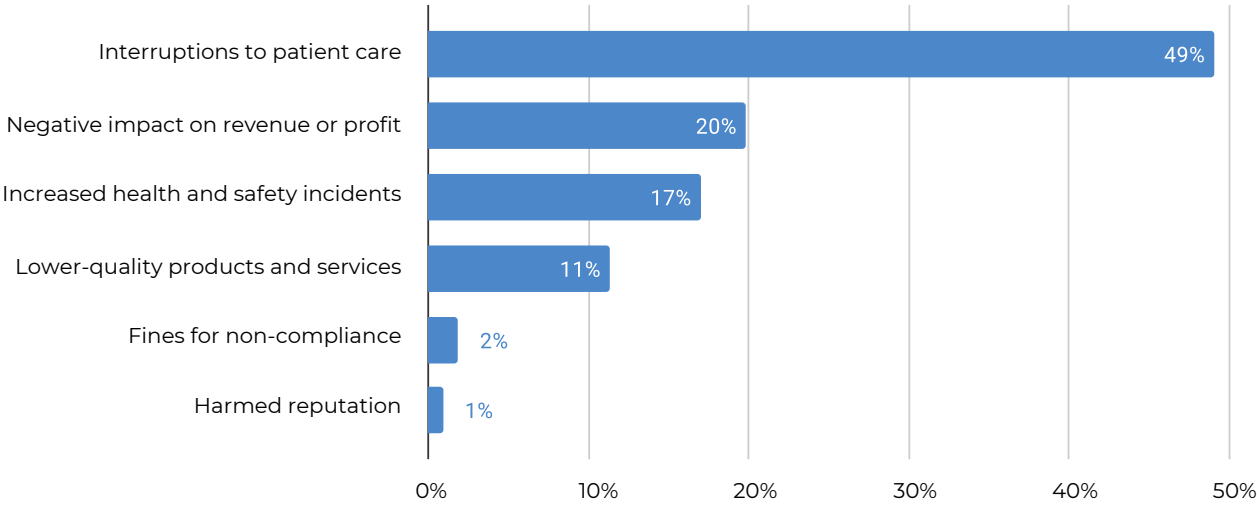


5

Supply chain leaders are highly patient-centric with interruptions to patient care being their greatest concern

Almost half of the executives we surveyed felt the greatest risk they must protect against is interruptions to patient care, while fines or harmed reputation received just a few votes. It demonstrates that a core mindset of supply chain leaders is to focus on patient welfare above all else.

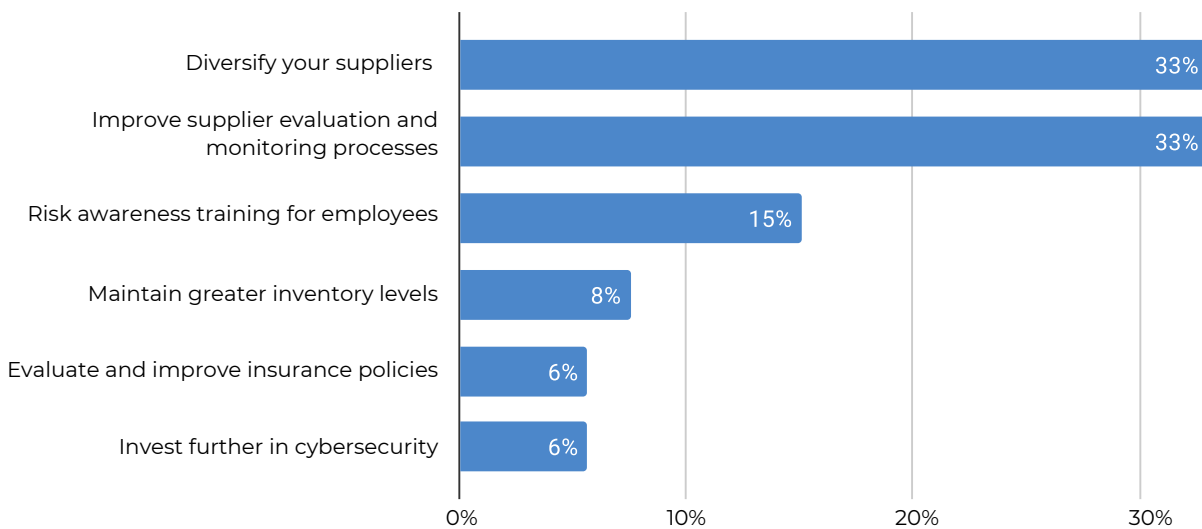
Fig 6. What is the greatest risk your business faces if you experience issues with your supply chain?



