



A Worldwide Resource for Business Problem Solving

MedAvante

SURVIVING A REVENUE MELTDOWN

Featured Case Study

Industry Sector: HEALTHCARE / LIFE SCIENCES

MedAvante Inc. was founded in 2002 and is a leading global clinical data services company. MedAvante provides technology-enabled signal detection solutions in the clinical trials of treatments for central nervous system (CNS) and other disorders worldwide. MedAvante's U.S. based headquarters is located in Hamilton, NJ, with an office in Munich established in 2011. It serves as a hub for providing services in Europe and Asia-Pacific.

Solutions offerings include the tablet-based Virgil Investigative Study Platform for site-based assessments, and MedAvante Central Ratings for live assessments by remote central clinicians. The company also provides scientific risk-reduction services, such as Rater Qualification and Training; Central Review, a monitoring service in which clinicians review selected assessments having been administered by site raters; and Remote Ratings, a customized solution that offers sponsors protection against bias and variability.

MedAvante employs remote, home based employees and consultants in more than 40 countries worldwide, supported by operations teams in the US, Germany, Russia and Japan.



“We needed a world-class comprehensive evaluation of our policy, process, systems, and practices gaps and potential opportunities. In talking with Synergetics, I was impressed by the clarity and comprehensiveness of their staged approach.

“The initial 2½-day findings validated the merits of conducting a fuller Business Analysis. We were looking for specific, actionable findings and were not interested in opinions – we needed to see rigorous quantitative analysis, which was the foundation of their findings.”

– Paul Gilbert
CEO, MedAvante



CASE STUDY

MedAvante

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THE SITUATION

Business development seemed to have been going well for MedAvante in 2008. They had experienced six years of steady sales growth and at the time applied a \$20M investment from Goldman Sachs and Trevi Health toward acquiring electronic source data, or 'eSource.' This was a new technology whose adoption was later encouraged by the FDA.

Although their outlook had been positive, volumes began to slip with the economic downturn. Over the course of 2012 revenues fell from \$52M to \$10M, and cash reserves dipped below their \$2M minimum threshold, with a monthly payroll exceeding \$2.4M. This current state created a sense of urgency with its two co-founders, prompting immediate action to address sales force effectiveness and cost reduction measures.

THE PRE-ASSESSMENT

Through mutual contacts with Private Equity investor Goldman Sachs, MedAvante leadership invited Synergetics to look at their business operations. From an earlier meeting between CEOs Paul Gilbert (MedAvante) and James O'Neill (Synergetics), the team believed Synergetics' approach was a good fit to assess MedAvante's business operations, especially from an efficiencies/best practices vantage. Synergetics spent 3 days interviewing key managers to understand current initiatives and challenges. The organization had yet to realize the full implications tied to the large drop in revenue and the cost reductions that would be required to follow suit.

THE BUSINESS ANALYSIS

With the full support of co-founders Paul Gilbert and Amy Ellis (President), Synergetics began a four-week analysis in late Fall 2012 to identify specific, actionable findings. Six high-level opportunities were identified:

- ✓ Reduce management/overhead labor costs with a 'blank sheet' approach with optimized layers and spans of control
- ✓ Reverse engineer 'allowable' labor costs as a % of revenue
- ✓ Improve service delivery through process re-engineering such as in scheduling, training, and implementing project management principles
- ✓ Develop key metrics for performance and operational scorecards
- ✓ Create staffing models to align labor costs with revenue projections
- ✓ Optimize CRM tool 'Salesforce' to enable better visibility to pipeline, forecasting and sales performance management

MedAvante leadership moved for immediate implementation. Together with the project team, they defined specific deliverables and timelines utilizing the opportunities outlined above. Giving a go-ahead was all predicated on the fact **there was a full understanding of what the required cost takeout amount had to be to achieve a targeted 2014 EBITDA.**

THE IMPLEMENTATION PROJECT

Three distinct work streams were designated with assigned priorities. *They mirrored those focus areas identified from the Pre-Assessment.* **The highest priorities were placed on the speed of implementing the appropriate labor reductions and for creating sustainable results through improved processes.**

Teams Created for Implementation

- 1 Salesforce Effectiveness
- 2 Process Re-engineering / Operational Excellence
- 3 Organizational Redesign

1 Salesforce Effectiveness

An early requirement was to improve the capability of MedAvante's CRM tool 'Salesforce.' Opportunity stages with clear trigger points for required actions (e.g. expected close dates, follow-up actions) and probability forecasting were implemented to provide a baseline for measuring individual performance. Also within this improvement initiative were

- identifying those factors that determined performance variability
- conducting **Sales Force Dot Com** audits of utilization
- understanding how sales processes, discounting, account management, etc. affected Revenue Enhancement

Improved visibility of the company's opportunity pipeline, with "realistic" forecasting and pricing models, was dramatic and helped immensely in providing the impetus for required labor changes. **These changes had to be achieved to meet the minimum expected financial performance targets.**

2 Process Re-engineering (across the entire Delivery Model):

Areas specific to the delivery model included:

- | | | |
|--------------------------|---------------------------|-------------|
| ■ Clinical Development | ■ Project Management | ■ Logistics |
| ■ Information Technology | ■ Clinical Trial Services | |

Initial activities under this work stream were that of **building a Value Stream Map of the entire business process (Quote to Cash), then to identify areas of key opportunity (such as process or revenue leakage).** Areas deriving the greatest improvement were found in initiating better controls. These included placing limits on project management's ability to make numerous change order requests and requiring the logistics group to optimize the time available for event scheduling. Further advances were made in developing detailed governance processes and standard contract language for clarity and Revenue Enhancement. Finally, dashboards with clearly defined metrics within major work groups were implemented to drive performance and measure success/improvement on a daily or weekly basis.

