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Optimizing the **Insight Infrastructure**

The 2013 INSIGHT Study
*A **KJT Group** White Paper*

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About KJT Group

KJT Group is an evidence-based research and consulting firm focused on guiding life sciences clients to uncover insights that enhance their strategies and execution. The company was founded by Dr. Kenneth Tomaszewski, PhD, MS in upstate New York and has since expanded with employees in Pennsylvania, South Carolina, Texas, and The Netherlands.

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Executive Summary

With unprecedented change occurring in the US healthcare delivery system, life sciences companies are reevaluating their business model. More than ever, insights are needed to help navigate this changing landscape. In this paper we outline the results of our 2013 INSIGHT research study that examines the notion of an "Insight Infrastructure" as a means of characterizing an organization's Market Research and insight function. We sought to identify challenges and opportunities within the insight function and benchmark performance across the life sciences industry.

The INSIGHT study included 127 respondents from 80 companies within medical device, pharmaceutical and biotechnology organizations.

Key findings were noted within the four domains (Insight Strategy, Insight Structure, Insight People and Insight Process) of our Insight Infrastructure model.

- Many firms do not have or follow an Insight Strategy.
- Insight Structures often include siloed Insight Professionals and utilize Market Research vendors that do not provide superior value.
- Insight Professionals are frequently considered highly competent but at times lack influence in business decisions and skills in advanced quantitative methods.
- Many rate their Insight Processes as effective, but few believe they are very effective in generating and executing on insights. A lack of synergy between Insight Professionals and senior leadership is often reported.

The effectiveness of one's Insight Infrastructure is normally distributed with just 18% reporting it very effective. Overall effectiveness is significantly correlated with having effective processes, effective people, an effective structure and the company's overall financial success. While many respondents report positive changes in their Market Research function, opportunities exist within many companies to improve various domains of their Insight Infrastructure. Based on these findings, life sciences companies should consider closely examining their Market Research and insight function to identify opportunities for maximizing one's return on Insight Infrastructure investment.



Background

US healthcare reform continues to present new challenges for all stakeholders in the US healthcare delivery system. The Affordable Care Act (ACA) is stimulating unprecedented change that will impact the way Americans purchase and receive care. Payers, providers and healthcare systems are rapidly aligning to create Accountable Care Organizations (ACOs) and other similar entities to deliver care. New reimbursement mechanisms combined with reduced reimbursement rates for inpatient and outpatient services from federal and commercial payers are forcing systems and providers to look for ways to reduce healthcare delivery costs and deliver better patient outcomes and higher levels of patient satisfaction.

As a result of these changes, pharmaceutical, biotechnology and medical device companies find themselves in a position to reevaluate their own business models in order to maintain their position in the marketplace. At the same time, the new medical device tax and complying with ongoing changes within the FDA compounds the challenges for pharma and device manufactures to remain competitive and meet the evolving needs of their customers.

These changes in how and where clinical care is delivered and reimbursed is pressuring the *status quo*, requiring organizations to develop and deliver uniquely differentiated products and services. In order to gain a competitive advantage, organizations must have a deep understanding of their customer's current and anticipated needs and behaviors. Thus, using data, market intelligence and "insights" to inform strategies and guide tactical decisions becomes increasingly important within a rapidly changing marketplace.

Defining the Insight Infrastructure

While many people have been throwing around the term "insight" few have truly endeavored to make sense of the insight process in life sciences companies. Our perspective is that an *insight* is a special type of information that can be leveraged to create a sustainable competitive advantage. However, simply generating insights without executing on them provides no value to an organization. To better understand and describe a

"An insight is a special type of information that can be leveraged to create a sustainable competitive advantage."

company's ability to generate and execute on insights, we developed a theoretical model which we describe as the "Insight Infrastructure." The *Insight Infrastructure* refers to characteristics of

an organization across four domains: Insight Strategy, Insight Structure, Insight People, and Insight Process (see **Table 1** for definitions). KJT Group conducted the INSIGHT study to test the model and better understand the current state of Insight Infrastructures among life sciences companies.