Diversifying suppliers and improving evaluation and monitoring processes are the primary strategies used to increase resiliency

As mentioned by Ruud Plu, CEO of Intrakoop, dual sourcing strategies are now in focus and the majority of the executives we surveyed (64%) are onboarding more national suppliers to increase resiliency (see page 17). However, enhancing existing supplier performance with improved monitoring processes was considered to be equally important. Risk awareness training for employees came in third, acknowledging that people need continuous education, development, and support to stay ahead of emerging risks.

Fig 7. What is the most important strategy this year to increase supply chain resilience?



What are your supply chain's most significant risks, and how have you adapted your strategy to build resilience?



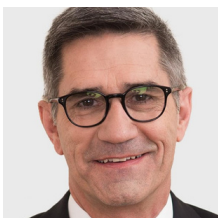
Ruud Plu

“Availability of goods is the biggest risk for the hospital world and includes everything you use in operations – for example, around Christmas there was a major shortage of skull electrodes and without these, you can't let deliveries (of babies) take place. As long as you don't have a future solution yet, you ‘stick plasters’ like building up extra stock and looking for alternatives. It is good to solve things in the short-term, but that does not mean it is the best solution. You should also look at long-term strategies.”

“When thinking about risks, the most important elements are preparation and mitigation. Logically, one does not just rely on one supplier but several. The suppliers are also geographically distributed and there are framework agreements to ensure sustainability and good security of supply.”



Martin Rupprecht



Sergio Baumann

“Most significant risks to our supply chain are IT or AGV system failure or failure of the Tonto system. A measure to prevent such failures is a redundant system with drop chutes for waste and a system for transport with conventional systems.”

78% of respondents believe managing supply chain operations has become harder or much harder than five years ago

From the pandemic highlighting risks in international logistics to recent inflation spikes, supply chain leaders are facing a unique mix of challenges. When it comes to talent management, respondents reiterated issues of recruitment and retention (30%) and highlighted concerns about a lack of employees skilled in data analytics (28%) and not enough focus on succession planning (25%).

Fig 8. Compared to five years ago, how difficult is it to manage a successful supply chain operation?

