

Asia's fever for health care talent

Providers across the continent need to navigate new challenges in staffing, from top to bottom.

Introduction

As residents of the world's largest and most populous continent grow wealthier, older, and longer lived, the accompanying rise in demand for quality health care is placing unprecedented pressures on the health care system. To succeed in this burgeoning market, health care providers need to understand what's driving demand and limiting supply, as well as how to appropriately deploy talent resources to meet these challenges.

Projections illustrate what Asia might look like in 2050 when Singapore, Hong Kong, Taiwan, and South Korea will become the world's four wealthiest territories by per capita GDP, according to a report by Knight Frank (2012). Throughout the region, the middle classes also are forecast to keep growing, to the extent that the world's "economic center of gravity" will shift to somewhere between India and China.

Another study by the French National Institute for Demographic Studies (Pison 2013) reckons that Asia's population will grow by 900 million to reach 5.2 billion. Yet, as the region becomes more developed, its fertility rate will drop and its population will gray. China is projected to see its percentage of elderly—those 65 and older—triple from 8% today to 25% at the mid-century mark. In India, the number of those 60 and older will treble to 300 million people, the United Nations predicts (2011, 2013).

Ironically, higher disposable income and sedentary lifestyles due to economic progress have led to a changing disease profile across Asia, especially in urban centers, where vulnerability to chronic lifestyle-based afflictions such as diabetes and cardiac ailments is on the rise, says Dr. Preetha Reddy of Apollo Hospitals Enterprise Limited.

Because of this confluence of adverse health factors, health care providers—from hospitals and hospices to dental surgeries and aesthetic clinics—will find Asia a land of opportunities for years to come.

Rapid growth in the medical industry is already sweeping Asia, through organic expansion, mergers, and acquisitions. In India, private health care delivery has been expanding at an annual rate of 20% to 25% since the early 2000s. In Indonesia, Dr. Umapathy Panyala of Omni Hospitals Group predicts that compound annual growth rates will range from 15% to 18% as consolidation takes effect.

But those looking to capitalize on this growth often find themselves stymied by factors that limit rates of expansion.

Korn Ferry interviewed 19 senior executives at companies with businesses in the health care sector across mainly six territories in Asia—China, Hong Kong, India, Indonesia, Thailand, and Singapore—for insights into the drivers and possible outcomes of changes on the horizon.

Opportunities and challenges in Asian health care.

The executives identified eight trends and characteristics of the Asian health care sector.

Talent crunch. Overwhelmingly, executives say that their No. 1 concern is recruiting the quantity and quality of medical personnel at all levels—management, administration, doctors, nurses, and clinical assistants—to ramp up services to meet demand.

Few ready talents with relevant background and experience exist at the C-suite level, especially in less-developed nations. Senior executives often must be recruited from other sectors, such as the telecommunications, information technology, and hospitality industries, Manipal Group's Rajen Padukone says. In more advanced economies, such as in Thailand, for example, institutions are grooming local talents to replace foreigners at the management level, but this remains a slow process.

From Thailand to Indonesia, India to China, doctors and nurses also are grossly understaffed in general. Rajit Mehta of Max Healthcare Institute estimates that India requires at least 1 million doctors to adequately serve its patients (to maintain the ratio of 1 doctor per 1,000 as stipulated by the World Health Organization), but only 600,000 are available today.

High staff turnover rates. As a result of the manpower shortage, good doctors and nurses get poached at an alarming rate. Attrition rates of 40% to 70% are common. Fortis Healthcare Limited's Shivinder M Singh comments: "In the early days, until about 2008, private health care delivery players mobilized talent largely from nursing homes and government hospitals. Today, given the high growth in the private health care delivery sector, coupled with an acute shortage of experienced doctors across specialties, there is a veritable 'war for talent' between corporate hospitals."

Training and education infrastructure lacking. Although the governments in the countries surveyed provide excellent general education by and large, policymakers pay insufficient attention to building the needed number of medical schools, nursing colleges, and teaching hospitals. The Thai system, for example, simply is not producing enough doctors and nurses, Dennis Brown of Bumrungrad International says. Further, the learning that doctors and nurses graduate with may not align fully with the practical skills employers require. There is a prevalent sentiment that governments cannot be relied upon to build up the infrastructure needed.

Increased consolidations and vertical integration. Many small health care facilities today, especially in China, India, and Indonesia, are substandard and do not enjoy economies of scale. They are not expected to survive independently and eventually will be acquired by larger groups or merged with others. Additional competition comes from device companies such as Philips, GE, and Siemens, which are setting up health care/hospital divisions to capture the value chain. This may have an effect on health care providers' ability to negotiate better equipment prices.