Table 1: Insight Infrastructure Domain Definitions

Domain	Definition
Insight Strategy	An organization's explicit or implicit vision or goal for the role that insights serve in making business decisions.
Insight Structure	An organization's reporting relationships and the degree of integration of the Market Research/Insights function with the rest of the organization.
Insight People	Market Researchers and Insight Professionals
Insight Process	An organization's overall means of conducting Market Research and how business insights relate to business decisions.
Insight Infrastructure	Characteristics of an organization across four domains: Insight Strategy, Insight Structure, Insight People, and Insight Processes.



The 2013 INSIGHT Survey

Objectives

The primary objective of the INSIGHT (Independent National Study of Insight Infrastructures Guiding Health Sciences Transformation) study was to use this model of an Insight Infrastructure to characterize the current state of life sciences companies during a period of unprecedented healthcare reform. The aim of this research was to gain insights into the current challenges and opportunities within companies' Insight Infrastructures and provide respondents to the survey with an individualized report of their findings to benchmark themselves to their peer organizations.

Survey Methods & Sample Population

This industry benchmarking study was conducted in the summer of 2013 and included 127 respondents with an average 14.3 years of industry work experience from 83 companies within the pharmaceutical, biotechnology and medical device industries. The survey was administered online and completed by senior staff within three groups: Executives, Market Research/Insight/Business Analytic Professionals and Marketing/Brand/Product Professionals. Of the 127 professionals who participated in this research, approximately two thirds work in the pharmaceutical/biotechnology industry, with the remaining third working in the medical device industry (Figures 1 and 2). The sample included companies with as few as one to greater than 21 full-time Market Research Professionals as shown in Figure 3.

Figure 1
Respondent Breakdown by Industry
(n=127)

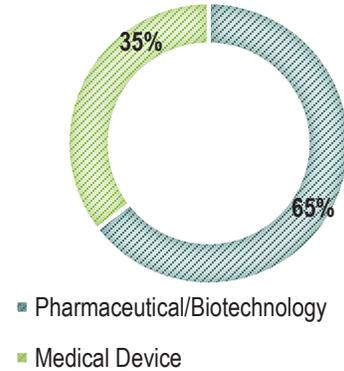


Figure 2
Respondent Breakdown by Title
(n=127)

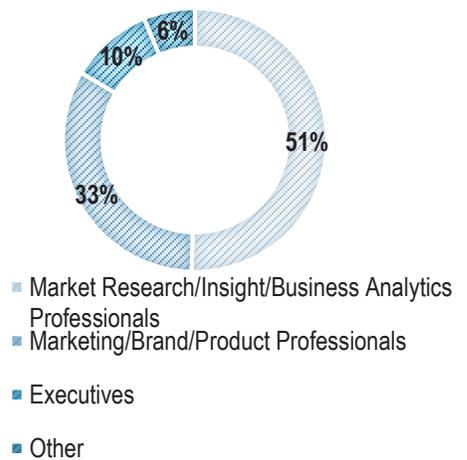
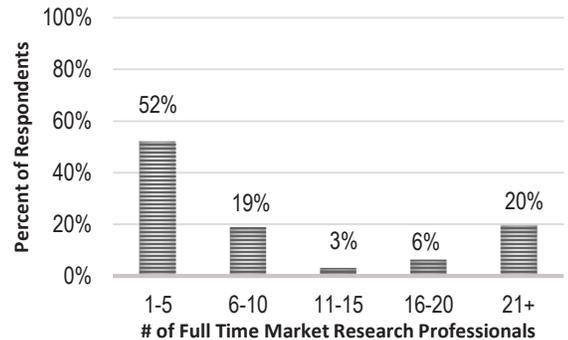


Figure 3
Full Time Market Research Professionals (n=127)





Research Findings

Insight Strategy

We first inquired about the existence of an Insight Strategy and less than half (47%) of respondents report that their company has an Insight Strategy that is followed (**Figure 4**). Among those with an Insight Strategy, the mean rating of its effectiveness on a 10 point scale is 7.1 (SD = 1.5) with just 11% rating their Insight Strategy as a 9 or 10.