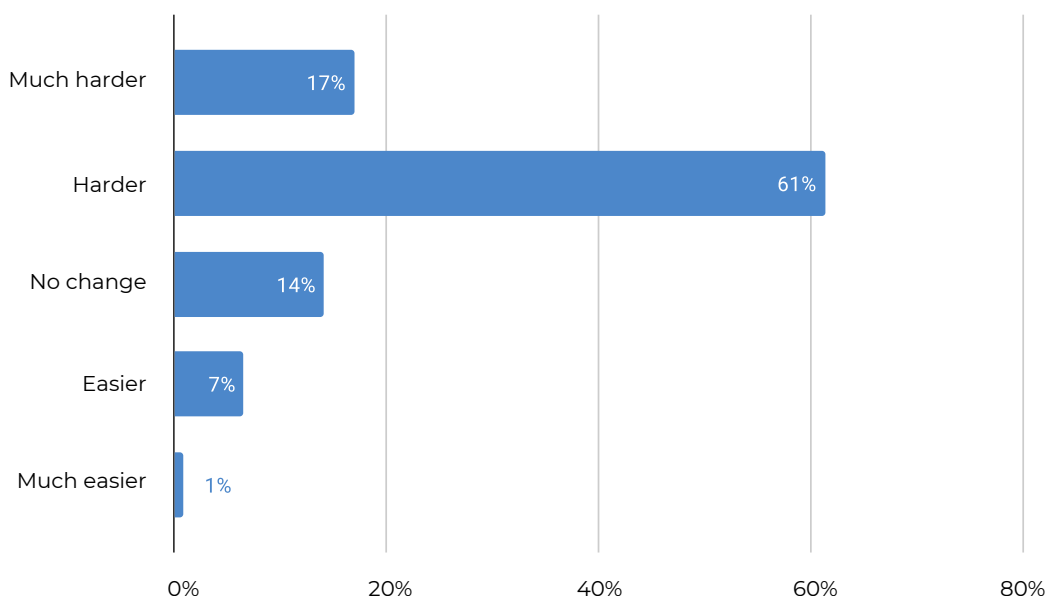
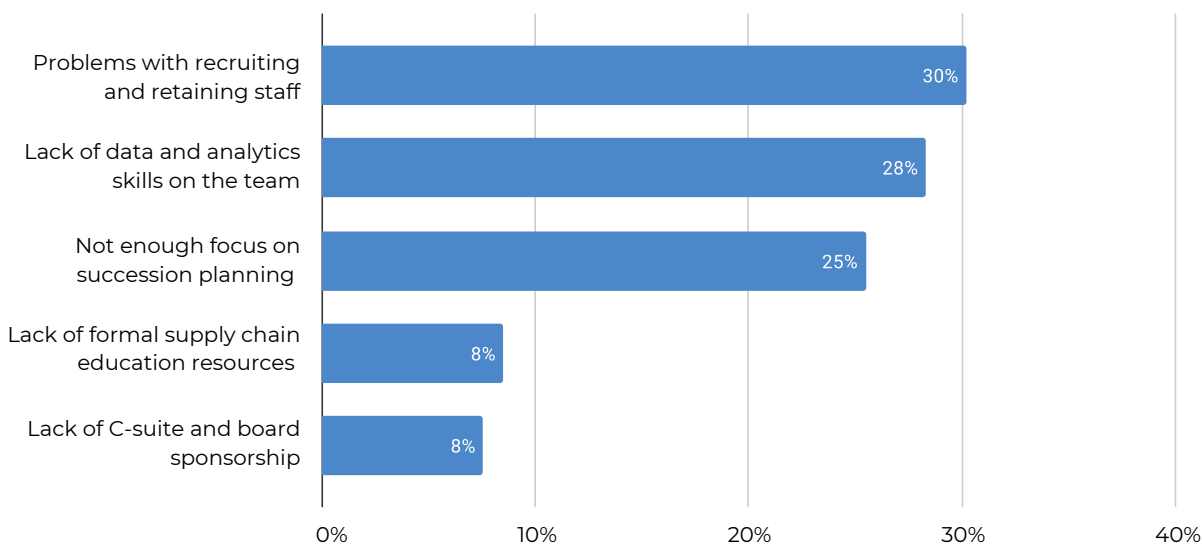


Fig 9. From a talent and leadership perspective, what is the biggest obstacle to achieving your targets?



Only 7% of leaders are highly prepared for key staff departures, and 8 in 10 believe retaining staff is harder or much harder than five years ago

These responses point to a double risk for executives who are finding it hard to both retain top performers and prepare successors. Essentially, there are more gaps and fewer people to fill them. This is a crisis in waiting, and for those experiencing similar concerns, we recommend investing in talent mapping, departure risk analysis, and succession planning.

Fig 10. When considering your succession planning and talent pipeline development, how prepared are you for key staff departures?

