

## The extremes converge in big medtech's hiring practices



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### Intuitive Surgical makes the most money per employee - but the title of “most improved” goes to Philips.

A quiet period for medtech M&A means that few gigantic changes to the headcounts of big device makers were made in 2018. Becton Dickinson is the only company to have closed a major merger in the period – that of CR Bard – and swelled its ranks by 34,000 workers, giving it an 81% headcount increase on the prior year.

This means that by one important metric – a comparison of workforce size with medical device sales – Becton Dickinson has become less efficient. In Becton’s case this is probably somewhat unfair, and the workforce cuts that usually follow a merger ought to move it back up the rankings. But the changes in other groups’ sales-per-employee ratio are revealing.

Intuitive Surgical, maker of the highly successful and very expensive da Vinci range of surgical robots, is known for getting the most out of its workforce, though the figure for 2018, \$559,000 per employee, is a slight decrease from the previous year’s \$573,000 ([Medtechs prioritise efficiency when it comes to hiring, August 2, 2018](#)).

In fact, as the graph below shows, Intuitive’s efficiency, in terms of sales per employee, has been falling for the past five years. This figure has decreased 16% from 2013, making Intuitive the worst performer among big medtech by this metric.

Intuitive is one of the major hirers among big medtech, boosting its staff numbers by 25% last year. Perhaps it will improve its efficiency as the investment in its wage bill pays off.

The company that has improved the most when it comes to medtech sales per employee is Philips, which made \$192,000 per worker in 2018, up 85% from its 2013 figure. This was all but guaranteed since the Dutch group sold off another chunk of its lighting business. Still, Philips’s 2018 number is not particularly impressive when compared with those of its peers: it is in 11th place among the top 15 medtechs.

It seems that the extremes are converging, with the least efficient companies tending to get better, and the most efficient getting worse. That said, it will be some time before Intuitive loses its leading position. It out-earns its nearest rival, Zimmer Biomet, by more than \$140,000 per worker.

Among the smaller medtechs, the gastroenterology anaesthesia company CRH Medical takes the top spot as far as percentage headcount growth goes, jumping from 18 employees at the end of 2017 to 137 last year. In January it acquired Anesthesia Care Associates, an anaesthesia practice in Indiana. So far this year it has taken majority stakes in two other anaesthesia practices.

Senseonics, meanwhile, has been hiring sales staff to push its Eversense implantable blood glucose meter, approved in the US in June 2018.

### Top 5 headcount increases of 2018

By percentage of staff added			By number of staff added		
Company	Added	2018 headcount	Company	Added	2018 headcount
CRH Medical	661%	137	Becton Dickinson	34,099	76,032
Senseonics	104%	192	Abbott Laboratories	4,000	103,000
Myomo	92%	46	Medtronic	4,000	90,000
Becton Dickinson	81%	76,032	Danaher	4,000	71,000
Chembio Diagnostic Systems	77%	295	Philips	3,449	77,400

Source: EvaluateMedTech.

Avanos leads the companies that have reduced their staff numbers owing to the divestiture of its surgical and infection prevention business, sold to Owens & Minor for \$710m cash in April of 2018. This business was mature, but was also a decent cash generator, so Avanos will have to pivot swiftly to its remaining tech. This includes the knee pain technology Coolief RF, which uses radiofrequency energy to disrupt nerve impulses.

It would not be a surprise to see Avanos add to its workforce in the future through acquisitions – or, bearing in mind the fate of Myoscience, which makes a similar technology, be acquired itself ([Pacira spends \\$120m on a painkilling device as Heron threat approaches, March 5, 2019](#)).

### Top 5 headcount reductions of 2018

By percentage of staff cut			By number of staff cut		
Company	Cut	2018 headcount	Company	Cut	2018 headcount
Avanos Medical	(64%)	4,700	Avanos Medical	(8,300)	4,700
Oxford Immunotec	(54%)	210	LivaNova	(500)	4,000
Reshape Lifesciences	(48%)	43	Oxford Immunotec	(247)	210
Cesca Therapeutics	(38%)	53	Getinge	(169)	10,515
Viveve Medical	(35%)	67	Endologix	(147)	528

Source: EvaluateMedTech.

One amusing fact is that two of the groups seeing the biggest percentage job cuts last year, Reshape and Viveve, were among the biggest hirers in 2017. Reshape has been in bad financial shape since its [asset-swap with Apollo Endosurgery](#), which forced it to delay the filing of its annual report with the SEC. The group is facing a cash crunch, with a cash pile of \$5.5m and \$7m owing to Apollo at the end of 2018.

Viveve meanwhile has been spending a lot of cash on clinical trials, one of which failed disastrously last month ([Incontinence failure puts Viveve under stress, July 23, 2019](#)). Both these groups seem to have concluded that they overreached themselves by growing too fast in 2017.

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