



CEO FOCUS

A newsletter by and for Governance Institute member CEOs

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Collaboration Is Key to Addressing the Tech and Trends of 2024

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This year will bring challenges and opportunities as healthcare providers, payers, and suppliers work to create healthcare that fits the criteria of predictable, personalized, and equitable.

They're likely to face the barriers and roadblocks of regulation, financial shortfalls, workforce shortages, and archaic systems. But they will also make gains as they:

- Work toward a sustainable healthcare system via strong financial, operational, and clinical performance.
- Blend face-to-face, virtual, and at-home care to create a digitally connected, patient-centric experience.
- Make the business case for health equity and improved outcomes through multi-sector collaboration.
- Analyze legislative and regulatory mandates to enhance compliance and drive strategy.
- Facilitate innovation through technology despite tight budgets, complex regulations, and escalating consumer demands.

Boards will also zero in on CEO turnover, cybersecurity, artificial intelligence, and sustainability, as well as digital-first investments, workforce, alternative care delivery, optimized operations, and mergers and acquisitions.

Each issue will require hands-on knowledge of governance, ongoing education and training, and, most importantly, communication and collaboration between directors, C-suite executives, and multiple stakeholders.

Issue One: CEO/C-Suite Turnover

CEO turnover is occurring at a rapid rate. According to a Challenger, Grey, and Christmas report, more than 1,400 CEOs have stepped down from their positions between January to September 2023, marking an almost 50 percent rise from the 969 departures over the same period in 2022.¹

CEOs viewed the wrap-up of the COVID-19 crisis as an opportunity to retire or resign in search of new opportunities. Other CEOs were forced out, often as a result of chronic inflation, disrupted supply chains, and recruitment challenges.

Even with this well-known increase in turnover, many healthcare boards don't have effective succession plans in place. According to The Governance Institute's 2023 biennial survey of hospitals and healthcare systems, 79 percent of boards recognize that the CEO (and other senior executive) succession planning is a critical responsibility of the board, yet only 43 percent of boards report having a written, current CEO and senior executive succession plan.²

Addressing CEO and C-suite turnover calls for collaboration between board nominating, governance, and compensation committees, chief human resources officers and talent management professionals, and external experts in leadership, search, and compensation.

Together, these entities can respond to C-suite disruptions and emergency successions while sustaining operations, financial performance, and strategic execution. With integrated input from internal and external sources, they can:

- Adopt the process of "progression planning." This involves looking at the organization from a long-term perspective to help develop the next generation of leaders and potential CEO successors. It is considered a best practice and elevates the board's approach to CEO succession planning.
- Build consensus and alignment on a future CEO's skills, experience, and leadership capabilities.
- Decide who will orchestrate and direct the planning process. Typically, the board is responsible.
- Consider creating a separate succession plan to address crisis or emergency contingency planning. Interim CEOs are not always considered as the long-term potential successor; they are identified to provide stability during the transition period.

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- 1 Challenger, Gray & Christmas, "CEO Exits Continue Record Clip 164 CEOs Leave Their Posts in September 2023; Q3 Highest Quarterly Total on Record," October 19, 2023.
 - 2 Kathryn Peisert and Kayla Wagner, *Think Bold: Looking Forward With a Fresh Governance Mindset*, The Governance Institute's 2023 Biennial Survey of Hospitals and Healthcare Systems.

- Benchmark a pipeline of internal and external candidates with the right mix of knowledge, skill, experience, and leadership traits.
- Evaluate potential internal candidates through criteria such as their mindsets, drivers, and motivation. Think about what experiences they need to be viable as a potential successor and accelerate their development.
- Accelerate the transition of a new CEO and C-suite executive with a robust plan of action to align the executive's personal purpose, vision, and brand with the organization's strategy.

Boards can steer clear of potential roadblocks by analyzing the trends that will shape the healthcare organization's future—from digital transformation, mission/purpose, and sustainability to the hybrid workforce, patient centricity, and generative AI.

Issue Two: Cybersecurity

Tackling cybersecurity in 2024 calls for collaboration between board audit and cybersecurity committees that oversee the development of cybersecurity policy and lay out standards that mitigate organizations' vulnerability.

Other collaborators will include board members with IT and cybersecurity expertise and C-suite executives, including chief information officers, chief information security officers, chief data officers, and chief digital officers. Boards will also gain insight from external experts in cyber risk attack prevention, incident response, and the impact of generative AI.

