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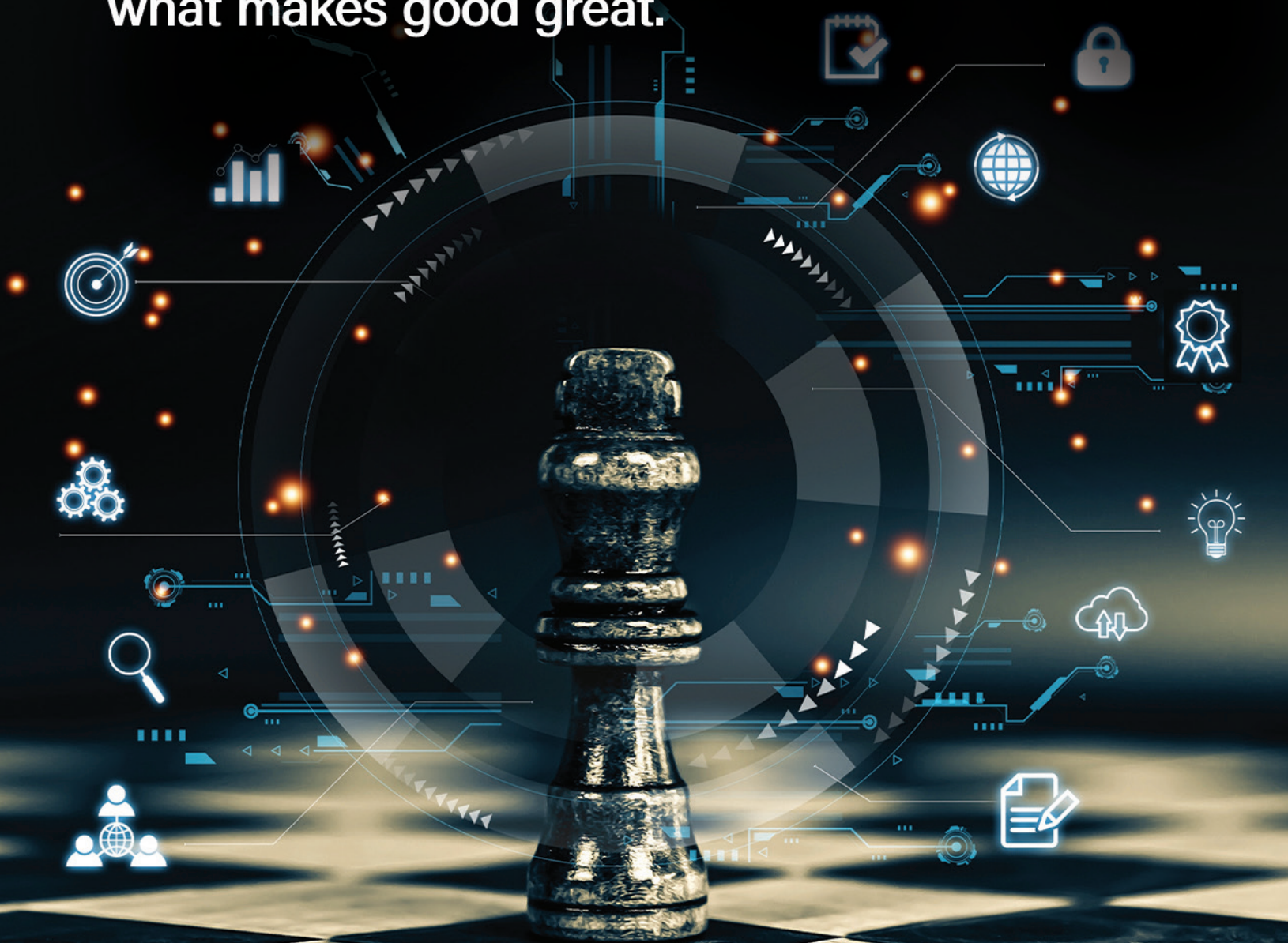
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STRATEGIC ACCOUNT MANAGEMENT ASSOCIATION



MEDTRONIC'S INNOVATIVE APPROACH TO VALUE CO-CREATION

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Almost all industries have had to pivot in the face of a post-Covid era, increasing geopolitical uncertainty, and supply chain disruptions. Developing novel innovation approaches was central to Medtronic's growth strategy against this challenging external landscape. Healthcare around the world continues to struggle with major, almost insuperable, challenges: to deliver better patient care and, at the same time, lower cost with the same or less resources to a growing (and aging) population. Doing so within a post-pandemic environment added further pressure from increasing backlogs of patients waiting to receive elective care that was constrained during the height of the pandemic.

Medtronic realized this fundamental healthcare mission — to deliver better care at a lower cost — could not be solved by one organization alone and required collaboration across the ecosystem to co-innovate and deliver relevant and sustainable solutions.

