

THREE TRENDS REDEFINING THE EXECUTIVE TALENT DOMAIN

ABSTRACT

Running an organization in a rapidly changing world is no easy task. Members of supervisory or executive boards must take the interests of all stakeholders into account. From shareholders, employees and suppliers, to customers, and beyond. Yet reaching the boardroom is equivalent to running a Spartan marathon. At a time when complexity is increasing and technological developments are hard to keep up with, the stakes for organizations and candidates are high. In this chapter, we explore the context of executive search: major trends, the profile of the executive search sector and the types of firms that operate in it. We de-mystify the process: the selection, search, presentation and accompaniment of candidates, looking at the responsibilities of the key players and the accompanying performance pressure and stress. Finally, we propose a vision for the future of executive search and potentially re-think about a professional code of conduct.

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Medically trained, with a career in international business, I have been working as an executive search consultant in the upper segment of the private and public sectors for 20 years. Privacy and discretion are sacred in this profession and as a result, clients are quite simply unclear about what we do. They automatically think of headhunters as a necessary evil. As this book seeks to make clear, they are wrong.

The UK Corporate Governance Code puts the relationships between companies, shareholders and stakeholders at the very heart of sustainable economic growth.¹

Revisions in 2018 included an emphasis on board refreshment and succession planning, ensuring that boards possess the right blend of skills and experience, constructive challenges and diversity. The Code sets the tone for many equivalents around the world. While I work for Amrop, a globally connected organization, my home is in the Netherlands. Here, the Corporate Governance Code was revised in 2016 to focus on long-term value creation and the involvement of the Supervisory Board in the general affairs of the company, such as strategy implementation and culture.²

Executive search plays a pivotal role in attracting and positioning what Amrop describes as the “leaders for what’s next,” supporting boards in meeting the criteria set out by governance codes. Yet to this day, executive search lacks a code of its own. Its practitioners have no legally regulated professional or behavioral rules. In the meantime, they bear more than a little responsibility for the leadership of the private and public sectors.

As a guest lecturer at the Governance Institute of the ESAA (Erasmus School of Accounting and Assurance), I regularly get questions from incoming board members about the lack of rules when it comes to the hunt for new leadership in companies and institutions. All the more reason for writing a management book that seeks to act as a compass for hiring organizations and candidates alike.

All too often, good managers end up in the wrong positions. A failing leader causes a lot of damage, both for the organization and the individual in question. Beautiful career steps don’t have to end in tears. Thanks to intensive interaction with key stakeholders in the hiring organization, an experienced executive search consultant can prevent a mismatch from happening.

1 Financial Reporting Council, *The UK Corporate Governance Code*, 2018 (London 2018).

2 Corporate Governance Code Monitoring Committee, *The Dutch Corporate Governance Code 2022* (Den Haag 2022).

GUIDANCE IN THE LABYRINTH

Running an organization in a rapidly changing world is no easy task. Members of supervisory or executive boards must take the interests of all stakeholders into account: from shareholders, employees and suppliers, to customers, and beyond. At a time when complexity is increasing and it's hard to keep up with technological developments, the stakes are high.

Managing and monitoring remains human work, despite digitization and robotization. No organization actively seeks expensive mismatches. Finding the best candidates for highly responsible leadership roles is a serious profession. Unfortunately, hiring organizations don't always see it that way. A former chief executive of an industrial company (turnover €3.2 billion and over 3,000 employees) put it like this:

We have elevated procurement to a science. We know the suppliers of each of our suppliers. We strike agreements with all of them. We know the manufacturing dates of each of these products and we closely track their performance. For every product we purchase we have three suppliers – and this is seared into the way we spread risk. But when it comes to buying our most important assets – our directors and managers – we set all that aside. It's as if we're buying sand, always from the same supplier, and dumping it on the doorstep. I think that's bizarre.

This book is about the headhunters who operate in the higher segment of the public and private sectors – the *executive search partners*. They serve organizations with a turnover ranging from €10 million to €10 billion. How can clients use headhunters effectively? How do headhunters select top candidates? And how is top talent found? What is done, what isn't done?

The answers come from various sources. A series of intensive discussions with Eelco van Eijck, the veteran Managing Partner of Amrop in the Netherlands, forms the basis of this book. We also hear the critical voices of influential decision-makers from the private and public sectors. Their statements are anonymized. We complete our sources with recent management literature and desk research.

In this book, we address the most important features of the executive and board search landscape: from sector to company, from headhunter to process and from client to candidate. The chapters are connected like the blades of a propeller. The propeller blades are all adjustable and should be well-calibrated. This image also applies to the search process. If its most important components – selecting, searching, nominating and leading – are optimally set, the process proves its value.

THREE TRENDS REDEFINING THE LABOR MARKET

The Right Match: Creating the fit between a hiring organization and a candidate is human work, despite the rise in algorithms, artificial intelligence (AI) and big data. The same goes for discovering early-stage talent. It's all about searching and being found in a rapidly changing world – one that is becoming ever more complex.

Today's world of work comes with a big dose of uncertainty and unpredictability. Employment relationships are getting shorter and looser, employers expect employees to regularly re-train. In addition, working is increasingly linked to technology.

In 2021, the OECD reported on the progress made by AI in the domain of non-routine, cognitive tasks and its impact on highly skilled professionals. When it comes to AI advances, professionals are the most exposed segment of the workforce today. In contrast, previous automating technologies had primarily tended to take over the routine tasks of lower-skilled workers.³

TREND 1 | DATA

The labor market is changing rapidly. Innovative business models, aggressive market strategies and smart ways of organizing and managing are causing disruption. As mentioned, one driving force is rapid technological development, in particular the availability of cheap(er) data. For executives, these data are indispensable to reach reasonable decisions and courses of action.