"Thanks to Synergetics, we gave ourselves an opportunity to re-invent MedAvante and fully seized that opportunity to craft a significant future for ourselves. The partnership with the Synergetics team enabled us to stabilize the base operation so that we could launch a major new product.

"Synergetics proved that it delivers world class wall-to-wall analysis to provide actionable, rich insight into the economics of an organization, that it identifies key capability gaps, and that it implements necessary tools and frameworks. We are a very different organization because of the partnership with Synergetics."

- Paul Gilbert
CEO, MedAvante

About Us

Synergetics is a privately held New England-based Management Consulting firm established in 1975. With office locations in the US and UK, Synergetics operates internationally and employs over 150 professional analysts, consultants, project managers, and subject matter experts.

As one of the largest "Implementation Consulting" organizations, Synergetics has completed over 1,600 business process engagements across nine distinct verticals to build more than \$8B in bottom line profitability and improve overall operating efficiencies. Synergetics works with a diverse client portfolio of leading industrial and service corporations across Private Equity, Small and Medium Enterprises, and Fortune 500 Companies.

With customized services and solutions, Synergetics performs hands-on detailed management, financial, and operational assessments to develop and deliver specific cost savings and revenue enhancement initiatives.

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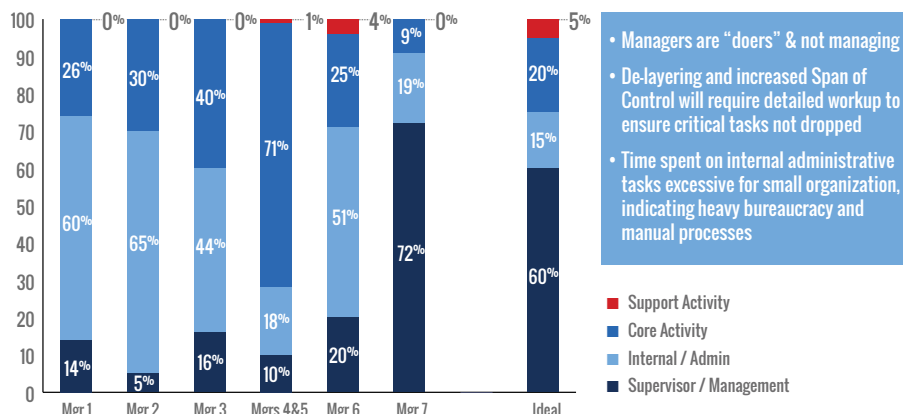
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3 Organizational Redesign

A critical area for cost control fell under labor, where annualized costs were running \$29.4M. Facing a revenue drop of over 500%, labor had to be reduced by \$7.6M in order to achieve positive cash flow. Three primary approaches were used to drive savings:

- 1) Determine the allowable total labor as a % of revenue to achieve better than break-even EBITDA. Doing so established the overall target to be achieved.
- 2) Review all management overhead and apply strict, best-in-class targets for spans of control and management layers.

ORGANIZATIONAL REVIEW - ACTIVITY DISTRIBUTION SURVEY



- 3) Implement resource and staffing models for all direct labor costs, to be achieved through mapping and eliminating non-value add steps via process re-engineering.

Throughout this period the co-founders affirmed efforts that significantly reduced the executive and mid/lower level management ranks and direct labor count. To effectively downsize the organization by one third was a trying and difficult challenge. This reduction in force was the first that MedAvante had experienced in its 10-year history.

THE RESULTS

By focusing on three critical initiatives to develop and implement as a team, Synergetics and MedAvante significantly affected business outcomes within a five-month period. **Within the initial 3 months of implementation, Synergetics helped to drive cost (labor) reductions from an annualized run rate of \$29.4M to \$16.8M, or a 43% reduction.** Improved visibility and confidence in the sales pipeline and forecasts helped position MedAvante for a more positive business outlook.

THE IMPACT

Only through the decisive actions taken by Paul Gilbert and Amy Ellis, working with Synergetics, was MedAvante able to weather such a revenue meltdown. By Spring of 2014 MedAvante was able to re-invent itself with a new digitized product with built-in logic and real-time clinical guidance. **This new revenue source, coupled with increased operating efficiencies, drove annual revenues up from a low of \$10M in 2013 to \$42M in 2015, with further projections of \$60M for 2016.**