

Balancing Disruption and Stability in Healthcare and Life Sciences

Our fifth annual survey shows that healthcare executives are, on the whole, happy with how their leaders managed through the pandemic, but far fewer are confident they have the leaders and talent they'll need for the long term.



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About the survey

Heidrick & Struggles recently conducted an online survey of 159 senior-level executives in the healthcare and life sciences sector in order to understand how organizations are preparing for and responding to market disruption. Regionally, 66% of respondents were from the United States and Canada, 26% from Europe, and 4% from Asia Pacific and the Middle East. Thirty-seven percent of respondents were CEOs, 7% other C-suite executives, 10% general managers or other business leaders, and a further 28% were board members; others were leaders of functions including commercial, finance, HR, and R&D. Fifty-three percent of respondents had more than 25 years of experience in the healthcare and life sciences industry. Twenty percent of respondents were at companies with more than \$5 billion in annual revenue, and a further 21% at companies with annual revenue between \$1 billion and \$5 billion. Those surveyed come from companies in biotech (27%), healthcare services (19%), medical technology (19%), and pharma (19%), with small shares of respondents in other sectors. This survey builds on previous Heidrick & Struggles research, including our work on accelerating performance—an in-depth examination of how the world’s largest companies build and sustain performance at the leader, team, and organization levels.

Executive summary

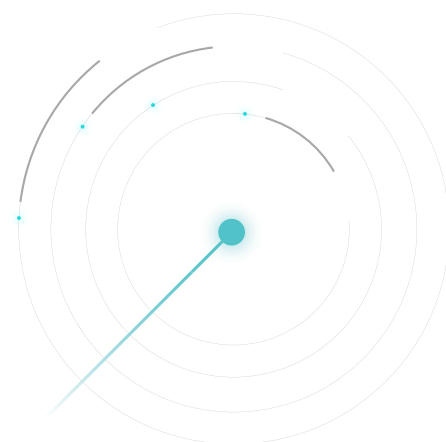
No other industry had to manage such a monumental undertaking from day one of the COVID-19 pandemic as did the healthcare industry: to find a solution to a virus that has been devastating lives and economies alike while simultaneously managing their own organizational response to the crisis. It comes as close as it gets to a worst-case disruption scenario.

So how do executives in the industry feel they have handled the events of the past couple of years? The majority of respondents—80%—see more disruption today than before the pandemic, and two-thirds expect more disruption over the next 18 months.

Nonetheless, those figures are down from the peak we saw in our prior survey.

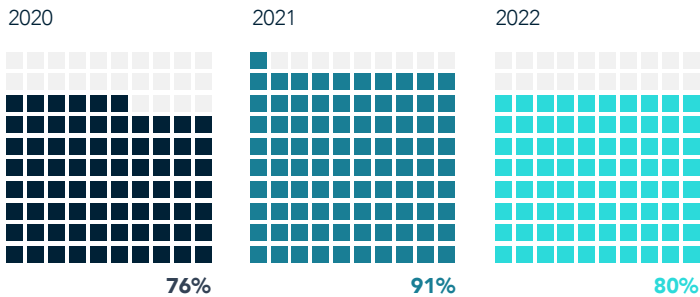
Furthermore, there is a sense of contentment among executives about how their companies managed through COVID-19: 85% think their leaders have been successful in managing their organizations through the pandemic. And some executives think that the improved reputation of some parts of the industry will give them a lasting advantage in the ability to attract talent and build better relationships with customers and regulators.

Looking ahead, the survey indicates that many executives are now retuning their companies for growth. They will be restructuring their organizations, reevaluating strategic goals, and shifting their organizational culture. Success will depend in large part on attracting and retaining the best talent. However, the fact that only 52% of executives *do* say their companies currently attract and retain the best talent means that many need to take steps in three areas: rethinking their talent strategy, creating inclusive cultures, and bolstering their leadership capabilities.

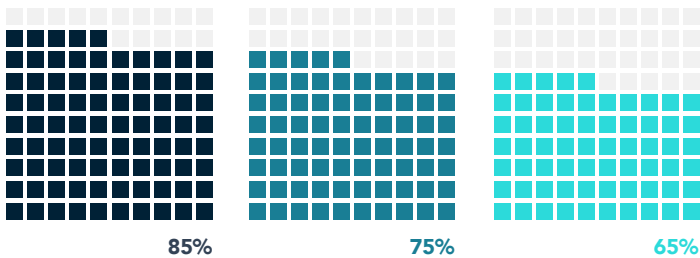


Executives in healthcare and life sciences companies expect a return to stability and business as the new usual...

Executives saying their company faces more disruption today than before COVID-19 or 18 months ago

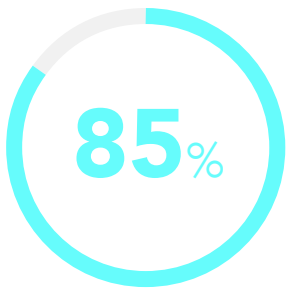


Executives who expect the pace of disruption to increase in the next 18 months

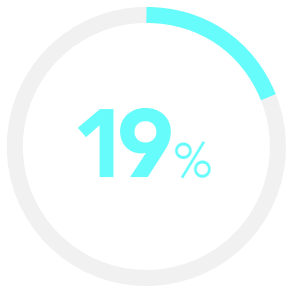


...and think they have managed the COVID-19 pandemic successfully.

85% of the executives we surveyed think leaders have successfully managed the pandemic...

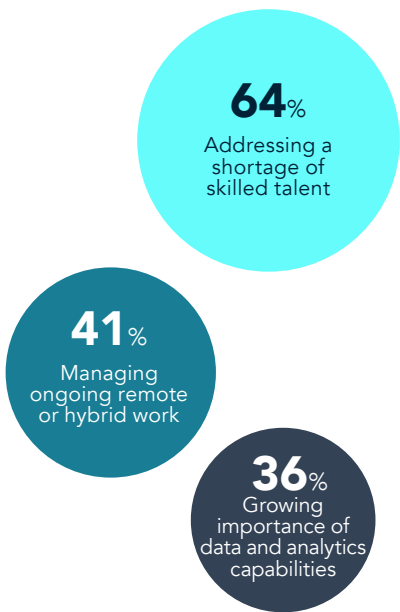


...but only 19% feel these lessons are an important factor in their ability to face market disruptions.