Continued growth in medical tourism. In more developed areas such as Hong Kong, Thailand, and Singapore, companies seeking growth are looking beyond saturated and limited local markets and are targeting services to wealthy foreigners. They are investing at the same time in facilities in less-developed overseas markets where local players are weak, spots such as Vietnam, Cambodia, and Pakistan.

Uneven government health care reforms. Governments, like those in India and Indonesia, are divesting from public health care to hand more responsibilities over to the private sector, which is seen as a more efficient provider, Omni Hospitals' Panyala and Manipal's Padukone say. Health care in Asia also is shifting models from tax based to insurance based. Many countries are pushing for wider insurance coverage for their citizens, with Singapore and Indonesia introducing new universal health care plans. Some countries also are opening the private health care sector to foreign direct investment to speed modernization of their health care infrastructure. Respondents note, though, that new regulations are not always synergized: although foreign investment is encouraged, for example, the same latitude might not apply to licensing for foreign doctors to practice locally.

Onerous licensing. Licensing requirements for new hospitals can prove onerous and hinder expansion. In China, two C-level executives mentioned that it would be difficult to obtain permission to run specialized facilities such as in vitro fertilization and postnatal care centers or those for stem-cell services and research.

Information technology and medicine. Telemedicine—or the use of telecommunication and information technologies to provide clinical care from a distance—has been promoted as the next big thing for large countries such as China and India. It has not proven itself yet on the ground. Respondents mentioned issues needing resolution, including standards, safety, privacy, and liability. The computerization of hospital systems is increasing and is seen as a way to lessen staffing needs while also improving patient care.

Effect on Talent and Leadership.

Unlike in the West, where private health care is a mature industry, in Asia, the sector is nascent and provides unique challenges and opportunities. Senior executives need to familiarize themselves with and strategize about them.

Beefing up medical domain management. At health care management's pinnacle in Asia, candidates with domain experience are sorely lacking. "For CEO/COO roles, the talent pool with a health care background is extremely small," Manipal's Padukone says.

This leads to difficulty in scalability, as noted by operators in India and China, such as Hinduja Hospital's Gautam Khanna and Beijing Sanbo Brain Hospital's Yang Zhang. Zhang elaborates: "It is hard to replicate our hospital in a different location. We don't have enough management talent to export. We can only use them to help with the opening."

A short-term solution is to hire from outside the medical industry, but longer-term solutions are needed. Manipal, for example, hires relevant talent as management trainees. At the mid-level, it rotates managers across various hospitals to prepare them for leadership roles. Fortis, another Indian medical group, is developing its own health care MBA program, working with multiple higher education institutions such as Chitkara University and Amity University.

In more developed economies, such as Thailand, companies like Bumrungrad International have started conscientiously seeking to increase the ratio of locals in the management team through a separate training company focused on managerial development.

Developing local doctors and nurses. Although some profitable companies in the premium sector have the cost structures to offer financial incentives to attract talent from competitors or from overseas, most hospitals cannot afford this approach. Importing manpower also is not the cure-all, as Bumrungrad's Brown points out: "There are very few countries that have an oversupply of doctors and nurses. The answer ... is to produce, internally, more doctors and nurses."

Therefore, many companies have launched their own training programs either through private facility investments or proprietary links with external training colleges and schools. The latter could be local or global institutions. Apollo's Reddy observes: "Though the government is doing its best to increase the number of skilled professionals, this is still not in tandem with the growing demand for health care services."

Training programs, especially government-led ones, also need to be more aligned with industry needs, as she puts it: “There still exists a gap in the skills the graduates possess when they [finish] and the skills needed for employment.”

Hospitals employing a large number of foreigners as an interim measure to ease staffing shortages, with a long-term view to switch to local talent, should develop structured plans on how to enable skills transfer. It is often taken for granted that the process will happen organically, but this is not a given.

Doctor management. A key question hospital operators should ask themselves is whether to engage doctors as employees or as self-employed agents. In the more advanced territories, such as Singapore and Hong Kong, specialists tend to prefer the higher level of autonomy afforded by private practice. Keeping doctors off hospitals’ payrolls also frees up cash flow for other investments. But one danger, noted by Bernard Chan of Asia Financial Holdings, is putting too much of the hospital’s reputation on external doctors, at the expense of building an intrinsic brand with in-house medical teams.