Medtronic also recognized that continuing to engage strategic customers in traditional ways (with a product/therapy sales approach) and expecting a transformational result simply wasn't a recipe for success. The team set out to consider innovative, differentiating ways to create value *with* customers and their customers (patients) by applying processes and skills acquired from SAMA's Certified Strategic

Account Manager (CSAM) program and Medtronic's own SAM leadership program.

Three customer co-creation stories are featured below, demonstrating how Medtronic took a bold, structured, and innovative approach to engaging strategic accounts in solving three different customer problems. Importantly, in all stories:

- A structured co-creation approach had never been applied before, to address these previously unresolved customer problems.
- New customer engagement strategies were developed to be replicable and scalable to co-innovate solutions addressing complex healthcare problems with other clients in the future.

Innovative value-based care business model in Italy

What was the opportunity? Medtronic enabled a large Italian hospital to shift purchasing cost pressure by co-designing a novel outcome-based business model *and* delivering better patient outcomes.

The Italian hospital client had previously been served through conventional volume/price contracting. This approach had reached its limit on how, together with the customer, Medtronic could cost-effectively deliver transformational care to patients.



The SAM and cross-business account team led a multi-disciplinary approach both internally within Medtronic and externally with the customer's key stakeholders:

- With the customer: Insight gathering through Third Box Thinking™ and value-chain analysis, involving key stakeholders, identified the opportunity to alleviate cost pressure by co-designing a novel outcome-based business model while simultaneously delivering measurably better patient outcomes. The SAM developed the value proposition and secured CEO approval for moving ahead.
- Within Medtronic: The SAM aligned stakeholders across several departments (Health Economics, Policy, & Reimbursement; Government Affairs; Finance; and our business units) to construct a holistic growth strategy and consider how to differentiate ourselves from the competition.

In the current conventional Italian hospital purchasing system, outcome-based business models are rare, and this was the first of its kind to be considered across multiple therapies. Change management was needed across many stakeholders. Technical challenges of how to measure outcomes with robust data using innovative digital technology presented themselves, and internal senior Medtronic leaders needed convincing of the rationale to assume greater risk in an innovative outcome-based business model. Furthermore, a dedicated legal framework was required, and the impact of potential payouts had to be aligned with European pricing policy.

A series of structured meetings was essential to gather information and co-design a new business model, develop a way of measuring outcomes, and create an invoicing approach

based on value. These meetings involved customer stakeholders (C-suite, chief medical officers, purchasing, and cardiology heads of department) and an array of Medtronic stakeholders.

The vision required significant change from standard commercial models and a willingness to accept higher risk by Medtronic's business unit and SAM leadership. Clear financial modeling showing the growth available through the offer of an outcome-based model was key, alongside quantifying the likely customer impact using their metrics.

Medtronic deployed a new hospital clinical service that enables quality data collection (using digital technology), which delivers accurate and transparent measurement of customer outcome. In this case, the customer shifted the purchasing cost pressure to a new model reliant upon outcomes, and patients are receiving better care. It's a win for our customers' customer (patient), the hospital (our customer), and Medtronic.

The Italian story demonstrates the value in jointly exploring new business models, and it has become the first example of a multi-therapy, outcome-based business model for Medtronic. It's a new commercial model that focuses on the customer's customers (patients) and moves the healthcare industry from a supply-driven healthcare system to a patient/customer-centered system of value creation.

Patient outcomes have improved with 58% reduction in hospitalization for heart failure, better patient communications via technology, and improved patient experience. The customer has been able to shift purchasing cost pressure and focus on outcomes, thereby enhancing its reputation. The customer also reduced hospital length of stay by 42% through the use of our suite of digital technology.

In parallel, Medtronic identified additional business in the multimillion range, through share gain, while simultaneously delivering better patient care. The approach and resulting new commercial model differentiated Medtronic and moved the needle from a pure negotiation on price to a discussion on clinical patient outcomes. The customer outcomes have become a lighthouse for others in Italy and across Europe.

Delivering step change in cardiovascular care effectiveness in the Netherlands

Through collaboration with new ecosystem players, Medtronic improved patient outcomes and reduced workload at a major Dutch hospital without increasing hospital spend/budget by employing digital technology (remote patient monitoring and management) and jointly developing a new business

model involving a tripartite (Medtronic, hospital, and insurance companies) approach.

The team at Medtronic already enjoyed a strong and broad-based strategic relationship with key stakeholders at a Dutch customer and had delivered significant value over time. However, a fundamental review of their business model was needed to uncover new ways of creating value through a broader ecosystem approach. The strong relationships had earned the trust for the team to jointly explore novel approaches.

The structured, SAM-led, joint co-creation sessions mapped the customer's customer needs and value chain, and, more importantly, included new ecosystem partners not traditionally in scope for commercial focus — the health insurance companies. New proprietary digital technology created the realization that a novel approach could deliver better care, at lower cost, with an enhanced patient experience.

