

Mattias Perjos - CEO, Getinge, Sweden



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Mattias Perjos, President & CEO of Getinge, analyzes the company's ongoing journey, driven by revolutionary products and a change in strategic direction. Moreover, he discusses the challenges facing the medical technology industry in Europe, the keys behind Getinge's success in the United States, and the priorities for one of the 30 largest medtech companies in the world.

What have been your priorities since taking over as CEO in 2017?

I took over during an inflection point for Getinge. At that time, a spin-off decision with Arjo had already been made; my first priority was to execute the complex carve-out process. At the end of the day, I believe it has been to the benefit of both companies. It allowed Getinge to be more focused within the hospital setting. Alongside the Arjo split, Getinge conducted a strategic review, which addressed the growth rate that had been in decline. One of the key conclusions was that the decline was due to internal distractions over a long period of time. That meant that the company was in a good position to get back on track. The different categories we had were severely underpenetrated in many geographical markets. We started allocating resources and capital to lift them up again.

The analysis revealed that Getinge had a strong position in the market, with more than 25,000 customers across the globe, and a long-standing relationship with many of them. The respect that customers have for our knowledge and products has really impressed me and has allowed us to

maintain key relationships across the different markets. Our broad portfolio is another element of the company that we have been trying to build on. We have a leading position in most of the categories that we are present in. Moreover, the people in the company have a fantastic clinical knowledge and passion for customers and patients, which are imperative to succeed in the healthcare industry. It has allowed Getinge to have an above-market-average growth for two years.

Reflecting back, do you believe the Arjo split was the right choice after all?

I believe it was the right decision. In a large group, there are always those who feel that they are not being given the prioritization they deserve. Being on their own has been healthy for them and it has reduced the complexity for Getinge; it has allowed us to be much more focused on the hospital setting. For Arjo, it has meant a focus on long-term care.

Can you explain your three different business areas and how they create value for the healthcare system?

I would like to begin with the smallest one, Life Science, which sometimes is forgotten by external stakeholders, but where we have a strong commitment to grow and serve our customer better. Our life science business area is in an exciting niche with a lot of potential growth because of the market trend towards biological pharmaceutical products. They offer great solutions for obtaining better research results and keeping products sterile. Life science has been given more autonomy and dedicated resources to conduct their operations; it is a clear priority for us moving forward. Our second business area, Surgical Workflows, has a value proposition centered around productivity in hospitals and infection control. The productivity aspect is one of those overarching themes for healthcare globally that we must continue to address in a smart way. Regardless of which reports you look at, you will find that healthcare spending continues to outpace GDP growth in most places, which is not a sustainable rhythm. Studies from universities have found that Getinge's solutions are able to increase productivity from 10 to 30 percent; but, of course, the products and software has to be used correctly. One extra surgery per operating room a day is how we simplify the value proposition.

The third business area, and our largest, is Acute Care Therapies. The key aspect in that segment is also productivity; getting the right balance between the cost of a therapy and the outcome. We strongly believe in evidence-based healthcare to better judge innovation. Two areas within acute care that we are excited about are the cardiopulmonary business and critical care. Our NAVA

technology, for example, picks up the signals from the brain to the diaphragm and uses them to run the ventilators, so it works with the patient instead of having a traditional mechanical ventilation system.

Which part of your portfolio separates Getinge from the competition?

If I had to choose a few, I would have to mention our extracorporeal membrane oxygenation (ECMO) therapy, the NAVA technology, and the software business because the impact it has is very powerful. Also, the infection control in hospitals is important to single out because it addresses a critical issue; if you go to a hospital, even in developed countries like Sweden, one in ten patients get infected with something they did not have before. Getinge has a solution for that.

Getinge continues to grow faster than the market average, with a positive trend in the US and sales in China increasing by more than 30 percent. Among the 139 countries where you sell your products, which are driving the company's growth?

Looking at recent trends, in 2018, the growth was on the back of emerging markets in Africa, Middle East and Eastern Europe. Recently, China stands out because of the excellent job done by our team. On the other side of the globe, the United States accounts for almost 35 percent of our sales and represents the biggest opportunity to continue growing. We have had a few internal issues in the country during the fallout from the Arjo separation, but the team that is in place now is doing an outstanding job.

How are you planning to penetrate the United States, the largest market in the world, even more?

I must mention that Getinge has always had a strong position within cardiovascular therapies in the United States, so we must continue that momentum, but making sure we complement that with our other therapies like critical care, where we can offer great products and solutions. The surgical workflows portfolio and software also have a lot of potential to grow. Our life science portfolio is also making a comeback after internal distractions and will hopefully lead the way in the country.

Approximately 14 percent of Getinge's sales derive from products launched in the past three years. Is that an aspect you wish to improve?

I do not want to say that there is an ideal number, but 14 percent is on the low end. To improve, we are looking to get our new therapies in ventilation and monitoring approved in the United States, which would bring up the number. On the other hand, we have products and solutions that might not be new but have great potential. The NAVA technology, for example, is not a new technology and has underperformed because we have not done the best marketing and training effort possible; Getinge can make a bigger difference by getting traction with NAVA than launching a new product.

What is your R&D presence in Sweden?

We have three factories in Sweden: Getinge, Växjö and Solna. The factory in Getinge works on the life science business segment, Växjö is a center of excellence for disinfection with global responsibilities, and Solna is a critical care R&D center. All of them work in close collaboration with customers and research institutions.

How is Getinge taking advantage of the new possibilities presented by artificial intelligence and digitalization?

Getinge's largest R&D investment at the moment is the collaboration with Verb Surgical for robotics, artificial intelligence and imaging. Also, every new piece of equipment sold by Getinge has built-in connectivity; that allows us to monitor our sterilizers, for example, through Getinge Online and will provide us input that can be used in our R&D efforts.

How is Getinge working to prepare its business for the changes brought by the new European medical technology regulation set to be fully implemented in 2020?

Getinge has already seen an impact from the regulation, we have been going through the portfolio, deciding which products are going to make the cut. Luckily, it will not have an impact on patients because the ones being taken out are mostly variants of products. While the regulation presents a hurdle today, I believe it will create an environment that is easier to navigate in the future. When it comes to developing new products, the demands on clinical data will increase, which means that

we will have to be more selective on the products we take to the market. The bar has been raised and Getinge is ready, but it might not be the case for smaller companies. We have seen that reflected in the influx of opportunities for M&A that we get; there are small companies throwing in the towel because the burden will be too costly for them.

Do you detect any trends that are being overlooked by the industry?

I believe that the industry should be more focused on productivity and have an open dialogue about it. Productivity is not about cutting costs, but rather about being smarter. Value-based healthcare is a smart approach, but it needs to be implemented in a diligent manner.

How advantageous is it to have the ‘made in Sweden’ stamp on your products?

In some places, it is a great advantage. I have worked outside of Sweden for most of my career and I always felt that, for the most part, people recognize that the country has a great reputation in healthcare, innovation and digitalization.

Looking to Getinge’s future, how will the company look like in five years?

We are looking to reinvigorate the innovation pipeline; even though we have had a few launches over the past couple of years, there is room to improve. Getinge is an innovative company by nature and that innovation will lead the way forward. When it comes to M&A, Getinge was built on buying mature companies, which worked great for 20 years, but if you look at the current valuations, the situation is far from ideal. We are now more open to startup-like companies to complement our in-house innovation.

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