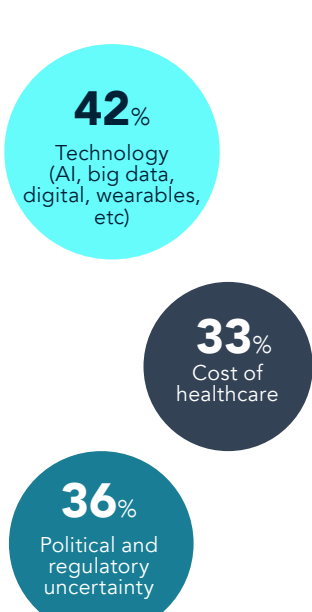


The biggest sources of disruption

Top internal disruption factors



Top external disruption factors



Areas of focus going forward

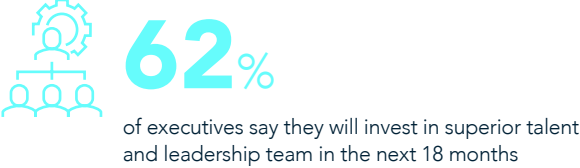
Put talent first



Refocus on inclusive cultures to kick-start innovation



Bolster leadership capabilities

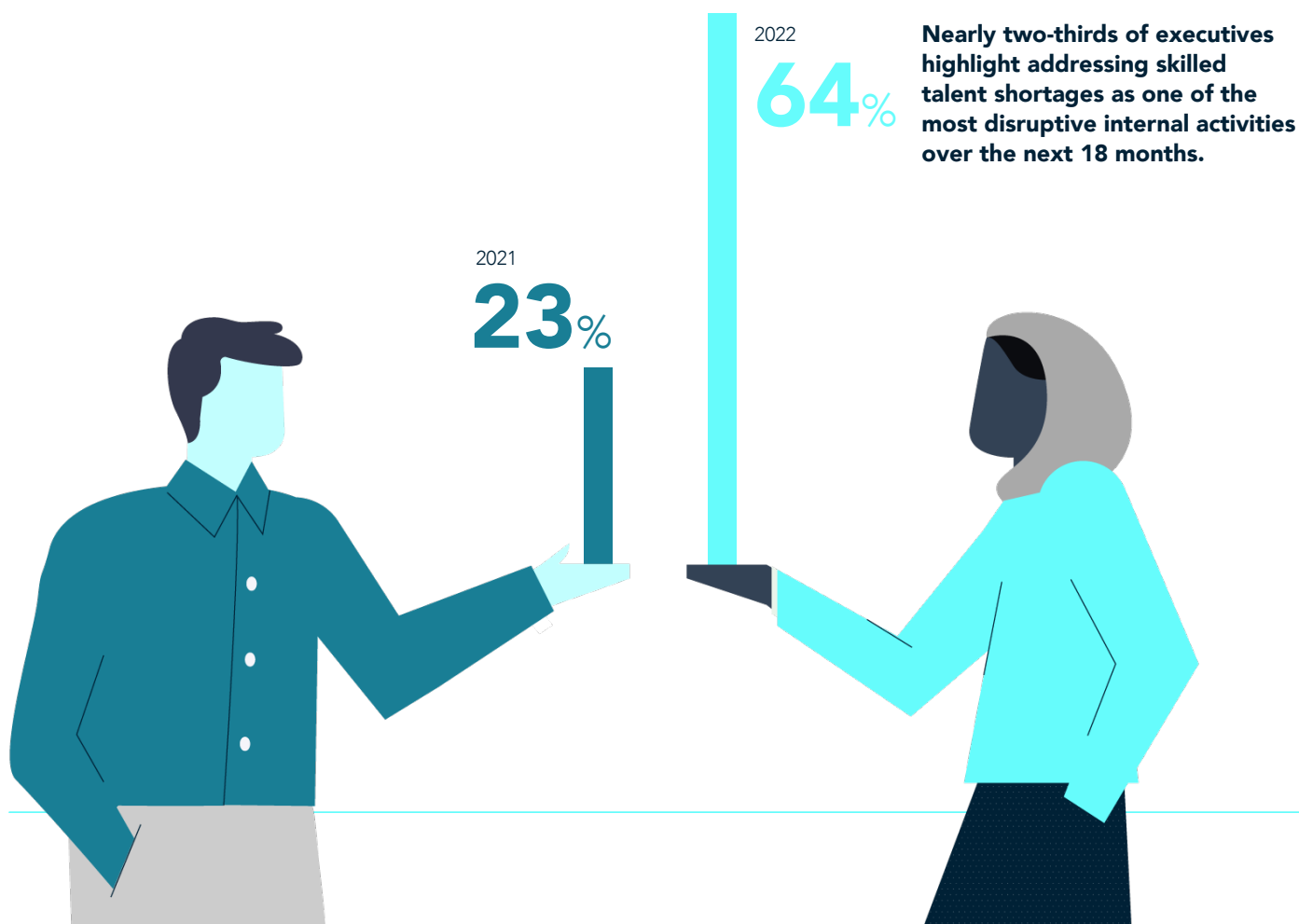


Skilled talent is the biggest worry and the biggest investment

Access to talent is the biggest source of disruption

This year's survey shows that executives see more disruptions coming from within than from the outside and that access to skilled talent stands out among all other concerns. Nearly two-thirds of executives highlight addressing skilled talent shortages as one of the most disruptive internal activities over

the next 18 months (compared to 23% in 2021), underscoring that healthcare is facing the same competition for talent as most other industries. Another topical concern shared across industries is managing a remote or hybrid workforce, the second most often cited internal concern for healthcare executives.



Most disruptive internal factors for the next 18 months (%)

Which of the following internal activities, if any, will be most disruptive to your company over the next 18 months? (Select up to 3)

● 2020 ● 2021 ● 2022



The responses were less concentrated when it comes to the external disruptive factors. The top three concerns—technology, political and regulatory uncertainty, and the cost of healthcare—have been largely the same over the past three years. The fact that executives

chose each less often this year suggests that the sources of external disruption have become more varied.

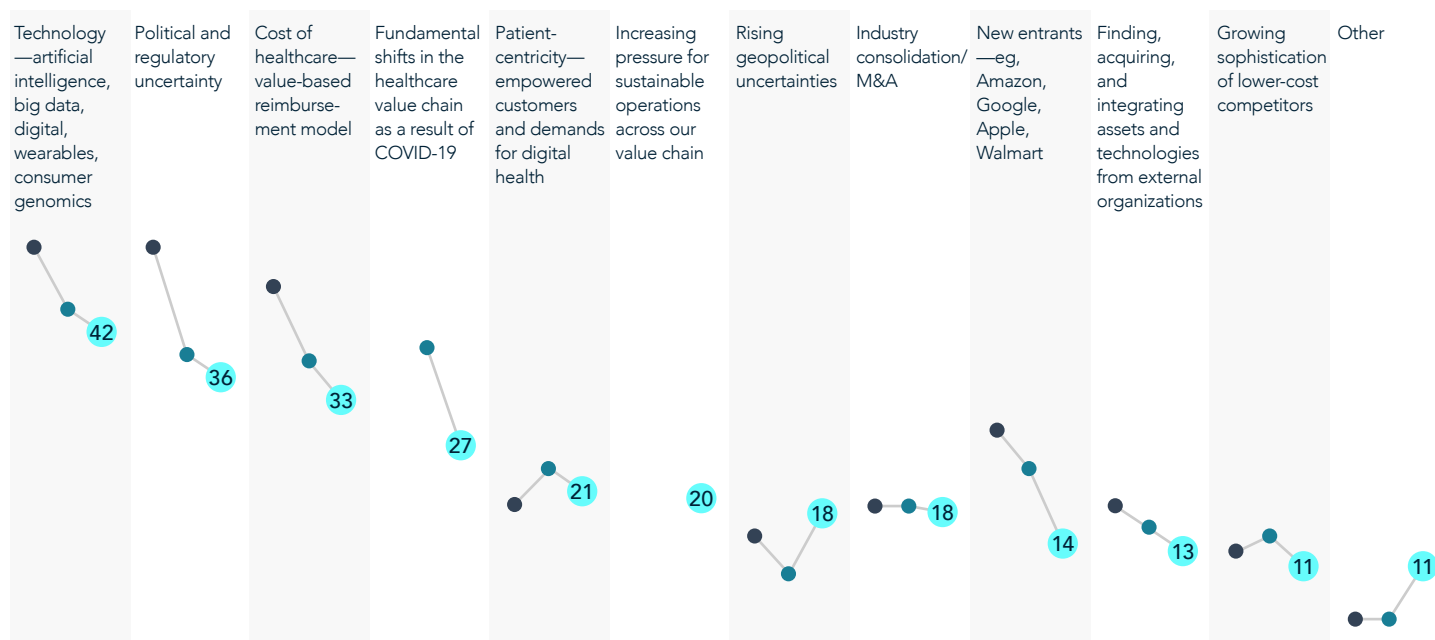
It's notable that executives less often than last year see fundamental shifts in the healthcare value chain as a result of

COVID-19 as a source of disruption. This could be part of the wider sentiment that the industry has turned a corner from the survival mode of the past two years and is looking to the future.