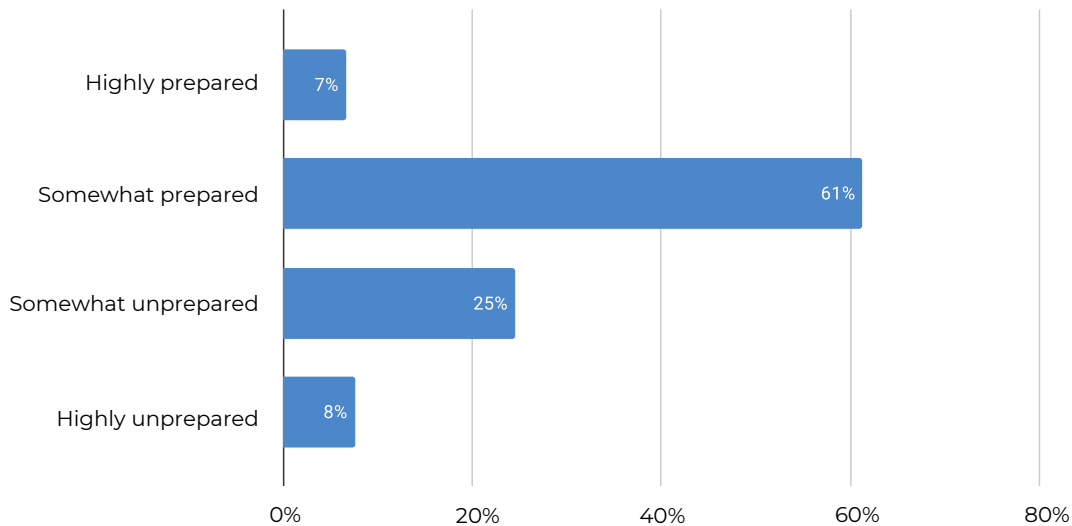
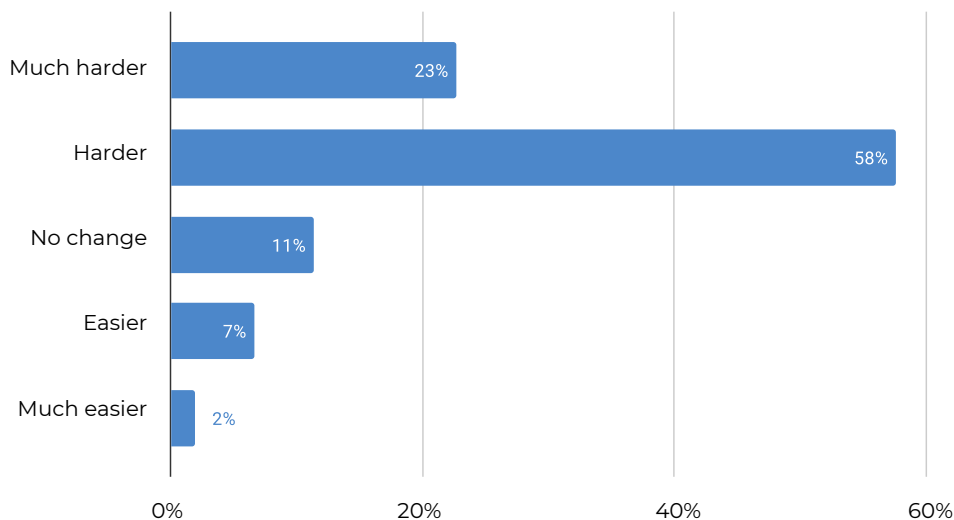