Boards will provide strong oversight of cyber risk if they engage with the CEO and relevant C-suite executives, access external expertise, obtain regular data, information, and reports from senior management, and follow these steps:

- Integrate cyber risk into strategic decision making by providing oversight on multi-factor authentication and accountability for third-party risk and vulnerability management.
- Track and evaluate the level of cyber resilience by analyzing data backup of systems, resources for breach prevention, response, and recovery, and the quality of cyber insurance coverage.
- Analyze directors' knowledge, skill, experience, and leadership on cybersecurity, followed by conversations and education on the organization's cyber risks, motives and strategies of threat actors, and the clinical, financial, and operational impact of cyberattacks.

Issue Three: Artificial Intelligence (AI)

Directors can address the challenges of artificial intelligence through board technology, AI, risk, audit, and cybersecurity committees, and the involvement of C-suite executives

in digital transformation, information systems, cybersecurity, and clinical care. Equally important is leaning on external experts on the legal, financial, ethical, operational, strategic, and clinical dimensions of AI.

Together, directors, executives, and external experts can evaluate AI's potential impact, the organization's position as an AI leader or follower, the responsible use of AI, and new and emerging AI regulations.

While C-suite executives implement AI, directors provide management oversight, analyzing AI's impact on strategy, risk management, and innovation. To do so, they must understand AI's opportunities and limitations, oversee AI risks and controls, and monitor AI regulations.

Directors can seize opportunities for AI-driven innovation while addressing risk, cost-benefit, and regulatory pressures by following these steps:

- Enhance directors' knowledge and understanding of AI by tapping the expertise of C-suite executives and external experts. Zero in on AI's capabilities, case studies, business models, risks, and responsible use of the technology.
- Analyze AI's impact on operational, financial, and clinical performance by challenging management to provide data, information, and regular reports on AI's impact.
- Address talent management by analyzing the need for additional AI knowledge, skill, experience, and leadership vs. reliance on the expertise of existing C-suite executives and external sources.
- Analyze AI's benefits to the organization, including how AI could transform interactions with employees, patients, partners, competitors, and other stakeholders.
- Review the costs of AI, including the costs of training workers in AI, creating a skill-building culture, and driving innovation by seizing fresh business and clinical opportunities.
- Orchestrate a plan for AI oversight by examining the impact and cost of broader digital transformation. Ask for a debrief on digital transformation strategy, including the plan for AI, and how it aligns with clinical, operational, and financial strategy.
- Share AI information and insights with internal and external stakeholders, including how senior management and clinicians use AI to remain competitive and how safeguards protect employees, patients, suppliers, and other stakeholders.
- Recognize the ongoing role of board oversight and guidance in cost-benefit, risk, and regulatory analysis, identification of opportunities for clinical and business innovation, and fostering responsible use of AI.

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How Directors Can Enhance Oversight of Strategy and Risk in 2024

- Anchor conversations on the tech and trends of 2024 in mission or purpose. Doing so guides strategy, C-suite development, board interactions, stakeholder communications, and performance/impact evaluation.
- Educate directors on the tech and trends of 2024 by sharing data and information supporting the trend, including the trend's speed, alignment with purpose, brand, and services, and impact on finances, reputation, and stakeholders.
- Continue to focus on CEO and C-suite executive recruitment, development, compensation, progression, and succession, including the relationship of these activities to strategy, transformation, and leadership.
- Blend education on 2024 tech and trends with the strengthening of directors' skills in strategy, monitoring, collaborative decision making, and assessment of impact on finances, stakeholders, and sustainability.
- Focus on strategy, including the link between strategy and the healthcare industry and its customers and competitors. Coach directors to ask probing questions, run scenarios, and tweak strategy to accommodate disruptions and market shifts.
- Examine 2024 tech and trends with an eye on changes to board structure, composition, capabilities, and dynamics. Evaluate how well directors shape culture and collaborate with C-suite executives, advisors, and experts.
- Monitor and assess 2024 trends and tech by engaging with diverse stakeholders. Educate directors on how to secure and integrate stakeholder feedback into decision making and conduct ongoing conversations.
- Sustain focus on activities that define a director's tenure—from onboarding, director evaluation, and identification of new director skills and experiences to education, candidate evaluation, and director sourcing and recruitment. Work with chief human resources officers to pinpoint director skills and find candidates outside of traditional talent pools.

Issue Four: Sustainability

In response to the backlash and confusion surrounding the environmental, social, and governance (ESG) movement, a growing number of organizations have opted to reframe ESG as sustainability in the environment and climate, people, and business.

Boards will achieve traction on ESG/sustainability through their audit, risk, finance, human resources, and ESG/sustainability committees and the broad range of C-suite executives who dominate ESG/sustainability conversations—from chief human resources officers, chief information officers, and chief marketing officers, to chief financial officers, chief legal officers, chief operating officers, and emerging chief sustainability officers.

