Device manufacturers experiencing declining growth or narrowing margins may need to reevaluate their commercial models.

**The rules of the road** are changing for the medical-device industry. While strong demand, demographics, and value still generate interest and investment, shifting expectations are placing a heavier burden on commercial organizations. The most visible of these changes may be the new US medical-device tax, yet a number of other trends are threatening margins and flattening growth estimates. Increasing government-sponsored comparative-effectiveness research, narrowing provider margins, changing utilization patterns, and evolving patient and physician expectations all combine to create an environment where device manufacturers should reevaluate their commercial model to ensure that it remains relevant and responsive.

While none of these trends are new, there is a new urgency to getting a more relevant commercial model right. A commercial transformation has the potential to decisively shift the competitive balance of power in the industry. Although the specifics can vary by company, the following elements are hallmarks of a commercial transformation:

- a multiyear effort designed to improve both commercial performance and the health of the organization
- a program driven by marketing and sales but strongly cross-functional
- adoption of a customer-centric mind-set across all functions
- a focus on building sustainable commercial capabilities and better-run processes

Commercial transformation implies going beyond half measures. Past efforts that simply added (or cut) marketing dollars or sales reps might have provided short-term benefits but did not touch the underlying sales and marketing model. A true commercial transformation addresses
the entire B2B commercial engine, including new approaches to targeting specific customers, constructing product and brand value propositions, reaching chosen customers, and maximizing the overall value captured from each.

Is now the right time to launch a transformation initiative?

A transformation should be considered if declining growth or narrowing margins results from any of the following:

- Inconsistent execution exists despite having great pockets of commercial excellence in the organization.
- Physician and patient insights are not embedded into the commercial process.
- Gold-standard new-product development processes are inconsistently followed.
- Limited investment in new-product launches leads to underperformance relative to what was forecast.

We’ve seen the investment in true commercial transformation pay off, with some companies increasing operating income by as much as ten times the cost of the transformation program in the first year (see sidebar, “Transformation case study”).

Transformation case study

We worked with a global healthcare manufacturer with more than $10 billion in revenues that served both business-to-business and business-to-consumer markets. An organization-wide diagnostic revealed systemic marketing issues that were limiting growth. One issue was that engineering was designing products with little insight into customer needs and preferences. Likewise, marketing was developing unclear product value propositions and then poorly communicating them to customers. And field marketers were being used as additional sales capacity rather than being deployed to gather local insights.

A transformation was launched company-wide, with the CEO taking the lead. The goal was to redefine global, regional, and local roles and responsibilities. Additionally, the transformation team worked to develop a core set of capabilities by creating a formal “marketing academy” that included workshops and e-learning, piloting projects that applied training with on-the-job skill building (led by dedicated expert coaches), and developing “culture champions” who helped create a thriving, dynamic culture throughout the company.

Results to date have exceeded expectations, with individual businesses expecting an overall revenue or profit uplift of between 3 and 7 percent, a consistent marketing process implemented company-wide, and a standardized training methodology developed and put to use (with more than 500 marketers trained).
So what does it take to capture the benefits of a commercial transformation? Here are six core requirements for success (exhibit):

1. **Enroll a senior change champion.** Identify the senior executive (e.g., CEO, CMO, or CSO) who will sponsor and embody the transformation and drive it to completion. The chosen leader must lead from the front, consistently stay on message, and inspire the entire organization to execute the changes. One CEO who sponsored a transformation kicked off the inaugural workshop with a clear and compelling vision for performance that linked directly to transformation factors. She stomped out unproductive mind-sets and instilled a sense of responsibility for change into all sales and marketing employees. She still meets every two weeks with the execution team, constantly engaging on the overall progress.

### Exhibit

Six factors are essential for a successful transformation.

<table>
<thead>
<tr>
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<td>Invest in creating a collaborative problem-solving mind-set and a strong customer focus to build strong commercial capabilities</td>
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<tr>
<td>Make sure the transformation pays for itself</td>
<td>Create a set of successful pilots early in the transformation to deliver hard results and demonstrate immediate effectiveness</td>
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<tr>
<td>Celebrate wins publicly and often</td>
<td>Develop a communication strategy for sharing the new way of working, celebrating successes, and galvanizing leaders to demonstrate commitment</td>
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<tr>
<td>Measure impact</td>
<td>Track progress through leading and lagging indicators—a critically important step given the longer lead time in delivering marketing and sales impact</td>
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1. Chief marketing officer.
2. Chief strategy officer.