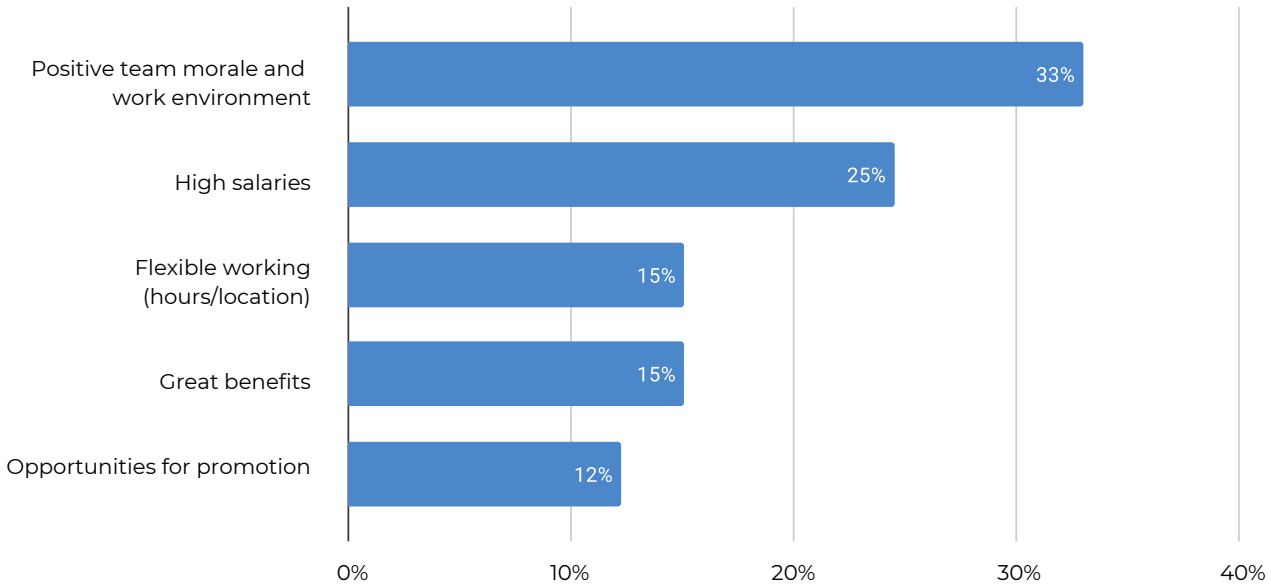
Fig 11. Compared to five years ago, do you feel that retaining staff is:



1 in 3 leaders believe that a positive work environment is the most important factor for talent retention

Leaders believe the strongest ways to mitigate employee retention risks are to create a positive work environment and offer competitive salaries. In addition, flexible working, great benefits, and opportunities for promotion together received over 40% of the response. It is clear that priorities vary widely across organizations and approaches to talent management must be customized to individual employee motivations.

Fig 12. What is the most essential element for improving talent retention?



“Especially when considering the significant efforts required to find and onboard new talent, it makes great sense to meet the expectations and desires of employees to ensure their retention. Every employee and every leader has a unique combination of reasons for staying. The motto of the future is to inquire and create individualized packages.”



Charlotte Eblinger
Managing Director, Eblinger & Partner
IIC Partners: Vienna

What advice would you give to future supply chain leaders on how to be successful?



Sergio Baumann

“Build contacts with best-in-class companies outside of the healthcare industry. Moreover, I recommend daring to do something new. Develop visions and have them supported by managers and team leaders. And finally, really implement them: ‘Just do it!’”

“Legal protection of contracts, alternative products, expanding the product portfolio to secure supply, and continuous higher volume storage instead of ‘just in time’. The slogan ‘think global’ has painfully shown its limits during the pandemic. ‘Back to local’ may seem more expensive at first glance, but in terms of sustainability and security of supply it is the right way.”