Most disruptive external factors for the next 18 months (%)

Which of the following external factors, if any, will be most disruptive to your company over the next 18 months? (Select up to 3)

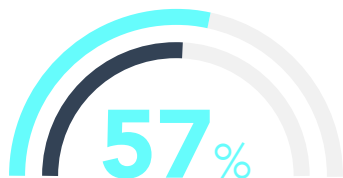
● 2020 ● 2021 ● 2022



Tackling disruption

In 2022, even as a majority of executives see more disruption ahead, they also have a renewed sense of confidence:

57% think their companies are well prepared to face disruption, up from 52% in 2020 (just before the COVID-19 pandemic).



They cite high levels of confidence in:



the caliber of their people



their ability to change strategic direction quickly



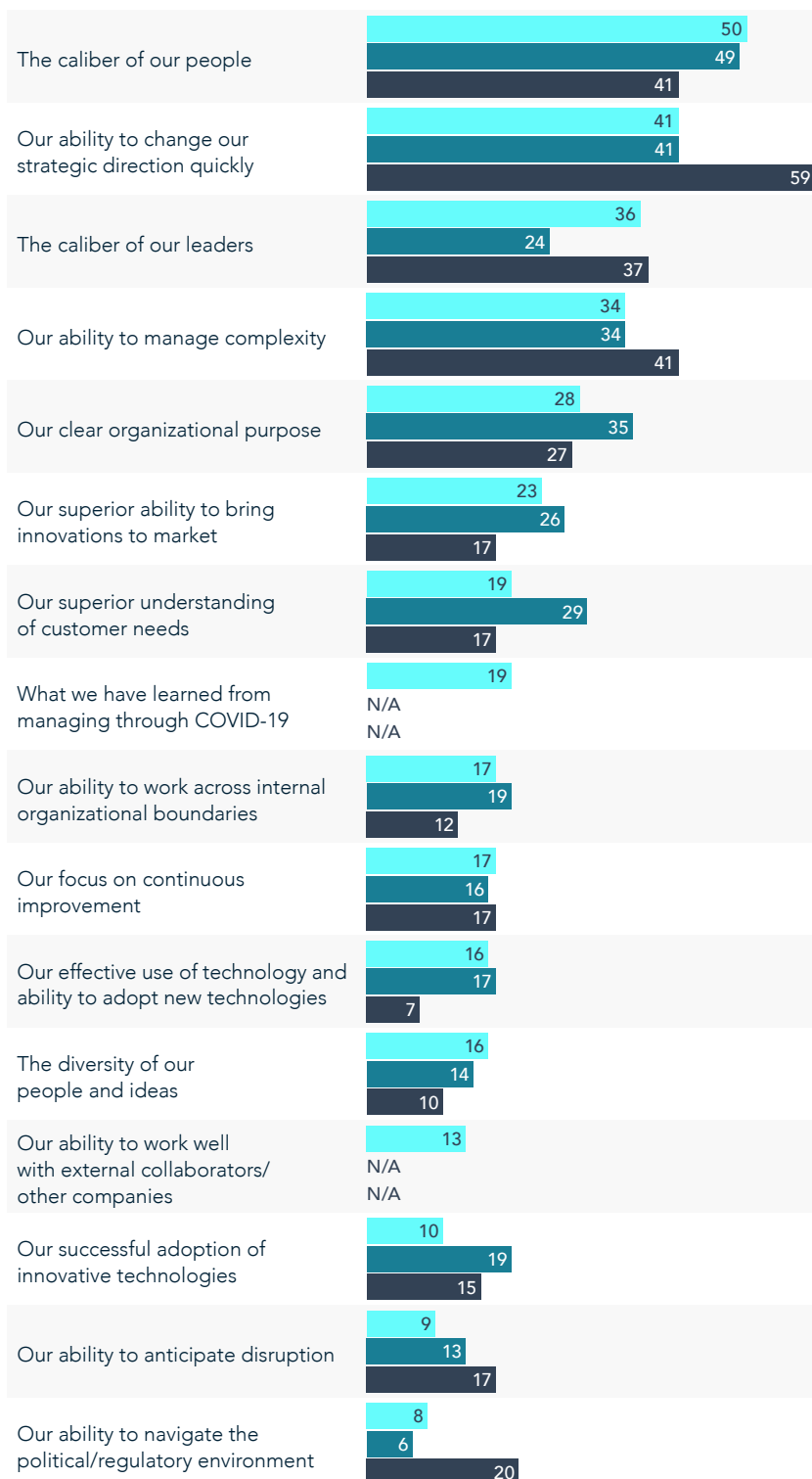
the caliber of their leaders

Surprisingly, only 19% cited lessons learned from COVID-19 as a factor for their confidence. That may be because executives gained more confidence in their people and leaders overall, rather than in any specific lesson learned from the pandemic.

What makes executives feel their companies are well prepared to face disruptions (%)

You indicated that your company is well prepared to face marketplace disruptions. Which of the following factors are most responsible for your belief? (Select up to 4)

■ 2020 ■ 2021 ■ 2022



Disrupting the market

Executives also show a modest increase in confidence in their company's ability to be a source of disruption in the marketplace:

48% agree that their company is a source of disruption; little changed through the pandemic.

These companies believe they are a source of disruption because of their:



