Interview: Sorcha McKenna – Partner, McKinsey & Company Ireland



"The questions some of our clients are asking at the moment are around the next phase of growth and how to control costs"

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Sorcha McKenna, Partner at McKinsey & Company in Ireland, discusses the current trends in the Irish healthcare and life sciences sector, the potential behind both tech and integrated care for the industry, as well as some of the biggest evolutions she has seen during her 14-year career with the company. She also discusses her goals to sustainably grow the office in Dublin in the coming years.

Currently, what issues are keeping both you and McKinsey's clients in Ireland the busiest?

Currently in Ireland we are very busy, in many different areas. We are a small office here, with just over 20 consultants, only me as partner, and I can only stretch so far. Therefore, we serve many of the Irish companies from outside Ireland, through our global partner network.

The questions some of our clients are asking at the moment are around the next phase of growth and how to control costs. Brexit is really worrying people across the board, and so for many of our consumer clients and pharmaceutical clients, the question about what it will mean is actually a very big deal. They are thinking about how to protect themselves in the event of both a potential global slowdown, but also a big slowdown in public spending, particularly across Europe as people adjust to the risks and challenges around free labor movement and free product movement, although this is less of an issue for pharma.

There is also uncertainty around what the new administration in the U.S. will do as well, and in general there is more uncertainty at the moment than in any time during my career. Once you have been in business for 10 years, you see some economic up and down cycles. However, this feels more fundamental, people feel more uncertain than they have at least in the past 15 years, and people are much more cautious about their spending and much more cautious about investment, and you can see this in two ways. First, if I look at the markers for investment in charity, as I chair the board of a charitable organization, fundraising is about 50 percent lower than it was last year. Secondly, if I look at investment in young entrepreneurs, both in the UK and in Ireland, it is down significantly. For me, that is a leading indicator of real caution.

As an expert on integrated healthcare systems, could you expand on some of the work you have done and highlight the benefits of moving to a more integrated healthcare model?

I have worked extensively in healthcare systems, and that work has largely been focused on how you start to remove some of the structural costs from the healthcare system while maintaining or increasing quality. At the moment, you have healthcare systems that are focused around big hospitals, which are huge fixed-cost bases, and unless you are acutely ill, they might not be the best place that you can be as a patient. As a result, healthcare systems are not functioning properly, at least from a financial perspective.

Traditional developed-world healthcare systems are typically quite paternalistic and reactive. You only go into the hospital when you are sick, as opposed to taking responsibility for your own health or the system reaching out to people who are at risk so they can manage their health and invest in their future. Integrated care is really about delivering the right care, in the right place, at the right time and with the right professional. This will improve the quality of care in the system and meet the needs of patients. The current systems evolved to meet the needs of acutely ill patients, meaning when you get sick and then you get treated, and for most of the 20th century, that was the pattern of healthcare. Now, 40 percent of the population has a long-term condition, and that requires a very different treatment profile: meeting the needs of those patients requires much more integration across the system as well as much more proactive methods that can actually help people to manage these long-term conditions. It cannot just be focused on one high-cost environment; it has to be focused in the community where people are actually living.

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The work that I have done on integrated care has been focused on looking at people with long-term conditions or the elderly and looking across the whole patient journey and identifying the points where it actually makes sense to spend money. If you look, 80 to 90 percent of the costs are in the hospitals. My work has been focused on looking at where we can spend money on other parts of the patient journey, such as preventive care, home care and digital enablement. This will reduce spending as well as improve the quality of life for people.

How has the progress towards integrated healthcare progressed in your view?

Integrated care is a common theme, with people looking at how to fundamentally reconfigure healthcare systems, because they are just not fit for purpose given how the demographic needs have evolved. Most countries world-wide are trying to address this, and it is a combination, from a cost perspective, of getting more efficient, while also trying to reconfigure these systems more fundamentally. While no one has truly managed this, some of the Accountable Care Organizations (ACO) in the US have made rapid progress, really by virtue of necessity.

A recent McKinsey report highlighted the challenges of translating the potential of digitalization in healthcare into reality. Do you believe that with the current dynamics of tech and health in Ireland that there is a unique opportunity to make progress on this front?

I believe that we do. What we have, which is really amazing, is a confluence of pharma, medtech, and biotech in addition to all of the digital companies that are here as well. The element that I think could be really powerful, and where healthcare has lagged far behind, is using information much more effectively. There is a huge drive for the pharma companies to produce evidence-based data around the value of their drugs, and I believe that Ireland could play a key role in this, as there is a lot of potential in terms of being a hub for services around data analysis and digitization. I believe that we could provide platforms to integrate healthcare more effectively.

If you think about how digitization has transformed sectors such as banking and retail, healthcare is still far behind. One of the reasons for this is regulatory, as information governance laws are different everywhere, and this is a big blocker in my opinion. There has been a reluctance to really tackle this issue, both at a governmental level but also at a physician level. Additionally, there is not a lot of transparency on physician performance in many areas, and people generally are very nervous about the impact that transparency will have.