Martin Rupprecht



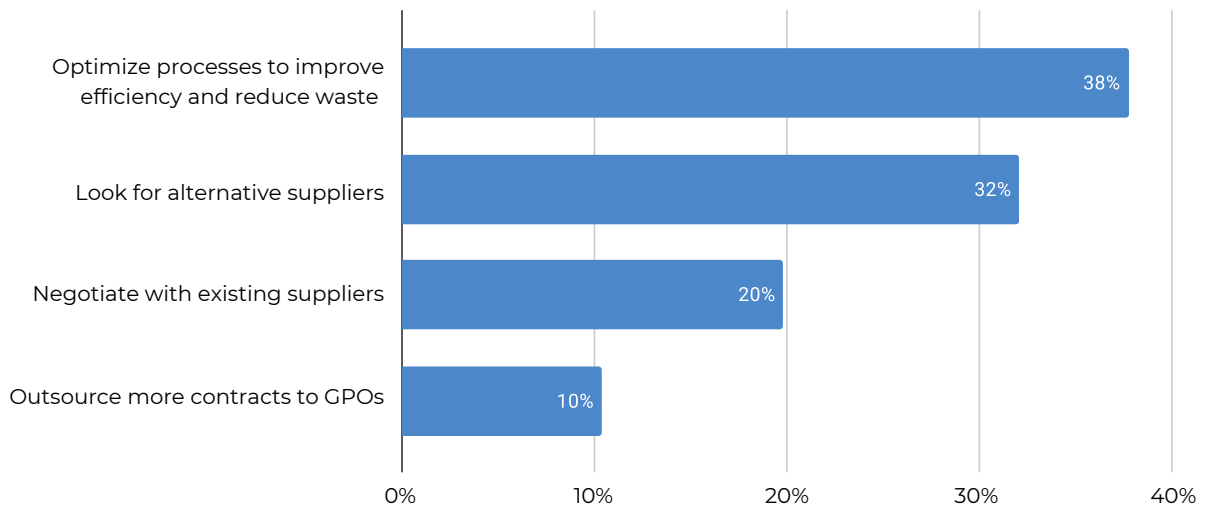
Ruud Plu

“Accept that it will never be the way it was. The world is changing in everything, and as a leader, you have to relate to that. Acceptance is step one on the way to the future.”

The primary ways to control costs are to improve efficiency and reduce waste, and explore alternative suppliers

Still, 1 in 5 leaders prioritize negotiation with existing suppliers, and 10% are focused on outsourcing contracts to Group Purchasing Organizations (GPOs).

Fig 13. What is the primary way you are trying to control your supply chain costs?



3 out of 4 leaders believe their supply chain is more resilient after the pandemic, and 64% are onboarding more national suppliers

Although the global pandemic was extremely disruptive and negative effects continue to persist, the majority of supply chain leaders we surveyed have taken lessons forward to permanently improve resilience (76%). One key strategy is to reduce reliance on international suppliers with 64% of organizations now onboarding more domestic product sources.

Fig 14. Do you feel that lessons learned from the global pandemic have made your supply chain more resilient to disruptive global events?

