Pearl Meyer

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An Argument for Getting The Healthcare Board Involved in Broad-Based Compensation Issues

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Healthcare provider organizations have been impacted by a perfect storm: COVID-19's direct impact on their employees, combined with a seemingly never-ending struggle with hospital capacity and an increasingly fierce competitive labor market, fueled in part by the Great Resignation. Boards and specifically compensation committees have typically focused their efforts on talent management issues related to executives. However, given the criticality of a skilled and committed workforce, there may now be opportunities—perhaps even imperatives—for directors to provide strategic guidance and act as a sounding board to management on how to address growing challenges in recruiting and retaining staff.

While compensation is not necessarily the primary driver in talent acquisition and retention, especially in healthcare, its role can be significant. As such, a sound starting point is a thorough examination of an organization's competitive pay strategy, including consideration of:

- The continued impact of technology and specialized skills (e.g., artificial intelligence) on the workforce;
- The growing convergence of desired skills across industries that may make recruiting and retention in the healthcare industry even more difficult; and
- A "new normal" that includes remote work for staff not responsible for direct patient care.

These and other factors necessitate a fresh look at ensuring a competitive pay strategy that is targeted based on the impact and criticality of the organization's roles, and recognizes the need to tailor the strategy accordingly, for example, competitive labor markets, competitive positioning, pay mix, etc. Given committee members' different perspectives and experiences, there is an opportunity to richly contribute to this discussion.

Now would also be a good time to reassess key facets of an organization's compensation philosophy, with particular attention to such issues as:

- The role of performance in managing pay and the extent to which pay is differentiated based on performance;

- The opportunities for career growth and how this is integrated with compensation;
- The relative emphasis on ensuring consistency versus the need to provide flexibility;
- The implications of remote working arrangements;
- The degree of transparency associated with the approach to compensation; and
- Ensuring an approach that supports pay equity.

A fair question is “Why should the board have *any* role in the organization’s approach to compensation below the executive level?”

In short, we believe that the broader healthcare workforce, not just leadership, needs to be aligned with the mission and key strategic objectives—and must possess the skills and attributes to ensure the organization can execute on challenging goals in a challenging environment. And while it is management’s responsibility to oversee the acquisition, development, performance, and retention of the workforce, including the board’s perspective can help to ensure thoughtful alignment with the enterprise’s overall business strategy.

About the Author

Jim has 30+ years advising on total compensation strategy, including base pay, incentives, and performance management, with deep experience designing and communicating broad-based programs.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.