By jointly mapping the broader ecosystem using value-chain analysis and Third Box Thinking™, the SAM and account team uncovered possibilities for our novel approach and developed a quantified value proposition to present to the insurance payer system and hospital C-suite stakeholders. Deploying new digital technology also brought the need to identify and engage new customer stakeholders (e.g., CIO and IT leadership).

The move to embrace new ecosystem partners in the sales process and payer model required executive sponsorship inside Medtronic and personal involvement in high-level customer meetings, especially with identified new insurance companies. Legal and finance stakeholders were also key to securing the right approach.

With this novel ecosystem strategy, the team wanted the project to benefit all stakeholders, so outcomes are calculated and reported, including a cost comparison of the new approach versus the previous one. In this case:

- Our hospital customer increased capacity thanks to the application of technology (managing patients remotely).
- The hospital agreed to a lower reimbursement fee from the insurers, who are benefiting by seeing fewer hospitalizations with the better patient care (digital, remote patient management), thereby reducing overall risk exposure.
- The overall system savings across the ecosystems are enabling better care, more capacity, and reduced risk.

This new co-creation business model is projected to deliver between 20% and 30% improved patient outcomes, 25% saving



in hospital technician hours, and over 50% improvement in the number of hospital visits, which, combined, are improving hospital capacity and efficiency while treating patients with better care/outcomes at a lower total cost of care. By innovating with new ecosystem partners and reducing insurance risk exposure, Medtronic validated a new, scalable business model to fund innovation in care, together *with* health insurance companies.

Strategic co-creation delivering a new world-class neuroscience center

A sizeable investment in a state-of-the-art neuroscience center was a new strategic initiative being taken by a customer, which afforded the opportunity to develop an innovation partnership through a structured co-creation process.

The SAM, in collaboration with her cross-business account team, identified the opportunity for strategic co-creation upon uncovering plans to invest in a new neuroscience building project. Given the multimillion scale of investment required, the SAM took the initiative to propose a structured co-creation process with the customer to accelerate project delivery and identify mutual areas for a potential public-private innovation partnership.

FIGURE 1.



Aligning our customer stakeholders was the easier part. Aligning and securing agreement on the inside of Medtronic was harder and took longer. To avoid losing focus, we implemented a structured co-creation process and framework (see below).

The strategic co-creation approach required C-suite support and involvement from the outset. The customer CEO and senior team attended a co-creation session that involved approximately 15 people from hospital leadership and 15 people from Medtronic. We mirrored key stakeholders to ensure effective ideation and co-creation combined with commitment to outcomes. Hospital stakeholders included the CEO, the director of the neuroscience center, professors of neurology, the hospital's innovation team, and project leadership for the new neuroscience center of excellence (COE). Medtronic stakeholders included the regional VP, the SAM, core account team members, relevant business unit leaders, the director of hospital solutions (internal consulting and services), the SAM COE lead, and an external facilitator of the structured co-creation process.

The SAM spent much time with her team in developing strong value hypotheses where Medtronic felt they could bring maximum impact and strategic fit. She socialized the significant financial growth opportunity and ROI through the co-creation process with business unit and functional leaders over a three-month timeframe. Her biggest challenge was aligning our global R&D expertise with investment areas our customer desired. Identifying where the customer interest intersected with Medtronic's own R&D roadmap took time and was instrumental in avoiding overpromising.

The structured co-creation process led to joint agreement on

projects for ongoing implementation across a variety of areas, supported by a joint steering committee (involving C-suite leaders from the customer and Medtronic) that meets regularly to review progress, track results, and approve funding.

The approach demonstrated the value in a disciplined, structured, and planful co-creation framework and tool set. Medtronic is co-developing a center of excellence that utilizes the newest technology and state-of-the-art infrastructure. Joint teams (overseen by the joint steering committee) are working on several areas of development spanning artificial intelligence (AI), data & analytics, and a new innovation lab.

Outcomes have led to shorter development times for the multimillion investment, and customer perception of Medtronic has been raised significantly. This was the first time a supplier engaged with the hospital leadership with a structured approach to co-create and innovate between industry and the public healthcare system. As a result, Medtronic has identified significant, potential *new* business by earning higher trust and by strengthening our relationships and establishing broader connections across the customer's operations.

Critical success factors

In all the above stories, application of the following were critical success factors in enabling these co-creation initiatives to advance:

- Stakeholder analysis mapping and influencing strategies were applied both on the inside of Medtronic and across customer stakeholders.
- Face-to-face structured, joint ideation sessions facilitated collaboration among stakeholders.