Exploring characteristics of the Insight Strategy, 64% agree that strong leadership drives the Insight Strategy, but only 43% agree that a high level of employee buy-in and commitment exists (**Figures 5 and 6**). Interestingly, executives endorse these at higher rates, with 100% agreeing that strong leadership drives the Insight Strategy and 86% agreeing that a high level of employee buy-in and commitment exists for the Insight Strategy.

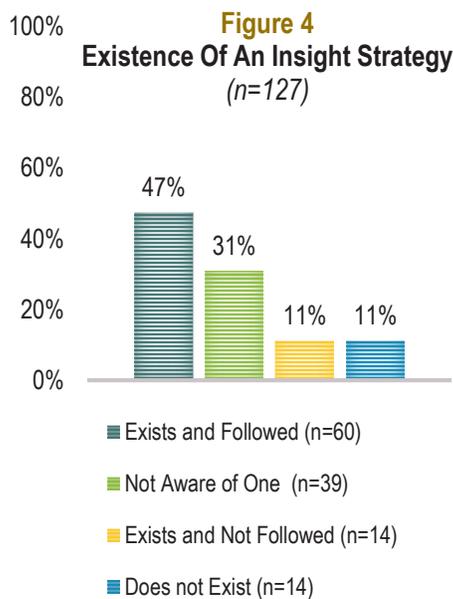
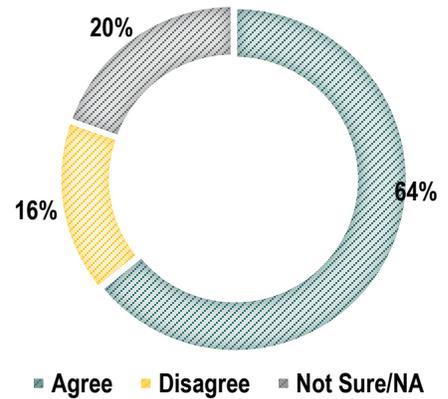
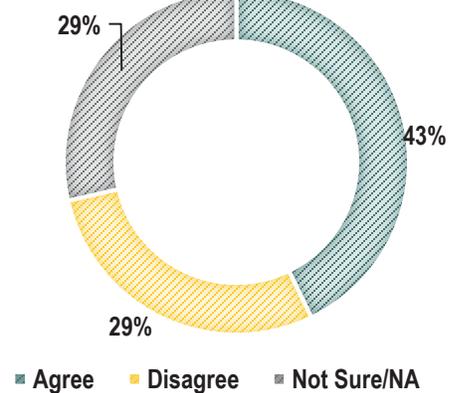


Figure 5
Strong Leadership Drives Insight Strategy
(n=92)



■ Agree ■ Disagree ■ Not Sure/NA

Figure 6
High Level of Employee Buy-in & Commitment to Insight Strategy
(n=91)



■ Agree ■ Disagree ■ Not Sure/NA

Insight Strategy: An organization's explicit or implicit vision or goal for the role that insights serve in making business decisions.





Research Findings

Insight Structure

When asked to rate the overall effectiveness of their Insight Structure the mean score is 6.9 (SD = 1.8) out of a possible 10. Respondents from the pharmaceutical/biotechnology industries rate their structure's effectiveness slightly higher than those from the medical device industry with mean scores of 7.1 (SD = 1.8) and 6.4 (SD = 1.8), respectively.

During further examination of the Insight Structure, 42% report Insight Professionals have a defined reporting structure to the product and brand teams, and in another question, 40% report that the Market Research/Insight Professionals are siloed in their organization (Figure 7).

We also examined the perceived effectiveness of the Insight Structure in *generating* insights as well as *executing* on insights. Only about half (53%) agree that their current Insight Structure facilitates optimal *generation* of actionable customer and market insights with similar results for the *execution* of insights (49%).

Within the structure portion of the survey we examined the use of external vendors. While 93% of respondents report using more than one external vendor/partner, just 53% agree that these vendors provide superior value (Figures 8 and 9). Market Research, Insight, Business Analytics Professionals are more critical of their external vendors with only 25% rating vendors as providing superior value.