superior ability to bring innovations to market



effective use of technology



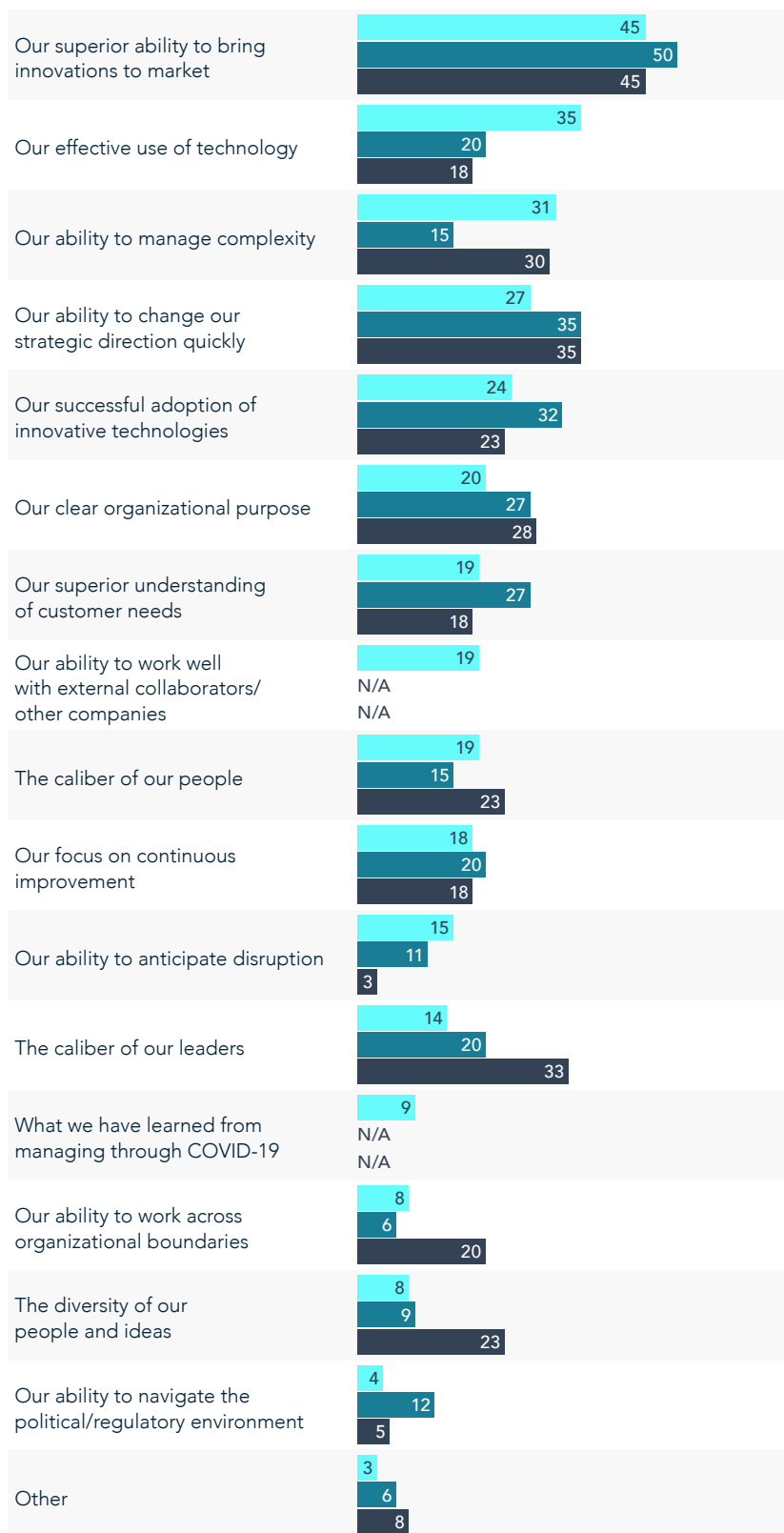
ability to manage complexity

Compared to last year, executives have gained significantly more trust in their own ability to effectively use technology and manage complexity, which may be unacknowledged lessons learned from managing through the pandemic.

What makes executives think their companies can disrupt the market (%)

You indicated that your company is a source of disruption in the marketplace. Which of the following factors are most responsible for your belief? (Select up to 4)

■ 2020 ■ 2021 ■ 2022



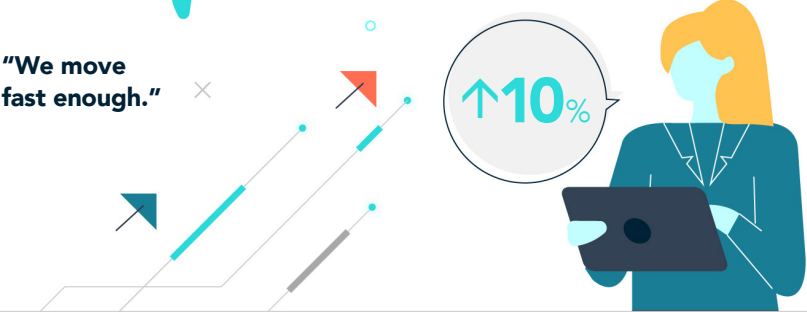
Furthermore, survey findings indicate that, as of now, leaders have somewhat less confidence in customers’ regard for their products, the effectiveness of their use of on-demand talent, and their culture’s alignment with strategy.

“Our customers regard our products/services as consistently excellent.”



Conversely, they feel more positive about their ability to move fast enough, and majorities say they are succeeding in building diverse, equitable, and inclusive organizations and making their operations more sustainable.

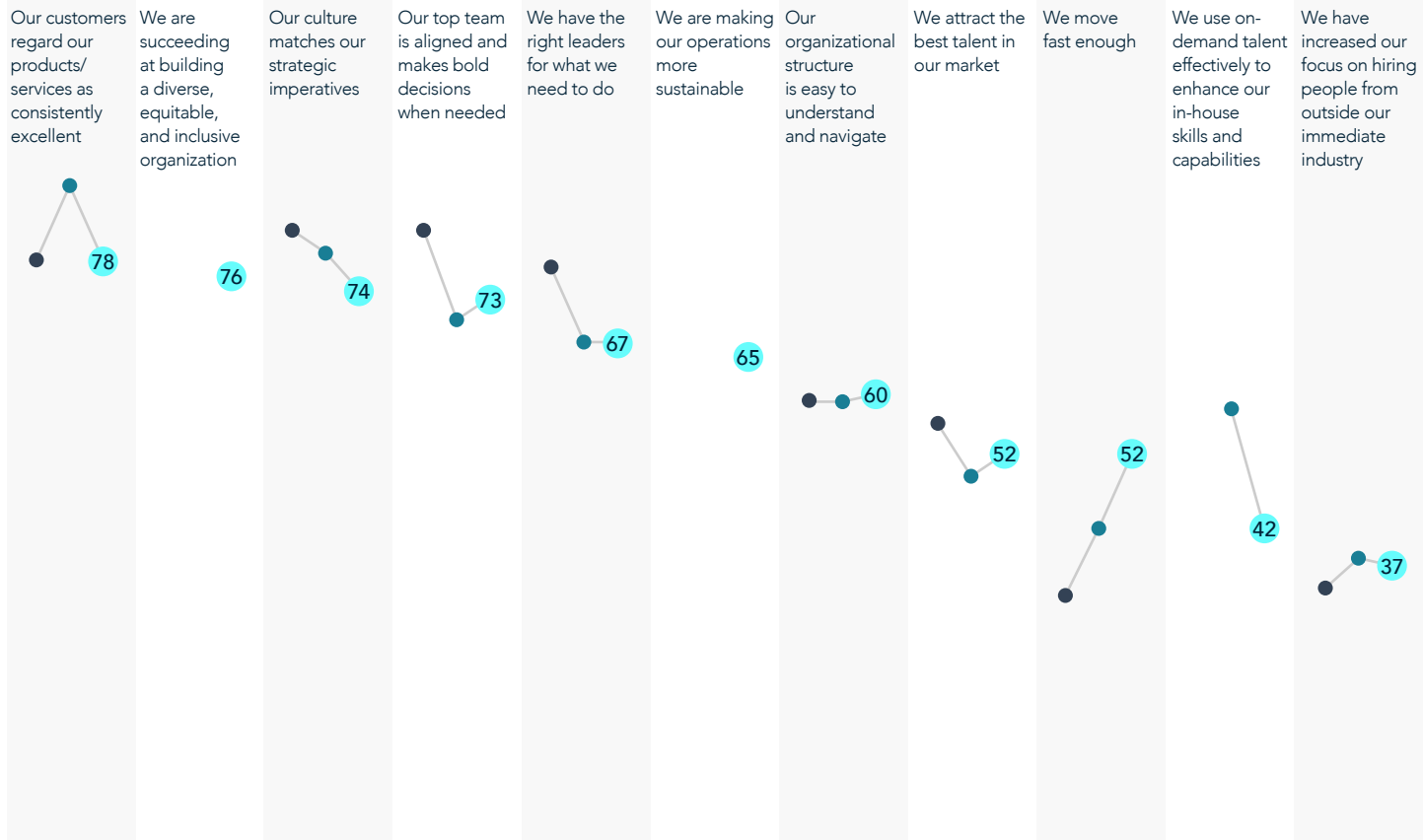
“We move fast enough.”