- Specific, relevant value propositions had to be designed, tested, and validated with key customer stakeholders, especially in the Italian and Dutch examples, where the teams delivered new, innovative procurement (outcome-based) business models and involved new ecosystem partners (insurance companies) in the co-creation process.
- The structured co-creation process required significant planning and validation with all key stakeholders to ensure alignment on the “big fit” areas of strategic co-creation.
- SAMs leading high-performance teams were critical to the above, and aligning with relevant Medtronic marketing resources was also highly beneficial.
- The SAM and team also collaboratively developed:
 - Internal, quantified business cases (including success factors, quantified value/outcomes, and risk assessment/risk mitigation strategies).
 - Structured “storytelling” to engage and align with internal stakeholders across business units.
 - Account strategy and action plans (with joint customer-Medtronic resourcing) to activate and execute each co-creation initiative.

All three approaches come with the added benefit that they are replicable across Medtronic and will lead to transformation in how to engage healthcare customers to deliver better, cost-effective patient care.

Overall, Medtronic achieved a fundamental shift in *how* to show up with our customers and co-create, which is as important — if not more important — than *what* to show up with and has enabled innovative and scalable approaches. The Medtronic team is now applying the co-creation strategy with customers internationally to address meaningful opportunities and play a leading role in tackling the prevailing and fundamental healthcare challenges that exist. ■

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CALL FOR *VELOCITY* SUBMISSIONS FOR 2023 AND BEYOND

Why Submit an Article?

Velocity is the official publication of SAMA. It provides a forum for the exchange of information relating to the practice of strategic account management and is the vehicle that enables SAMA members to be the best community of practice. Thousands of account professionals, SAM managers, and C-level executives at the world's largest and most forward-thinking companies read Velocity to learn about best practices and next practices from professionals who are facing the same challenges they are.

By having an article published in Velocity, you'll be recognized as having expertise on the topic, and you'll elevate your visibility within the community and your own organization. Your organization will benefit by having its name brought to the attention of the wider community as a thought leader.

But you're not a writer, you say? Not a problem. Your professional knowledge is more important than your writing skills. The SAMA editorial staff can help with grammar, organization, and style. If you can write a business letter, you can author an article.

If your firm has a public relations, marketing, or communications department, they may be able to help you document your knowledge and experience. Do make sure, though, that you provide them with in-depth information and that you review their documentation of your knowledge and experience for accuracy and to ensure it meets the article requirements below.

Case Studies

Case studies are particularly welcomed, answering the questions and following the format of:

- what was the issue;
- what were the steps taken to address the issue;
- what resulted for the SAM, the SAM's

organization, and that of the SAM's clients?

Article Requirements

Articles must be directly applicable to strategic account management (not just sales). It helps to keep in mind that SAMA's audience consists of those who work in complex, highly matrixed organizations and focus on building strong and mutually beneficial relationships with a company's most important customers and partners.

Articles must avoid directly promoting a product or service.

Velocity articles range between 2500 and 3500 words, covering three to five pages. These ranges are approximate; somewhat over or under these word counts is fine if justified by the content.

Articles from consultants and academics are welcome, but bringing aboard a practitioner co-author will get you to the top of the pile. If that's not possible, please consider adding concrete, real-life examples from your work with clients.

Graphics that aid in understanding an article are also welcomed. In addition, please consider contributing original research in graphic form to Velocity's Data Watch column.

If you'll be working with graphic designers or printers, have them contact halverson@strategicaccounts.org for the more technical requirements for graphics.

Who We Want To Hear From

- ✓ SAMs and sales executives, managers, and account managers at all levels
- ✓ Procurement, strategic sourcing, and supplier relationship management executives
- ✓ Independent consultants and academics working with strategic account organizations. Articles co-authored by a consultant and a practitioner, or an academic and a practitioner, lend credibility to theory.

Key Subject Areas

While authors may choose a topic most relevant to their own experience, some of the topics most relevant at this time are:

- Organizing and running the SAM program central office
- Going deep: uncovering strategic information from and about the customer
- Leveraging technology, data, and/or analytics to change the way you drive significant revenue with your customer, working internally and/or collaborating externally
- Implementing innovation
- Deploying disruption
- Quantifying and validating customer value in a case that resulted in a value-based price solution or that prevented losing a deal and/or the customer

Elements of a Successful Submission

An article doesn't need to contain ALL of the following, but the more boxes it checks off, the higher priority it will be given.

- ✓ Practitioner author or co-author
- ✓ If written by a consultant or academic, must incorporate practitioner point of view
- ✓ Real, concrete business examples that exemplify the concepts discussed in the article
- ✓ Hard data
- ✓ Innovative concepts/"Next practices"
- ✓ Human element

How To Submit

If you already have a white paper, case study, or article ready to go, send it to Velocity associate editor Nic Halverson at halverson@strategicaccounts.org. You will be notified that your article has been received and is under review. If you just have an idea for an article, send a brief description and any supporting materials to halverson@strategicaccounts.org.