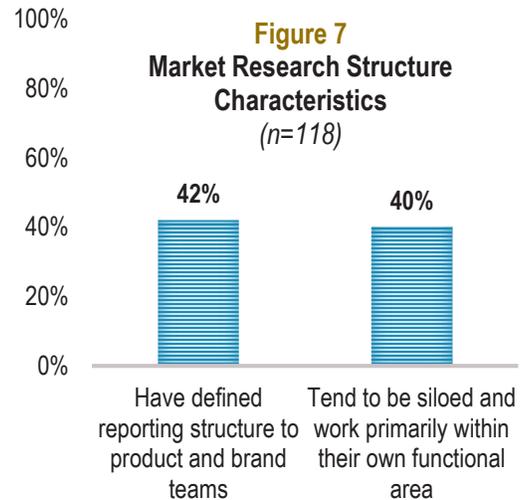


Figure 8
Use Multiple Market Research Vendors (n=118)

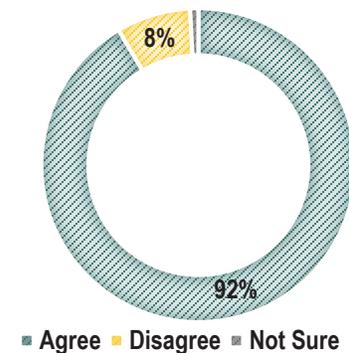
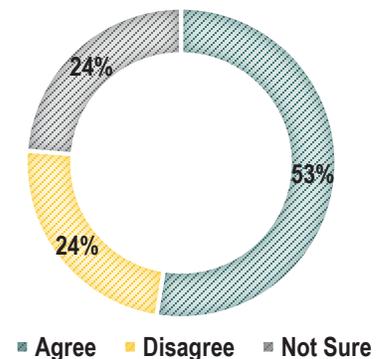


Figure 9
Vendors Provide Superior Value (n=118)



Insight Structure: An organization's reporting relationships and the degree of integration of the Market Research/Insights function with the rest of the organization.





Research Findings

Insight People

In this study, Market Research and Insight Professionals are rated as highly qualified, consultative, and collaborative. However, variation exists among the respondent types. Not surprisingly, a greater proportion of Market Researchers, Insight, and Business Analytics Professionals rate themselves and peers as highly qualified compared with Executives (92% versus 70%, respectively). Alternatively, a smaller proportion of Insight Professionals report being highly consultative compared to how executives view their roles (73% versus 100%, respectively) (**Table 2**).

When examining the role of Insight Professionals in influencing business decisions, nearly one-quarter of all respondents do not feel their Market Researchers/Insight Professionals have a role in influencing business decisions. On average, Market Research/Insight Professionals are slightly more likely to report not having a role in influencing business decisions, compared to Executives

and Marketing/Brand/Product Professionals (25% versus 20% and 18%, respectively).

We also asked respondents to compare their Market Researchers and Insight Professionals to those at competitor organizations. Overall, Market Researchers and Insight Professionals perform very well across the various categories with the overall rating of the effectiveness of one's Insight Professionals being 7.5 (SD=1.5). A breakdown of various areas of effectiveness relative to those at other organizations is shown in **Table 3** with skills in advanced quantitative approaches rating the lowest with a mean rating of 6.5 out of 10 (SD=2.1).

Table 2: Ratings of Insight Professionals

	Market Research/Insights (n=62)	Marketing/Brand/Product (n=38)	Executive (n=10)
Highly Qualified	92%	82%	70%
Highly Consultative	73%	79%	100%
Highly Collaborative	92%	90%	90%

Table 3: Rating of Specific Skills of Insight Professionals

	Total (n=118)
Meeting specific research objectives	7.6 (SD = 1.6)
Overall research study design	7.3 (SD = 1.8)
General qualitative approaches	7.3 (SD = 1.6)
Solving key business objectives and challenges	7.3 (SD = 1.7)
Refining data into key actionable insights	7.2 (SD = 1.7)
Gaining buy-in and consensus from other stakeholders	7.2 (SD = 2.0)
General quantitative approaches	7.1 (SD = 1.7)
Advanced quantitative approaches	6.5 (SD = 2.1)

Insight People: An organization's Market Research and Insight Professionals.