Boards will also benefit from external experts on sustainable products, services, and brands, elimination of waste, and accelerated opportunity and equity for workers and partners.

Directors can achieve sustainability gains if they re-engineer ESG priorities:

- Reframe environment (E) as climate, including greenhouse gas emissions and climate-related risks and opportunities, and resource use, including the environmental impact of products and services, water use, and waste elimination and reduction.
- Shift considerations of social (S) to human capital/talent management, including compensation and benefits, employee well-being, health, and safety, and talent development and management. Add in board and workplace diversity, equity, and inclusion (DE&I) and strengthened communities through accelerated community impact across patient groups, products, and services.
- Shift the focus from governance (G) to ethical business by focusing on government and stakeholder advocacy, privacy and cybersecurity, and service quality and safety. Push for responsible supply chains grounded in ethical purchasing and human rights.
- Mobilize directors to provide oversight on sustainability by focusing on the alignment of sustainability and business strategy, sustainability risks, and reputation and crisis management,
- Tap audit and risk committees to oversee compliance and ethics, supply chain responsibility, cybersecurity and privacy, and product and service safety.
- Involve governance and sustainability committees in sustainability strategy, tracking and reporting, community engagement, public policy advocacy, and action on environment, climate, energy, and waste.
- Activate human resources, talent management, or compensation committees to focus on DE&I, culture, purpose, and values, stakeholder engagement, and compensation and benefits.

Focusing on the four trends of CEO turnover, cybersecurity, artificial intelligence, and sustainability requires board education, communication, and collaboration. Also vital is tapping the expertise of C-suite executives, board chairs and committees, and external experts.

Recommended Resources

Healthcare Challenges:

- “Healthcare Forecast 2024: 10 Trends for Board Members, Senior Leadership, and Physician Leaders” (The Governance Institute)
- “Healthcare Execs Expect M&A Activity to Rise Again in 2024—Survey” (Reuters)
- “Ten Healthcare Technology Trends for 2024” (Philips)
- “AI Will Live Up to the Hype and More Unicorns Will Lose Their Horns: 10 Health Care Predictions for 2024 from Top Investors” (*Fortune*)
- “The 10 Biggest Trends Revolutionizing Healthcare In 2024” (*Forbes*)

CEO Turnover and Succession Planning:

- “CEO Succession Planning: A Strategic Journey” (The Governance Institute)
- “CEO Exits Continue Record Clip” (Challenger, Gray & Christmas)
- “CEO Turnover Is Happening at a Rapid Rate—and Here’s Why” (Yahoo Finance)
- “Succession Planning: What the Research Says” (*Harvard Business Review*)
- “The Boardroom Guide to Improving CEO Succession” (Korn Ferry)

Cybersecurity:

- “Cyber Legal Cases and Trends Your Board Needs to Watch” (The Governance Institute)
- “What Is Cybersecurity?” (Cisco)
- “Gartner Unveils Top Eight Cybersecurity Predictions for 2023–2024” (Gartner)
- “The Ten Biggest Cyber Security Trends in 2024 Everyone Must Be Ready for Now” (*Forbes*)

- “A Tool to Help Boards Measure Cyber Resilience” (*Harvard Business Review*)
- “Boards Are Having the Wrong Conversations About Cybersecurity” (*Harvard Business Review*)
- “Are you Prepared for a Cyber Attack?” (Korn Ferry)

Artificial Intelligence:

- “Generative AI: Technology Worthy of Leadership’s Attention” (The Governance Institute)
- “AI and the Role of the Board of Directors” (Harvard Law School)
- “It’s Time for Boards to Take AI Seriously” (*Harvard Business Review*)
- “The Strong Case for Board Oversight of Artificial Intelligence” (*Forbes*)
- “Artificial Intelligence: Practical Considerations for Boards and Management Teams” (JD Supra)
- “AI Is Everywhere, Except on Boards” (Korn Ferry)

Sustainability/ESG:

- “The Evolving Role of Chief Sustainability Officers” (*Harvard Business Review*)
- “Sustainability in the Spotlight: Has ESG Lost Momentum?” (Harvard Law School)
- “Sustainability Shakes Up the Boardroom” (Boston Consulting Group)
- “Key Findings from the Gartner 2023 Board of Directors Survey” (Gartner)
- “Many Boards Are Playing Catch-Up on ESG and Green Issues” (*The Wall Street Journal*)
- “Prepare Your Board to Address ESG Strategy” (Korn Ferry)

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