In other industries, digitization has been driven either by cost-pressure, for example in banking, or through customer pull, such as in retail. One of the challenges in healthcare is the ability to trust a

digital interaction. For example, with hospital help lines, people will call and be told they do not need to come into the hospital, yet they will anyway. They do not fundamentally have trust in the advice until someone has seen them and they have met with a doctor face-to-face. That is an issue, and one way to overcome some of that is through add-on diagnostic features. For example, through attachments you can currently get for iPhones that enable a doctor to look into the ear of a child to see if they have an infection. This enables you to get diagnostics to a doctor, so you actually feel like they can give you a proper consultation.

I would have thought that the democratization of patient information would have happened sooner. However, I think the reality is that this might be a generational shift. The upcoming generation is much less concerned about privacy than older generations. Younger people are used to sharing information so I believe these changes are coming.

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How important is the pharmaceutical and life science sector in McKinsey's overall portfolio?

The pharmaceutical sector is very important for us, as you would expect. We have a huge global pharmaceutical and medical products practice at McKinsey. Here in Ireland I would say that the industry represents roughly 30 percent of our work.

Are there any particular evolutions in the Irish healthcare sector during your career that really stand out to you?

I am truly amazed at the continued growth we have seen. There was a sense around 8 years ago that we may have reached capacity, because we were definitely punching above our weight, and some thought maybe we had gotten as far as we could go. However, we have shifted the focus on medtech, which has been really, really healthy. The initiatives that the government has taken around co-investment, and really trying to sponsor high-quality science, have had a great impact on the quality and the caliber of the people we are seeing. This has led to increasing amounts of research being done here, which we did not have 10 years ago. Being willing to take a bet on medtech, which was not as big and glamourous as big pharma, has really paid off.

What I find really heartening is the contribution of indigenous businesses to that as well. We in Ireland often get accused of ignoring building our own enterprises at the expense of trying to attract as many MNCs as we can. However, in the medtech sector in particular, we have done really well at encouraging entrepreneurs to build their own businesses. These companies are also

scaling up, an effort that Enterprise Ireland has been really helpful at.

As you mentioned, there is a trend towards innovation here in Ireland, especially in the medtech industry. What roadblocks do you see in terms of continuing to foster innovation here in Ireland?

One big roadblock right now is just the degree of uncertainty that we see, people are not really willing to make big investment decisions against such a backdrop. Another roadblock is our ability to deliver the right quantum of talent. We have a very talented workforce, but we are nearing capacity. There are big opportunities to do better in that regard, particularly for women. And in this context, we really need to revisit our education programs.

Additionally, in Ireland we are quite dependent on the individual performance of some of the companies that are located here. If we look at some of the big ones, investment decisions often get made dependent on whether a drug goes to the next phase of clinical trials, and there is not a lot that we can do to mitigate against that. However, we have done the best that we can to mitigate this risk, which is in diversifying into many different areas.

What makes McKinsey, especially here in Ireland, the consultancy of choice?

One of the advantages that we have is that we are a global firm, and we have a very strong and deep global healthcare practice, and are focused on strategy. Another thing that we have, that others do not necessarily have, is the investment that we make in research, which is really unique. We have a very deep research department that is global, and we invest a lot of resources in our people and experts. They are not necessarily client-facing, but they are doing very important work that keeps us relevant and enables us to publish things like the McKinsey Quarterly, McKinsey Global Institute reports and some of the other publications that we generate on a regular basis. This gives us a unique selling proposition versus some of the other companies.

Ireland is a very specific market. The big strategy work, and some of the big transformational programs, typically get decided by head offices of the pharmaceutical and medtech companies. However, McKinsey also undertakes a bunch of work locally, which is more operational, and often we will have local partners for this work, often because we are not price competitive as we are a globally priced consultancy, and that is one of the challenges that we have here. We tend to be the strategic partner of choice for top management, and we do a lot locally to remain relevant in the Irish market with local managers and CEOs.

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During your illustrious 14-year career at McKinsey, what accomplishments would you say you are proudest of?

I am very proud of the fact that we have our Dublin office. Ireland went through such a tough period not that long ago, and it was tough for us here as well. We were once a small office, so one or two people leaving in a year had a very big impact. What I am proud of is that now we are a vibrant office that is growing, both in terms of personnel and in relevance within the Irish market. The reason that I work in healthcare is because I want to make a difference in people’s lives. Almost all of the work I have done, whether around transforming healthcare services, pharmaceuticals or other sectors, has been focused on making a difference to people’s lives, and I am proud of that.

Where do you hope to lead the office in Dublin in the coming 3-5 years?

I am focused on sustainable growth in Ireland. We are looking to grow our footprint with clients, serving the biggest Irish companies as partners and therefore making a difference to Irish society. We also looking to grow the office so that we have a sustainable platform from which to serve our clients across multiple sectors.

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