Research Findings

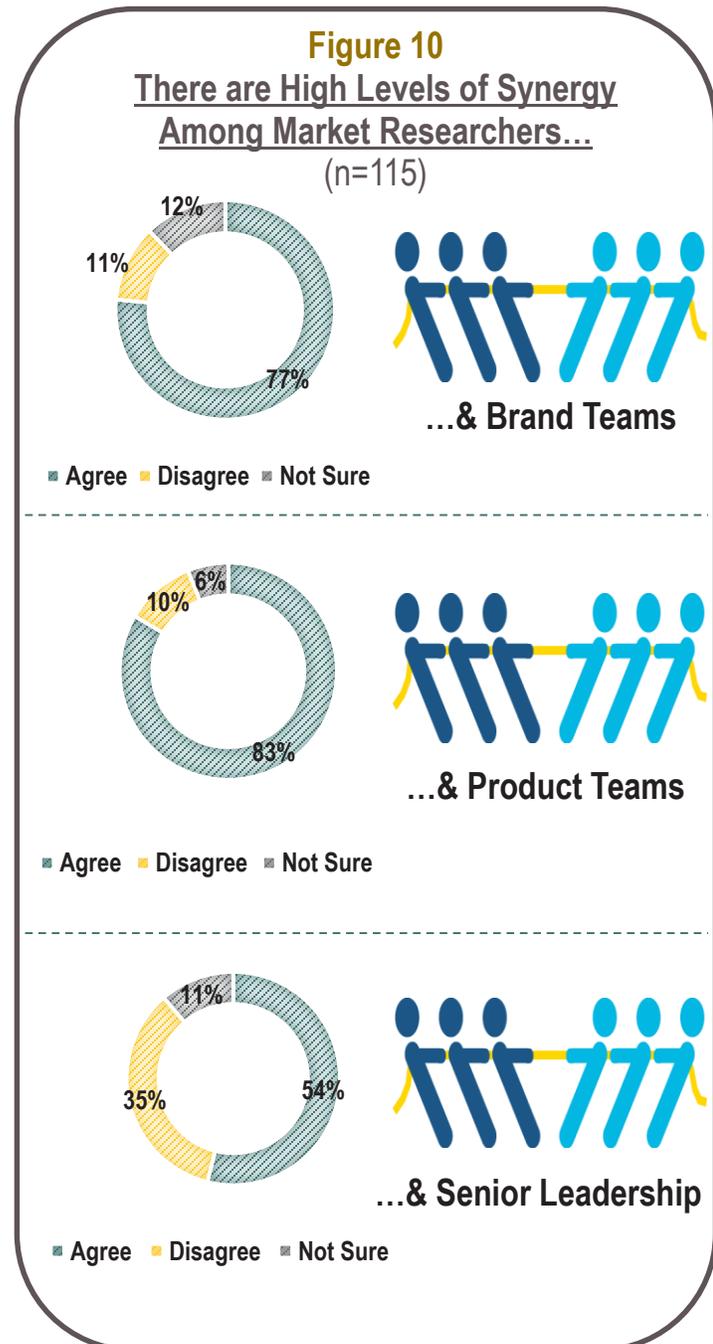
Insight Process

Overall, the mean rating for the effectiveness of the Insight Process is 7.2 (SD=1.6). Additionally, 60% of respondents agree that current processes are highly effective at *generating* actionable customer insights versus 53% who agree to being highly effective at *executing* on insights.

When examining how insights are used, one quarter of all respondents report that evidence-based insights are *not* required to inform business decisions at each stage of the new product development process or within the various stages of the product lifecycle.

However, 78% of all respondents agree that business objectives are always used to define a project's research objectives and 76% agree that timelines for Market Research projects are well communicated and understood across team members.

Interestingly, when asked about collaboration among different functional areas, more than three quarters of respondents feel there are high levels of synergy among Market Researchers and product and brand teams but only about half of all respondents feel there are high levels of synergy among Market Researchers and senior leadership (Figure 10).



Insight Process: An organization's overall means of conducting Market Research and how business insights relate to business decisions.