The strength of organizational capabilities (%)

Please indicate the extent to which you agree or disagree with the following statements. (% agree and strongly agree)

2020 2021 2022



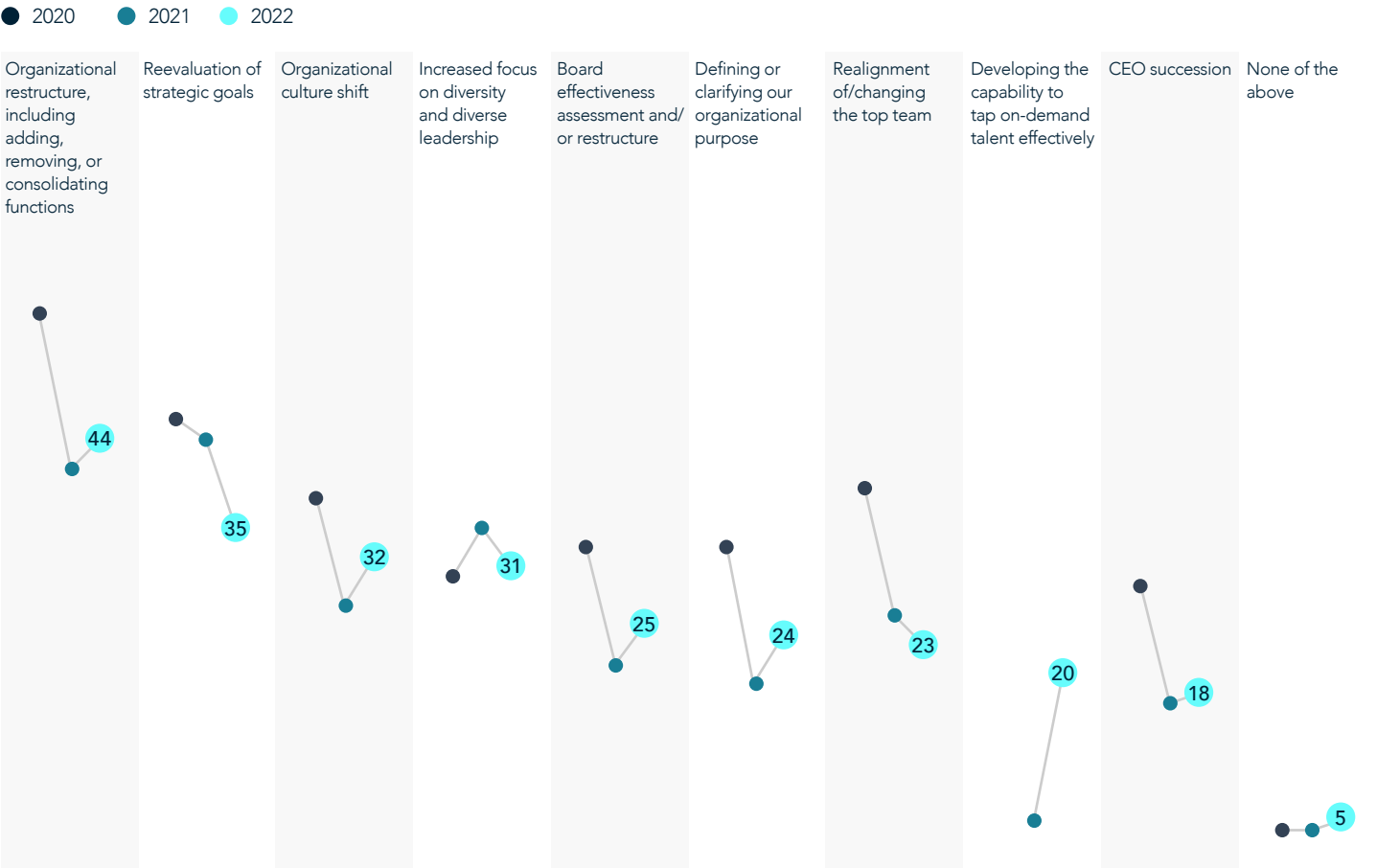


Retuning for growth

Executives indicate they’re looking internally first when prioritizing the areas of change in their organizations, with a greater focus on, for example, organizational restructuring, organizational purpose, and culture shifts (good news, given the lower alignment they report between culture and strategy), and a drop in focus on reevaluation of strategic goals.

Looking forward: Areas of change (%)

Which of the following changes, if any, are you now considering making in your organization to meet the rapid pace of change? (Select all that apply)



Given that addressing skilled talent shortages was cited as the most disruptive internal factor, it's encouraging to see that almost as many executives (62%) say it's important for their company to invest in talent and leadership to gain competitive advantage.

Innovation follows as the next most important area for investment, but we still see a considerable difference in the number of executives selecting it compared to before the pandemic began—suggesting that companies poured such significant funds into innovation in the context of COVID-19 that a bit less is warranted right now.

It's also encouraging to see a third of executives highlighting investments in flexible recruitment and workforce management capabilities, which often include on-demand talent and support for hybrid working models that can help address skilled talent shortages.



Looking forward: Investment (%)

Which of the following areas are the most important for your company to invest in to gain or maintain competitive advantage or to address new strategic challenges? (Select up to 4)

2020 2021 2022



Moving forward: Focus on talent, inclusive cultures, and bolstering leadership capabilities

As healthcare and life sciences companies are shifting their attention toward rebuilding their internal capabilities, we see three areas to prioritize: the way they attract and retain talent, building inclusive cultures that foster innovation, and investing in their leadership capabilities.

Put talent first

Given that almost two-thirds of executives say addressing a shortage of skilled talent is their biggest internal disruptor, the fact that only 52% say their companies attract the best talent in the market is a concern. That being said, a majority feel that the improved reputation gained by some of the sector during the pandemic will provide them with some degree of competitive advantage in attracting the talent they need. But on its own, that reputation is unlikely to make for a sustainable long-term solution.

Companies are investing in superior talent and leadership through organizational restructuring and DE&I initiatives, as well as making more effective use of on-demand talent, among other tactics. And our experience

suggests another tactic that is often overlooked: career development, which is arguably the most important tool in a company's ability to retain the talent they have worked so hard to attract.¹ Many companies have so far been failing to adapt to more recent changes in the attitude and behaviors of current and potential employees regarding their careers, including their need for a strong organizational purpose, their expectation to be involved and listened to when it comes to big decisions, and the fact that many of those who are considered skilled talent have a new understanding of a healthy work-life balance.

