

Interview: Roland van Esch – Managing Director, Zimmer Biomet, The Netherlands



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Healthcare is moving towards an increased level of personalization and active participation of the patient in the decision-making process. Roland van Esch, General Manager of Zimmer Biomet Netherlands, shares his perspective on how patient and hospital management will evolve in the future.

In April 2014 Zimmer announced the acquisition of Biomet in a cash and stock transaction valued at approximately USD 13.35 billion. What was your first impression about the acquisition?

The acquisition by Zimmer, back then our biggest competitor, was not expected. Three large medical device companies – Zimmer, Biomet and DePuy – are headquartered in Warsaw, Indiana (US). To use a football analogy: it was like one big team buying the other big team in town. Stakeholders as well as customers were also taken by surprise as two different cultures were merged into one.

As the General Manager at Biomet Netherlands at the time, I was taken aback by the idea of these two large companies working together. Further, we had to wait almost a year for the European Commission and other anti-trust authorities to give their approval to the merge in Europe and the rest of the world. Hence, we only officially became a new entity in June 2015. In the Netherlands the merging process started in the fall of 2015 and brought along many concerns about where the headquarters would be located as well as the overall reorganization of staff. However, I believe we

mastered this period of uncertainty with flying colours and Zimmer Biomet can now offer the best of both worlds to its stake- and shareholders.

On a global scale, numerous managers in the pharma and the med-tech industry went through similar situations, due to the enormous amount of M&As in the healthcare sector. What do you think is fundamental in the moments of such transitions at a management level?

The first step to create a stable environment and give people, including shareholders and employees, confidence that the new business will create opportunities for everyone involved. We received a lot of questions regarding the new company culture. Thus, we ensured a lot of personal attention to our employees, creating an overall sense of certainty through open communication on when and how the merger would happen. Indeed, we created special teams for each department that laid out new guidelines for the merging areas. This "behind-the-scenes" work really helped laying the foundation for the new Zimmer Biomet.

On the general management level, I engaged in talks with my counterparts at Zimmer. The priority was to create a dialogue on how we could merge as smoothly as possible, and of course, how we could keep as many people on board as possible. In addition, we wanted to create confidence in the market about the future of our business.

What can we expect from Zimmer Biomet in the coming years?

As we speak, we are one company but still two legal entities; we expect to legally become one entity soon which will allow us to create a new sales organization with new responsibilities and more presence in the market. Our strategy is focused on Europe and on the spine, extremities, foot/ankle products, sport medicine, and trauma areas. In the Netherlands, we have a market share of 47 percent, which will be challenging to increase. Hence, we created specialized teams to focus on niche areas to grow the business.

Further, our sales representatives are now operating in more focused areas and have responsibilities for a smaller number of hospitals in order to give them more detailed attention. Whereas in the past our main contact point was the surgeon, we nowadays have to also engage with the manager of the OR, the buyer of the hospital, the nurse and the physical therapist, among others. We need to cope with an increasing number of stakeholders but by creating smaller, more focused areas of accountabilities, we were able to keep a majority of our sales representatives on board.

How do you manage to cross-sell the different products of both companies?

We conducted various cross-sell trainings following the merger, for our teams to become aware and knowledgeable of both product portfolios. As a company, we play an important role in educating and assisting during surgeries. In a lot of cases our sales representatives advise surgeons and physical therapists on how to implant or operate with our prostheses. As a result of being exposed to many different types of operations with different types of implants, their knowledge and expertise expands significantly.

How is Zimmer Biomet adapting to the shift from hospital to home care?

When we introduced Joint Care 18 years ago, we looked at the entire clinical pathway of patients. Whereas they used to stay at the hospital between 14 to 17 days after a knee replacement surgery for example, we set ourselves the objective to bring the patient home after six days. We rolled out this pilot program in 60 hospitals across the country and later rebranded it as Rapid Recovery. Over time, this program was developed so well that patients could leave the hospital after three days and

today, we are working on a solution where patients undergo surgery in the morning and are able to go home in the evening of the same day. Our main priority in developing this solution is to improve quality. Therefore, we have a dedicated team working on healthcare initiatives called Services and Solutions, focusing on new developments in the medical device sector and services around the entire clinical pathways.

As a result, our relationships with hospitals have also evolved. In a hospital, our main contact can be the OR nurse, the head of the OR, or the orthopedic surgeon. Our Services and Solutions team works hand in hand with a hospital to ensure hospitals understand our ideas and understand the importance of our programs. Afterwards, we create and develop holistic work streams to improve the quality along the entire clinical pathway of a patient, improve the quality and shorten the duration of a patient's stay in a given hospital. As a result of our experience we are seen as a trusted partner for hospitals, not just a provider of prostheses. We are very happy with these kinds of initiatives as they really function as differentiators in many European markets.

What is your perspective as a company but also as a Dutch citizen about the healthcare system in the Netherlands?

We have a very regulated market and there is no real competition between hospitals as insurance companies still determine how many hip surgeries a hospital can perform per year. What will change in healthcare, especially in orthopedics, is the role of the patient, who is increasingly moving towards becoming a consumer. In an increasingly digitalized world, it is much easier for patients to check the performance of surgeons, the performance of hospitals and patient satisfaction for example. This kind of transparency in the patient-surgeon/patient-hospital relationship will give an entirely new dimension to the market with patients opting for the best prosthetic, with the best surgeon in the best hospital. As a result, I believe that we will see a much more customized healthcare environment in the future. But I also think that this new transparency will lead to an improvement of quality in surgical performance, which will ultimately benefit the patient. Zimmer Biomet can support surgeons and hospitals in this pursuit, by providing the best prosthetics, the best tech education and the best support along the entire clinical pathway of a patient. Through collaborations with academic centers, orthopedic groups and universities we are able to constantly develop our ideas, rethink processes and identify new opportunities.

How do you see the role of hospitals evolving in the next few years?

I think the concept of hospitals will change very quickly: now it is a place for sick, ill patients, but especially for orthopedics it is not necessary to perform surgeries in traditional hospitals. Here in the Netherlands we are seeing more and more private clinics focusing on hip and knee surgeries. This development will improve quality as well as attention paid to patients. In the future, hospitals will take care of really sick patients but elective surgeries will be held in satellite clinics outside hospitals. This will allow for healthcare to become more affordable, while improving surgery performance and patient education. Patient education will primarily be provided through media, such as apps that can inform patients about pre- and post-surgery procedures.

What is your final message you would like to share with the global healthcare leaders around the world?

The Zimmer Biomet merger will bring the best of both worlds to the market. We have a lot of experience in products as well as clinical pathways. We want to continue and expand our operations in the Dutch market, which is a very progressive and sophisticated one. We want to do so by fulfilling, but more importantly anticipating patients's needs. We really want to make a difference in the orthopedic environment.

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