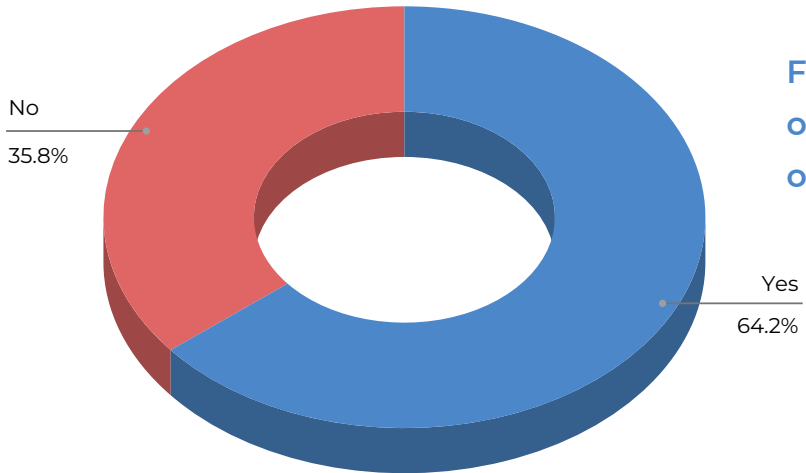
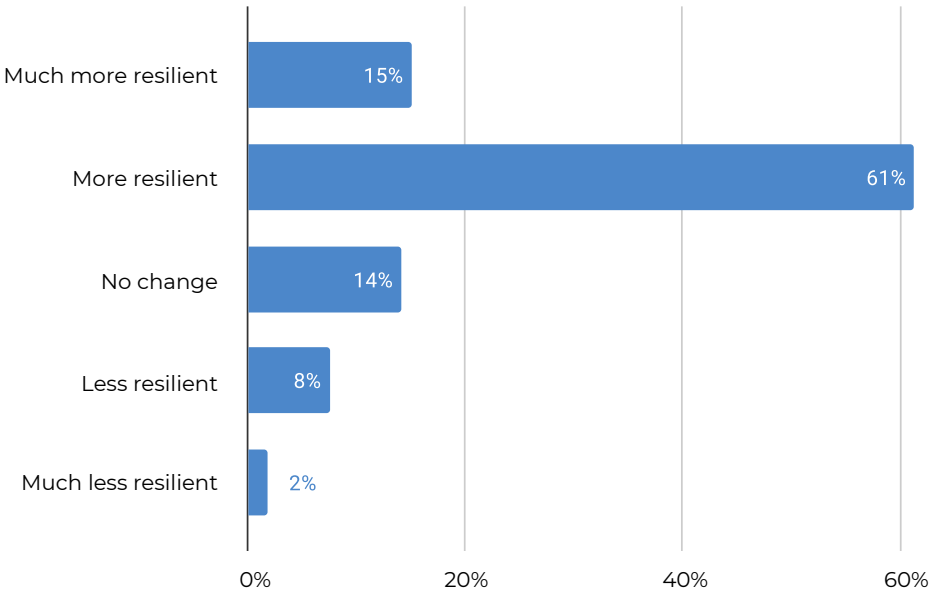
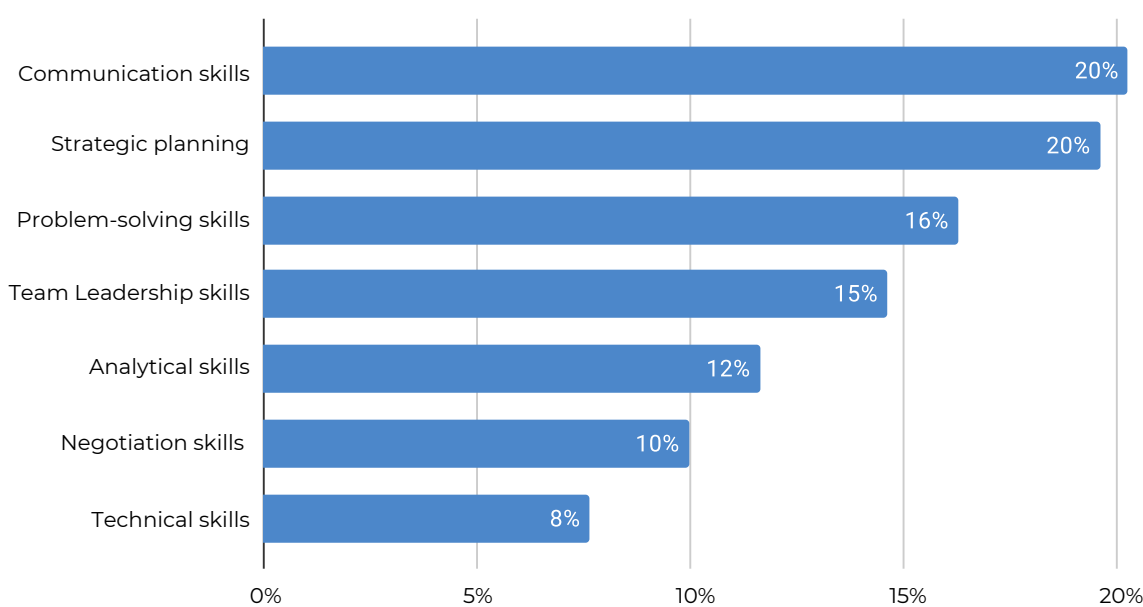


Fig 15. Are you looking to onboard a higher percentage of national suppliers?