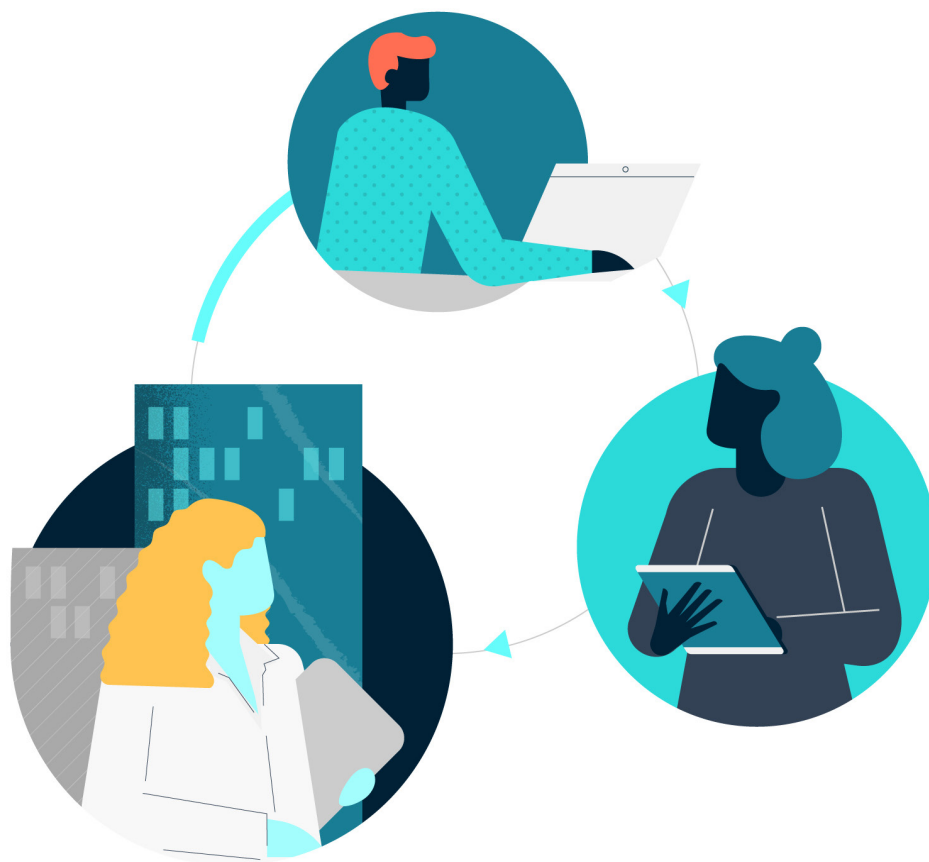
Some of those changes are particularly pronounced among younger workers, and, indeed, a higher

share of executives highlighted the need to attract and retain millennials specifically as a potential disruption—21% this year, compared to 8% in the previous two years.

A higher share of executives highlighted the need to attract and retain millennials specifically as a potential disruption.



¹ Dorothy Badie, Lisa Baird, Steven Krupp and Cheryl Stokes, "The overlooked weapon in the war for talent," Heidrick & Struggles, heidrick.com.



Some companies also seem to be addressing the other fundamental change: the shift toward hybrid work, which, however complex to manage, seems here to stay for many workers. And, because it lessens geographic location concerns, hybrid working can allow companies more latitude to find the right leaders for the right roles. The fact that more healthcare and life sciences leaders are investing in flexible recruitment and workforce management capabilities is a positive sign.

Companies that want to take their talent strategies a step further can consider the following approaches:

Make more room throughout the organization for step-up talent—people who may not be quite ready for the next role yet and don't tick all the boxes but who have the leadership capabilities and potential to do the next job.²

Take a holistic view of the mix of skill sets and backgrounds needed in all teams and take advantage of the greater possibilities for remote teaming in order to build effective teams that complement each leader's distinctive skills and capabilities.

Dynamically rethink role descriptions at all levels, constantly reassessing not only what particular roles are required as the business evolves but how the mix of roles should change.

Rebuild the organization's effectiveness in tapping into on-demand talent who can either help address a time-defined issue or allow companies the necessary time to find permanent leaders in a given role.

² To learn how some multinational consumer companies are implementing this approach for executive succession planning, see Nancie Lataille, Catherine A. Lepard, and Kate Rankine, "Consumer focus: An emerging model for developing global leaders in a hybrid world" Heidrick & Struggles, heidrick.com.

Talent as the most competitive advantage

■ 2020 ■ 2021 ■ 2022

Healthcare and life sciences executives put talent matters considerably higher on the list of internal activities that will disrupt their companies over the next 18 months.

Attracting and retaining millennials

21% 

8% 

8% 

Managing ongoing remote or hybrid work (option available for the first time in 2022)

41% 

0% 

0% 

Addressing a shortage of skilled talent

64% 

23% 

44% 

Companies need strong talent strategies to make them attractive employers

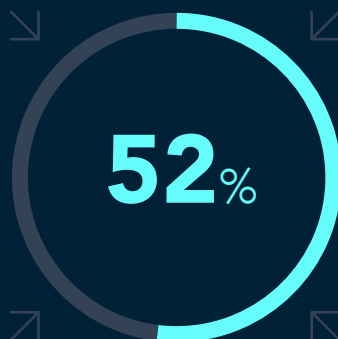
They see the **caliber of their people** as the leading factor in their preparedness to facing market disruptions (50%)...

50% 

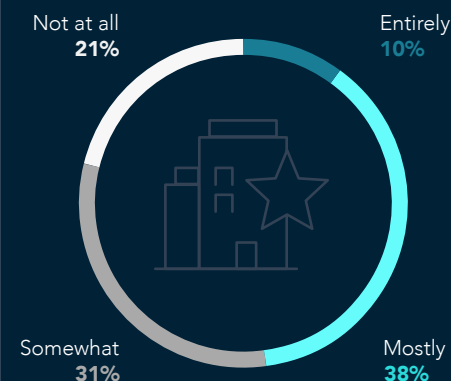
...which amplifies their need for top talent.




However, only 52% think their companies are able to **attract the best talent in the market.**



But the majority think that their COVID-19 performance and leadership has made **their improved reputation a competitive advantage in their ability to attract the talent they need**, to various degrees.



What are they doing about it?

 **44%** are restructuring their organizations

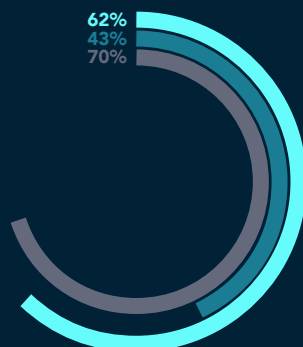
20% 

of executives say their companies are focusing on **tapping into on-demand talent**, compared to 5% last year.

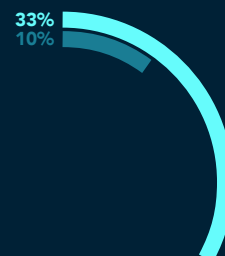
 **32%** are planning a shift in their organizational culture

Investing in superior talent and leadership team is the top area for investment in the next 18 months.