Research Findings

Insight Infrastructure

As previously defined, the Insight Infrastructure includes a company's overall strategy, structure, people, and process used to generate and execute on business insights. The average rating of the effectiveness of the overall Insight Infrastructure is similar across all respondents with a mean of 7.1 (SD=1.6). Interestingly, those with larger Market Research departments (21+ staff) rate the effectiveness of their Insight Infrastructure slightly lower with a mean rating of 6.5 (SD=1.4).

Respondents were also asked to rate the impact of the Insight Infrastructure on their organization's financial performance and if the resources spent on insights provided a very high return on investment. Mean scores of agreement are 6.8 (SD=1.9) and 7.1 (SD=1.8), respectively.

When asked to rate their Insight Infrastructure relative to their competitors, 39% of respondents rate theirs as somewhat or much better while 36% rate theirs as about the same and 25% rate their Infrastructure as somewhat or much worse than their competitors.

Examining the model and the correlation between each of the four insight domains and the overall effectiveness of the Insight Infrastructure, as hypothesized, we found high levels of correlation. We also examined the relationship between the effectiveness of each domain on the overall perceived effectiveness of the Insight Infrastructure using both linear and logistic regression models. Findings from our analysis show the Insight Process followed by Insight People and then Insight Structure are most strongly associated with reporting an effective Infrastructure.

Impact of Healthcare Reform and a Changing Insight Function

Considering the potential impact of a rapidly changing healthcare industry on life science companies, most respondents (86%) report that healthcare reform has already impacted their Insight Infrastructure to some degree and will continue to do so in the future. Executives view reform as having a greater impact than do other roles.

Sixty-three percent of respondents report experiencing a restructuring of their Market Research function within the past three years and more than half (52%) report a decrease in Market Research budgets. Thirty-one percent of respondents also report Market Research workforce reductions. Despite these changes, 63% indicate there has *not* been a decrease in the number of Market Research projects commissioned. Interestingly, 67% agree that companywide innovation efforts have increased and nearly three quarters feel there has been a moderately positive (52%) or very positive (19%) change in the Insight Infrastructure over the past three years.

Insight Infrastructure: Characteristics of an organization across four domains: Insight Strategy, Insight Structure, Insight People, and Insight Processes.



Concluding Thoughts

While there are several key findings from this research that one should consider and reflect on, in our view the main finding from this research is that a fair proportion of life sciences companies lack an optimal Insight Infrastructure which limits their ability to successfully navigate a changing healthcare environment.

Questions & Considerations

These findings may precipitate one to ask some of the following questions. How much effort, time and resources have you allocated toward developing an Insight Infrastructure that will help provide you with a competitive advantage in a dynamic market? Have you closely examined your Insight Infrastructure across domains similar to the model of Strategy, Structure, People and Process? Do you routinely use solid data to make decisions or do you regularly make decisions based strictly on past knowledge and intuition? Does your organization have an Insight Strategy that specifically states how you will use data to generate insights that will inform and guide your strategic business decisions? Does your organization have a structure in place that optimizes collaboration and communication on insight generation and execution between senior management, brand, product and Insight Professionals domestically and globally? Do your Insight Professionals and external partners have the right mix of skills such as scientific inquiry, research design, sampling, access to recruitment and fielding research among hard to reach target respondents and key influencers, and possess skills in advanced data analytics? Do they synthesize data to create actionable insights and effectively communicate and assure that the insights are executed in a manner that brings value to the organization?

Implications

In our experience, and now supported by the findings from this study, some companies are uniquely positioned to generate and execute on deep insights that provide a competitive advantage. However, other organizations report a lack of proficiency in one or more of the four domains outlined here which are strongly correlated with overall Insight Infrastructure effectiveness. Thus, some companies have an opportunity to improve their Insight Infrastructure by developing more effective processes, focusing on talent development or reevaluating their Insight Structure. Respondents who rate their organization as having a very effective Insight Infrastructure also report that their insight function provides a high degree of return on investment and has a very positive impact on the financial success of the company. Investing in one's Insight Infrastructure may be just what is needed for many companies looking to create a competitive advantage during this era of significant healthcare reform.

