

Medtechs prioritise efficiency when it comes to hiring



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Big cap medtech is hiring, largely thanks to organic growth.

All but one of the top 15 medtech companies saw sales of their medical devices rise from 2016 to 2017. But several are trimming headcounts despite their success, as they aim to improve productivity (see analyses below).

In some cases staff cuts are hangovers from large M&A activity, and in others simply divestments of business units. Staff growth, however, is largely organic; of the fastest hirers in the big-cap table, only Abbott closed major M&A deals. Align Technology, Intuitive Surgical and many others have added staff simply because they need them to keep up with demand.

Align has gone from strength to strength in recent years as demand for its invisible tooth-straightening product Invisalign has skyrocketed. The group's share price has quadrupled across the past two years and it moved into opening bricks-and-mortar stores to lure in customers, as well as selling its products via dentist surgeries. It hired a net 2,600 employees in 2017, and its 44% staffing increase is extraordinarily high for a group that has not closed a merger.

Its sales per employee ratio, however, places it towards the bottom of the cohort. Intuitive Surgical is the winner on this metric, as it was last year, pulling in \$573,155 per staff member. But it is the only one of the 15 largest groups to have seen this figure fall; last year it sold \$582,530 per employee ([Lack of takeovers sees medtech hiring staff again, August 2, 2017](#)).

Headcount changes of the top 15 medtech companies by market cap

Company	Market cap YE 2017 (\$bn)	No of employees YE 2017	Headcount change 2012-17	Headcount change 2016-17	Medtech sales change 16-17	Sales per employee (\$k)
Align Technology	17.7	8,715	174%	44%	36%	169
Abbott Laboratories	99.0	99,000	9%	32%	61%	162
Intuitive Surgical	41.0	4,444	88%	18%	16%	573
Edwards Lifesciences	23.6	12,200	49%	10%	16%	274
Danaher	64.6	67,000	6%	8%	11%	129
Boston Scientific	34.0	29,000	21%	7%	8%	312
Essilor International	29.6	66,918	32%	5%	7%	110
Coloplast	17.5	10,275	30%	0%	6%	226
Stryker	57.8	33,000	50%	0%	10%	377
Philips	34.6	112,959	(4%)	(2%)	4%	120
Zimmer Biomet	24.4	18,200	96%	(2%)	2%	430
Baxter International	34.9	47,000	(8%)	(2%)	3%	156
Medtronic	109.4	86,000	87%	(5%)	1%	348
Becton Dickinson	50.0	41,933	42%	(18%)	(4%)	261
Siemens Healthineers*	33.1	48,526	(87%)	(86%)	3%	319

* Jobs figures for 2012 and 2016 are for Siemens as a conglomerate. Source: EvaluateMedTech.

The staffing change in Siemens Healthineers is perhaps a bit of an apples-to-oranges comparison. A year ago the company was a business unit in a vast and unwieldy conglomerate of nearly 350,000 people; it is not clear how the staff levels of the Healthineers unit itself have changed over the past year. The sales-to-worker ratio, however, is a fair comparison, and Healthineers' figure of \$429,895 is commendable.

Ova-reach

A look at the fastest growing of all medtech companies, in terms of percentage headcount added, makes somewhat surprising reading. Reshape Lifesciences has grown faster than any other company, despite the deaths of two obesity patients implanted with its gastric balloon having been disclosed a year ago. The FDA issued a warning letter attributing one of the deaths to an oesophageal perforation during the implantation procedure ([The balloon goes up for Apollo and Reshape](#), August 14, 2017).

Despite this, and the 98% fall in Reshape's stock since the day before the deaths were disclosed, Reshape's sales increased 64% from 2016 to 2017, and it has added staff accordingly.

Top 5 headcount increases of the last year

By percentage of staff added			By number of staff added		
Name	% added	2017 headcount	Name	Number added	2017 headcount
Reshape Lifesciences	159%	83	Abbott Laboratories	24,000	99,000
Viveve Medical	145%	103	Danaher	5,000	67,000
ICU Medical	143%	6,802	ICU Medical	3,999	6,802
Sientra	125%	200	B. Braun Melsungen	3,546	61,583
Quidel	90%	1,193	Essilor International	3,242	66,918

Source: EvaluateMedTech.

In number terms the biggest expansion in headcount was Abbott's, as it closed two multibillion-dollar acquisitions - those of St. Jude Medical and Alere.

The fastest shrinking company, meanwhile, seems to have suffered a case of overreach. In 2016 Ovascience, which aims to treat infertility with various technologies designed to improve the viability of eggs and embryos, increased its staff from 87 to 118. At the very end of 2016, however, it announced a restructuring, limiting investment in the launch of Augment, a technique whereby the mitochondria are removed from a woman's egg precursor cells and injected into one of her egg cells, along with a sperm cell, during IVF.

The restructuring was intended to eke out the company's cash to the beginning of 2019, and staff cuts, always a swift way of slashing costs, followed: at the end of 2017 its headcount was just 36.

Top 5 headcount reductions of the last year

By percentage of staff cut			By number of staff cut		
Name	% cut	2017 headcount	Name	Number cut	2017 headcount
Ovascience	(69%)	36	Becton Dickinson	(8,995)	41,933
Avinger	(67%)	65	Medtronic	(5,000)	86,000
Tearlab	(48%)	39	Getinge	(4,816)	10,684
Presbia	(40%)	24	Weigao Group	(2,709)	7,866
Xtant Medical	(32%)	174	Philips	(1,772)	112,959

Source: EvaluateMedTech.

In any year there are winners and losers. Perhaps it is reassuring that the companies that are hiring are doing so because their businesses are doing well, whereas those that are shedding staff - at least the larger groups - have solid strategic reasons.

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