Superior talent and leadership team



More flexible recruitment and workforce management capabilities (option available in 2021 and 2022 only)



Refocus on inclusive cultures to kick-start innovation

Executives most often credit their companies' ability to disrupt the marketplace to:



their superior ability to bring innovations to market



their effective use of technology



their ability to manage complexity

(See chart on page 8.)

However, only 8% of executives cite the diversity of their people and ideas as a source of disruption and only 17% say they will invest in DE&I as a source of competitive advantage.

That suggests they might be missing an important connection. There is a large body of research showing strong relationships between innovation and DE&I that companies must take advantage of in their product strategies and customer outreach.³

Companies may not be investing in DE&I because three-quarters of executives say that they are already succeeding at building diverse, equitable, and inclusive organizations.

This could be related to the fact that purpose has become more visible and central to healthcare and pharmaceutical organizations because of the pandemic. However, other findings suggest that their progress may not last: our survey results show a drop of focus on DE&I compared to last year in two areas: creating a sense of inclusion and connecting DE&I initiatives to business goals and financial performance.⁴

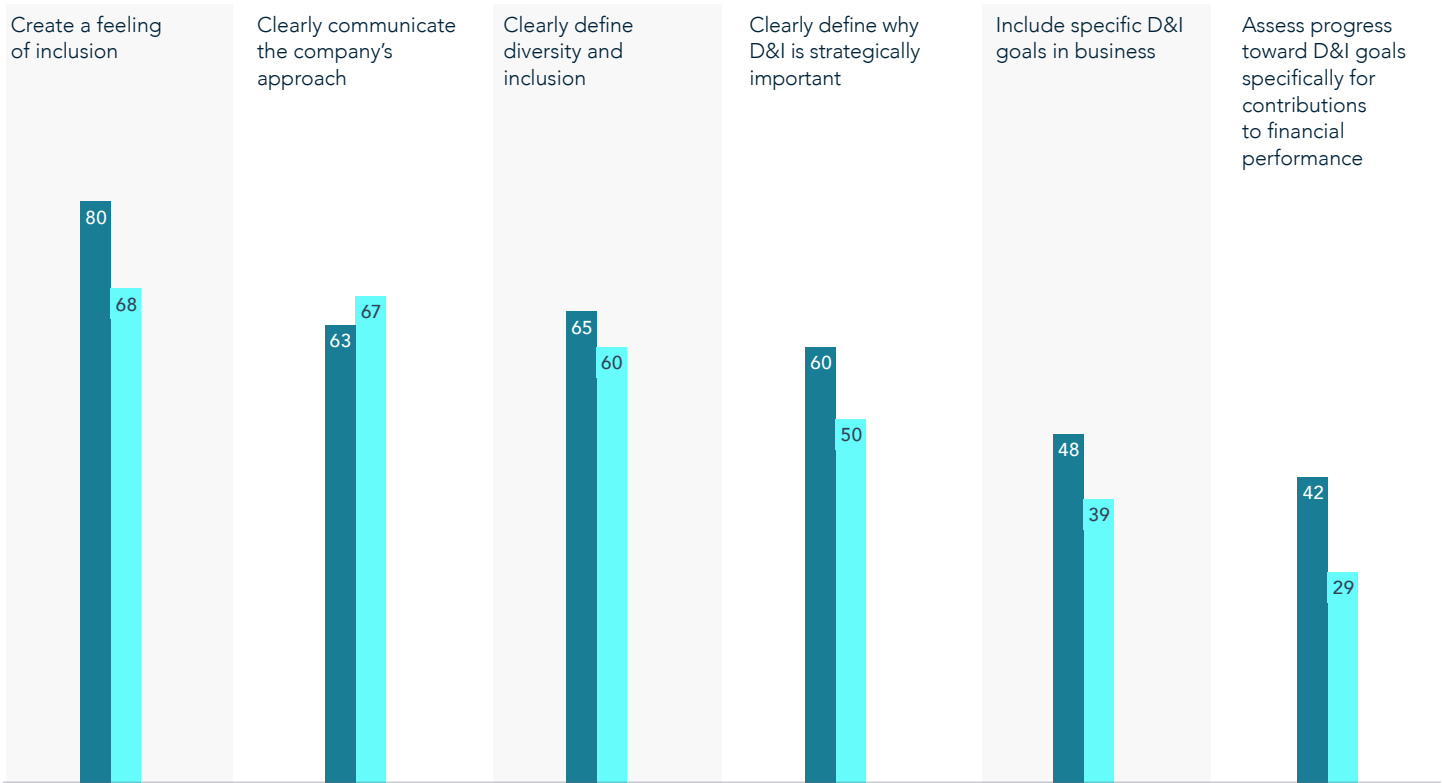
³ Stuart R. Levine, "Diversity confirmed to boost innovation and financial results," *Forbes*, January 15, 2020, forbes.com.

⁴ Other Heidrick & Struggles research shows that there is a positive correlation between company performance and a company's ability to link DE&I to business goals and financial performance. See Krishnan Rajagopalan and Lyndon Taylor, *Meeting the Inclusion Imperative: How Leaders Can Link Diversity, Inclusion, and Accelerated Performance*, Heidrick & Struggles, heidrick.com.

Tackling diversity, equity, and inclusion (%)

To what extent, if at all, does your company do each of the following?
(% answering "mostly" and "entirely")

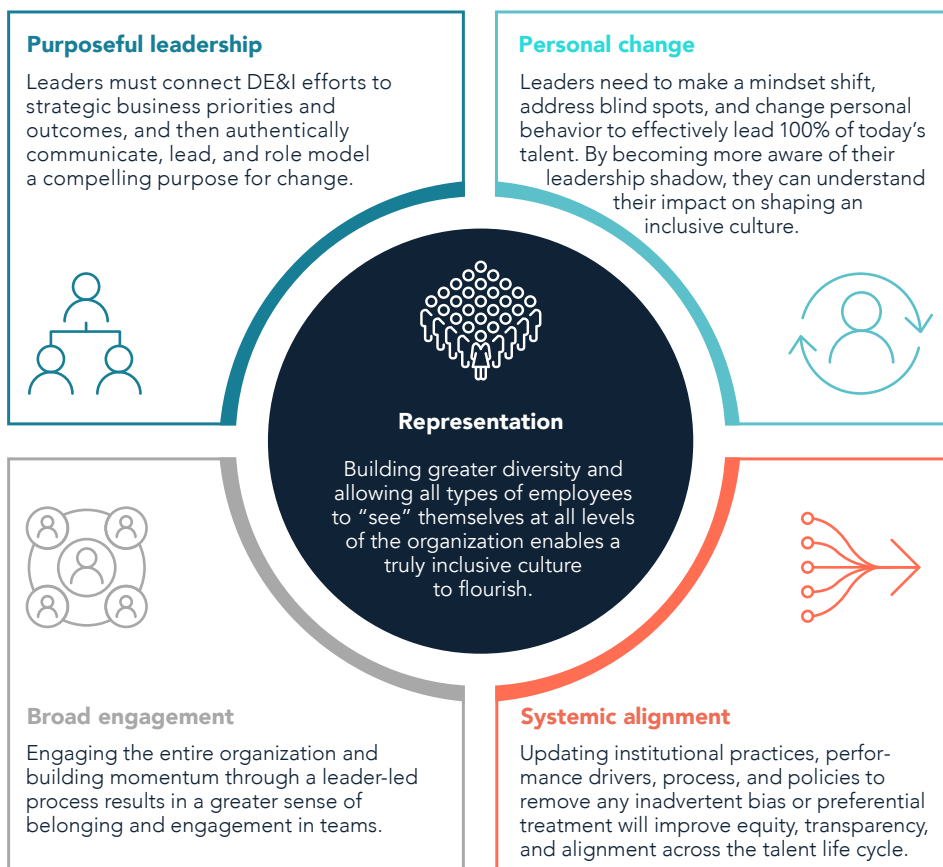
■ 2021 ■ 2022



Most companies' lack of focus on DE&I as a source of disruption and advantage suggests that those companies that do build on their current DE&I success will have a long-term edge, particularly when it comes to attracting skilled talent. Creating and nurturing inclusive cultures takes a systemic approach that starts with activating purposeful leadership; creating space for personal change; sustaining broad engagement with the whole workforce; embedding inclusion in systems, processes, policies, and day-to-day operations; and building visible representation at all levels and across the business.⁵