### Key transformation success factors

So what does it take to capture the benefits of a commercial transformation? Here are six core requirements for success (exhibit):

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2. **Organize for the change.** Design a specific transformation-team structure, clarify roles and responsibilities, and inject new talent to enable the transformation and to demonstrate investment and commitment. The transformation should create new opportunities for your best talent, encouraging people to develop by working across functions. The transformation itself should yield a new organization shape: one client started by looking at the total number of marketing and sales titles in the organization before embarking on a transformation. From a baseline of more than 100 titles, the team narrowed marketing and sales responsibilities to just eight specific roles. The standardization led to greater mobility of employees and increased collaboration among the organization.

3. **Define the new culture.** Top-performing organizations that have strong commercial capabilities often have a collaborative problem-solving mind-set and a strong customer focus. Although outwardly simple, creating such a culture is no easy task. One organization was successful by identifying change leaders through network analysis. Senior leaders were asked who is responsible for getting things done in their organization. The employees identified were then asked the same question, and after four to five iterations, the most frequently cited individuals were identified as change leaders—empowering them to lead implementation teams in their respective areas. Making change real also requires leaders to act as role models for new behaviors and to encourage their reports to embrace the new way of working.

4. **Give it time but make sure the transformation pays for itself.** Transformation efforts are multiyear undertakings, which can set the stage for “change fatigue” if not managed well. Early in the transformation, a set of successful pilots is needed to deliver hard results and demonstrate immediate effectiveness.

5. **Celebrate wins publicly and often.** Employees need to know when a breakthrough has occurred and what exceptional commercial capabilities produce when correctly applied. As such, companies need a communication strategy for sharing this way of working, celebrating successes, and galvanizing leaders to demonstrate commitment to the task at hand. As an example, one healthcare company created a company intranet, held CEO-led discussions on the transformation at every meeting for the top 200 executives, and used senior executives to kick off marketing training sessions with the new vision.

6. **Measure impact.** Given the longer lead time in delivering marketing and sales impact, it’s important to measure leading and lagging indicators. Leading indicators (for example, number of proposals, sales-pipeline health) can provide an early window into a strategy’s effectiveness. Lagging indicators (for instance, share, profit, revenue) are the ultimate test of a transformation’s success.
Avoiding stalled transformation

Driving a commercial transformation requires true leadership; in the absence of that leadership, transformations inevitably stall, never achieving the primary goals. Additional “failure modes” can result from the following:

- **Inability to scale up after initial pilot success.** It’s easy to throw resources at a pilot and get short-term performance improvement; however, many organizations fail to move from pilot to scale. The reason is that they lack the change resources, efficient talent, and full senior-leadership commitment to ride out the peaks and valley associated with near-term earnings pressure.

- **Lack of organizational talent to run the transformed model.** When we work with organizations, we often find a range of talent profiles. It is important to invite the most flexible commercial “athletes” to lead the transformation team—that is, those who can transition to the new way of working—and avoid investing in those who will not buy into the change. Too often there is an assumption that an organization can take existing talent and plug them into a new model, which is generally not the case. What does work is finding the few employees who can succeed in the new world, training them, and embracing new talent with a similar mind-set.

- **Lack of sustained, unwavering commitment.** At the launch there is often a lot of energy associated with transformation and early pilots. However, unlike an operations-focused transformation, where management can see an immediate impact to the bottom line, commercial transformations require more patience. One client used a consistent cadence of communication across businesses to keep transformation on everyone’s radar screens and employees energized. This in turn helped develop self-sustaining momentum. These updates were usually accompanied by a brief message from the CEO or the marketing leads, which underscored continued leadership sponsorship for the transformation.

While implementing the six success factors and avoiding the three failure modes are critical for a program’s overall success, a detailed plan must take into account both company and product specifics. When done well and with the appropriate focus, commercial transformations are one of the most productive ways to achieve a change in performance.

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