For developing economies, doctors tend to prefer a steady source of income. Dr. A Raghuvanshi of Narayana Health says 1,400 or so doctors in its 30 hospitals are engaged on a professional basis, earning a fixed retainer and a variable fee depending on margins contributed and research-related activities, including publishing papers in leading medical journals. Narayana Health has 400-plus other physicians who are salaried staff.

In Thailand, private hospitals successfully recruit good doctors to go in-house. They are not employees but practice exclusively in the hospital. Because they can leverage the hospital brand, up-and-coming doctors are attracted to them to develop skills and a patient base.

Succession pipeline. To plan for high talent turnover, companies need to look at typical career paths for doctors. In Hong Kong, for example, they typically move from the public system to large private health care chains, and finally settle in private solo or group practice. It is critical to understand the touch points and career cycles of medical care professionals to attract talent or plan for succession.

Empowering nurses. During a chronic shortage of doctors, it would seem to make sense to increase nurses’ scope of duties to take pressure off doctors where appropriate. Done in the right way, this could offer nurses career growth rather than just a shift in burden. In Singapore, Parkway Holdings’ Dr. Suet Wun Lim says: “That’s also the reason why they [nurses] join us, as they want to be able to make decisions and not just take instructions.”

Building a service culture. Doctors will have to be more patient-centric, mindful of the need to enhance clinical outcome and quality, and committed to improving soft skills to enhance overall patient experience, experts say. AmCare, a Chinese health care company, also notes that as the patient profile moves to local Chinese and away from expats and overseas returnees, the need to localize services and operations—which has not successfully occurred—is pressing.

Stronger branding and marketing. Because patients in Asia can choose from so many newcomers to their health care markets, companies should focus on strategies and tactics to attract and to maintain clientele. The imperative for a strong marketing team should not be overlooked. This is particularly true in fast-growing markets like China, where one commentator says providers have failed to make a “real successful business case in the last few years” to pull in consumers, such that “many new hospitals have [a] low utilization rate.”

This sentiment is echoed by Healthcare Management China’s Tam, who says health care services are “hard to differentiate and build a strong brand around.” He estimates it takes at least three years for a client base to stabilize but laments that few companies pay attention to this aspect of the business.

Singapore’s public and private hospitals do particularly well in this regard, Bumrungrad International’s Brown says, calling them “a formidable competitor.” Lim of Parkway Holdings in Singapore separately observes that a key selling point of his company’s services is the level of trust that it has built up, for example by offering a surfeit of specialists so patients can get immediate attention.

Stronger company branding also boosts recruiting and hiring. Zhang from Sanbo notes that it took the company eight years to “build their reputation.” (The company was founded by three famous neurosurgeons and its case study in talent management recently won top awards at the Peking University and China Europe International Business School’s Health Care Service Case Competition.) Sanbo now finds it much easier to attract good physicians and top graduates.

To capitalize on the medical tourism trend, marketing teams also should familiarize themselves with the know-how to create multinational strategies.

Conclusion

The biggest issue the health care sector in Asia faces is talent attraction and retention. It is imperative that boards align their talent and business strategies, starting with succession management. Senior managers also need to focus on building a strong pipeline of leaders with recruiting and retention strategies. They should look beyond their comfort zones when recruiting staff, whether in new geographies or from nonmedical industries, where there may be skill sets relevant to the health care business. Leading educational institutions like the National University of Singapore have introduced specializations in health care management in their MBA programs to help executives integrate into hospital environments.

Where there is a lack of suitable talent available in the market, companies should consider setting up training programs in-house or with third parties, and with specialized curricula tailored to their requirements and needs. Skills transfer programs should be set in place to ensure a steady succession pipeline.

Because it will take a long time to address staffing issues successfully, hospitals may well wish to invest in IT solutions like centralized, electronic patient records to increase operational efficiencies. Business development units and IT departments also could seek to improve telemedicine, a technology with great prospects in the medium to long term. Medical centers also may wish to help pioneer patient-operated services like self-dialysis machines for those with kidney problems; these can cut staffing needs.

In Korn Ferry's experience, resolving talent issues proactively is a major step in getting ahead of the competition. With markets locally and regionally poised to boom for the decades ahead, this investment should prove to be worthwhile many times over.

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Yang Zhang, hospital CEO, Beijing Sanbo Brain Hospital, China

Authors



Ling Li

Vice Chairman, Global Life Sciences
852-2971-2719
ling.li@kornferry.com



Shilpa Gentela

Senior Client Partner
91-22-6651-5901
shilpa.gentela@kornferry.com



Gladdy He

Senior Client Partner
86-21-2306-8500
gladdy.he@kornferry.com



Alice Tan

Senior Client Partner
65-6231-6249
alice.t@kornferry.com

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