⁵ Jennifer Flock and Dustin Seale, "Creating an inclusive culture: Five principles to create significant and sustainable progress," Heidrick & Struggles, heidrick.com.

Five principles for creating an inclusive culture



Bolster leadership capabilities

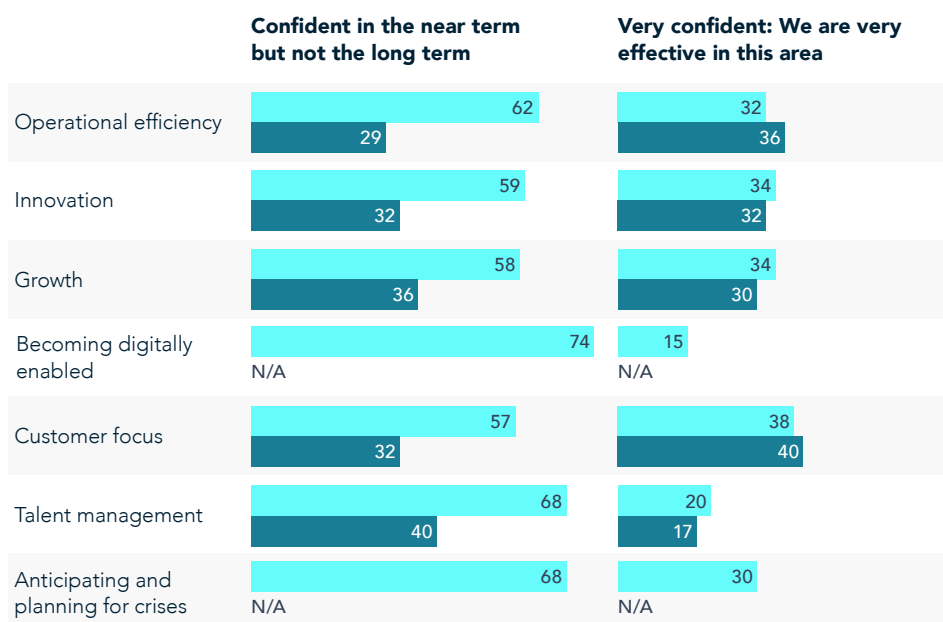
The leaders of healthcare and life sciences companies seem to have successfully passed the COVID-19 litmus test: 85% of the executives we surveyed think leaders have successfully managed the pandemic. In addition, 67% say they have the right leaders for what they need to do, and only 23% are considering realigning their top team.

But there are some causes for concern. While there is a consistent increase in their confidence in leaders across the board when compared to 2021, the majority of executives say that their confidence is only for the near term. This is perhaps due in part to the uncertainty still ahead and to a lack of confidence in their succession planning processes.

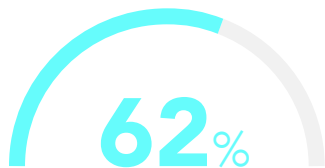
Confidence in functional leaders (%)

How confident are you that you have the necessary leadership in place to reach your goals in each of the following areas?

■ 2021 ■ 2022



The good news is that 62% of executives see a superior leadership team and talent as the key area in which to invest in order to gain a competitive advantage in the next 18 months.



There are a few things companies can do to bolster their long-term leadership pipelines. Companies can:

Make sure leadership roles are fit for purpose. Many organizations continue to maintain legacy leadership structures with outdated roles. Our work with a number of functional leaders highlights that even roles that were once considered technical (such as chief procurement officer or supply chain officer) are becoming strategic. They require a different level of leadership skills and business acumen, and their elevation can require a shift in the top team's structure.⁶

Build agility across their leadership team and management processes, such as building foresight into leadership succession planning through scenario planning, enabling a culture of learning, dialing up adaptability and social agility, and bolstering resilience.⁷

Develop future-ready leaders. Our extensive research on leadership capabilities has identified four critical capabilities for leaders to be seen as having impact now and potential for the future, however uncertain. They are leading through influence, driving execution, creating new thinking, and having an ownership mindset that covers both success and failure.⁸

⁶ For more, see Camilla Gilone and Fabrice Lebecq, "Resetting the role of the chief procurement officer," Heidrick & Struggles; and Scott Adams, "The changing leadership styles of supply chain executives," Heidrick & Struggles, heidrick.com.

⁷ Steven Krupp and Becky Hogan, "Agility for the long term," Heidrick & Struggles, heidrick.com.

⁸ TA Mitchell and Sharon Sands, "Developing future-ready leaders," Heidrick & Struggles, heidrick.com.

Conclusion

Executives in healthcare and life sciences overall believe that they managed successfully through the COVID-19 pandemic—that their leaders managed the crisis well and that the enhanced reputation companies gained as a consequence of their response to the pandemic will become a competitive advantage, particularly when it comes to attracting the talent they need. To build on this success, leaders need to redesign their talent strategies, create inclusive cultures that will accelerate innovation, and future-proof their leadership pipelines.

Healthcare & Life Sciences Practice

Heidrick & Struggles' Healthcare & Life Sciences Practice helps leading organizations in these sectors align their talent strategies and business objectives to foster innovation and enable growth in a fast-moving, rapidly changing world.

Companies in the healthcare and life sciences sectors contend with ever-changing technology, patient populations, markets, pricing, and regulatory environments. Their leaders must have the competencies required to lead all aspects of the business, while understanding the value of innovation and the relevance of science. With more than 80 professionals in major cities around the world, our Healthcare & Life Sciences Practice team combines unparalleled search resources with a deeply consultative approach to help clients boost their leadership capabilities.

We have expertise across all areas in the healthcare and life sciences sectors, including biotechnology, healthcare services, managed care, medical devices and diagnostics, pharmaceuticals, research and development, and contract research.

Working closely with a broad range of clients ranging from start-ups to global public companies and healthcare organizations, Heidrick & Struggles identifies succession issues, considers team composition, and taps nontraditional talent pools. We advise and recruit in the context of an organization's culture.

We partner with our clients to find leaders who can align and integrate the interests of complex stakeholder groups, build their organizations, and demonstrate shareholder value year after year.

Leaders of Heidrick & Struggles' Healthcare & Life Sciences Practice

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ONE LEADERSHIP TEAM AT A TIME®

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