Communication skills, strategic planning, and problem-solving skills are the three most important competencies for leaders

Conversely, technical skills were considered the least essential competency for healthcare supply chain executives. This is not surprising considering that senior leaders must focus on strategy while hiring technical experts, yet it reinforces the idea that executive recruitment can look beyond the healthcare industry to source talent, especially during a competitive market.

Fig 16. What are the most important skills for healthcare supply chain executives?



“Efficient supply chains are essential in all segments, unhappy customers become ex-customers. In healthcare that moves to a different level, because end users are patients and supply chain outcomes can have a significant national impact. As the pandemic response demonstrated, supply chain leaders must be innovative, adaptable and highly collaborative. Healthcare companies work with extremely complex and regulated multistage processes. However, the dynamic nature of product evolution, customer demand and pricing cliffs mean supply chain leaders must be extremely agile and possess strong technology capability.”



Ciaran McCaughey
Senior Commercial Director, HRM Search Partners
IIC Partners: Dublin

What are the most critical skills and capabilities supply chain leaders need to be successful?



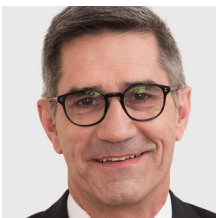
Martin Rupprecht

“Sound knowledge of the market, the ability to develop different supply and crisis scenarios, flexible, solution-oriented thinking, and the anchoring of sustainability in performance reviews and annual target agreements with the suppliers.”

“Supply chain leadership requires entrepreneurship and guts. Say goodbye to today's solution and be open to the future. This requires special personal competencies because you will encounter resistance from people who do not want to change. It also requires good analysis skills and being able to create distance from existing solutions: looking around you, having an external orientation, and daring to do new things. An important skill is also working together: these are very big issues that you should not want to solve for yourself. Knowledge of the healthcare sector is not always necessary.”



Ruud Piu



Sergio Baumann

“Innovation as an inner driver. Desire for change and process optimisation. Willingness to work hard. High customer orientation and affinity. Ability to motivate one's own team. Persuasiveness for customers!”

In Summary: 12 Key Insights

- 1 Reducing product gaps is the highest priority for supply chain leaders.
- 2 Rising costs and a lack of qualified workers are the biggest challenges this year.
- 3 8 out of 10 supply chain leaders plan to expand their teams but are facing recruitment challenges.
- 4 Not enough qualified candidates is the greatest recruitment challenge, followed by not being able to meet compensation requirements.
- 5 Supply chain leaders are highly patient-centric with interruptions to patient care being their greatest concern.
- 6 Diversifying suppliers and improving evaluation and monitoring processes are the primary strategies used to increase resiliency.
- 7 78% of respondents believe managing supply chain operations has become harder or much harder than five years ago.
- 8 Only 7% of leaders are highly prepared for key staff departures, and 8 in 10 believe retaining staff is harder or much harder than five years ago.
- 9 1 in 3 leaders believe that a positive work environment is the most important factor for talent retention.
- 10 The primary ways to control costs are to improve efficiency and reduce waste, and explore alternative suppliers.
- 11 3 out of 4 leaders believe their supply chain is more resilient after the pandemic, and 64% are onboarding more national suppliers.
- 12 Communication skills, strategic planning, and problem-solving skills are the three most important competencies for supply chain leaders.

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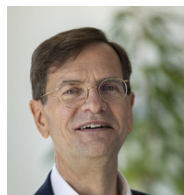
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THE DATA

Executive search consultants from IIC Partners member firms, along with the IIC Partners executive team, contacted senior healthcare supply chain professionals and asked them to complete our 2023 trends survey. We had 106 respondents from around the world between 6/1/2023 and 7/31/2023. We also conducted three in-depth interviews with senior executives.



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