In today's information economy, many companies are in a state of metamorphosis. The classic business of the 20th century – the modern enterprise – is giving way to the information-based organization. Investments in tangible assets such as land, buildings and machinery are giving way to expenditure on intangible assets, such as human, information and organizational capital.

NEW CAPITAL, NEW TRINITY

In his *Reflections on Governance, Management and Organization*,⁴ business expert Hans Strikwerda describes “human capital” as knowledge, insights and skills that are difficult to transfer to others. This trinity can be applied to new

³ OECD, *Policy Brief on the Future of Work: Artificial Intelligence and Employment, New Evidence from Occupations Most Exposed to AI* (Paris 2021).

⁴ Strikwerda, J., *Bespiegelingen over governance, bestuur, management en organisatie in de 21ste eeuw* (Assen 2014).

problems that arise in the organization. There are no transferable property rights; these remain the property of people associated with the company. “Information capital” addresses the potential value of the information in the business, including investments in IT.

“Organizational capital” covers the whole of culture, of mission and values, the quality of management, the right organizational structure, efficiency of processes, routines and social relationships.

Strikwerda:

One characteristic of high-value organizational capital is a psychological climate of openness, tolerance and exploration, because that plays an important role in interpreting new data and being able to see new developments.

Consider the Netherlands, one of the world’s leading data hubs. Computers and associated components are housed in numerous data centers. These storage centers provide all the digital services: cloud, mobile apps and other applications. They are the new foundation of the digital economy and a magnet for foreign investment.

Referred to as the “Digital Gateway to Europe” the data center and cloud industry now form the country’s fastest growing sector, according to the Dutch Data Center Association: in 2020 data centers were fundamental to 2 million jobs in the country’s digital workforce, with the total added digital value in the Netherlands amounting to €242 billion. Dutch data centers contributed €1.5 billion Euro to the country’s GDP.⁵

The sheer speed and intensity of tech developments rather lead one at a loss for words. The margins of uncertainty are huge. Despite this, it is well understood that companies are rapidly expanding their use of robotics. Still, many technological applications that look as if they are meaningful and feasible never actually come to fruition. Breakthrough technologies and their outcomes remain unpredictable.

It’s fair to suppose that well-crafted books such as *The Data Economy* can be found on the bedside table of many a headhunter and manager. Together with Peter Verhezen, an expert on governance and ethics, Amrop published a well-received series exploring AI and Wise Decision-Making.⁶ This gives a penetrating, sometimes chilling insight into the current development of economic practice. Big data and machine learning play a key role. But where this is all leading, and by when, is something that most authors leave open.

5 Dutch Data Center Association, *Digital Economy & Gateway*, see <https://www.dutchdata-centers.nl/en/positions/digital-economy-gateway>.

6 Amrop, *Inside the Wise Leader’s Brain* (Brussels 2020).

Victor Mayer-Schönberger and Thomas Ramge argue in *The Data Economy*⁷ that the unstoppable rise of data-rich markets will lead to an economic revolution. They give examples of online transactions in which an adaptive system guides the buyer of, for example, a frying pan, based on online buying behavior, to the right providers. In this way, an optimal match is achieved.

THE POSSESSED WORLD IS NOW A REALITY

The authors of *The Data Economy* are affiliated with the Oxford Internet Institute and The Economist respectively. They argue that massive job losses will follow on from a market in which much of the transaction process is automated and the company's status as a dominant way of organizing people to work efficiently is declining. This painful fact will play into the hands of populist movements, say the authors.

Their central message lies in the rebirth of the market: the current money-based economy will transform into a capitalist system based on data. These data provide richer information about a product or service than money does, and the algorithms behind it are becoming autonomous and self-directed. Citizens are losing ownership of their own data. In the data economy, just as in the old economy, it's all about power and where it is concentrated.

The online and offline worlds are becoming ever more intertwined; we talk about "onlife." Digital applications are so widespread, and so much happens with our data behind the scenes, that they are changing our lives in ways we often don't even recognize, the Rathenau Institute said in a recent report.

"We are living in a possessed world and we know it." This opening line of Johan Huizinga's ominous bestseller *In the Shadow of Tomorrow* (originally published in 1935)⁸ makes sense when reading Philipp Blom's *What Is at Stake* (2017).⁹ The historian analyzes, among other things, the profound effects of digitization on the labor market. Robots and algorithms deliver work better and faster than humans and carry out more and more tasks independently.

In the tradition of Oswald Spengler's *The Decline of the West*¹⁰ (originally published in 1918 and 2022), Blom sets out a doomsday scenario (he also deals with climate change and consumerism), one that can only be averted by timely action. As one reviewer penned: "Instead of knowing people, are we going to be people who are known by the data collected

7 Mayer-Schönberger, Viktor and Thomas Ramge, *De data-economie* (Amsterdam 2018).

8 Huizinga, Johan, *In the Shadow of Tomorrow*, New Edition (Rhode Island 2019).

9 Blom, Philipp, *Wat op het spel staat* (Amsterdam 2017).

10 Spengler, Oswald, *The Decline of the West*, Vol 1, New Edition (London 2021).

about us?” This begs the key question: to what extent will algorithms take over human decisions?

Will AI become smarter than us? British physicist Stephen Hawking observed that we should not be afraid of change: “we’ve got to make sure it works to our advantage.” To conclude: “Our future is a race between the growing power of our technology and the wisdom with which we use it. Let’s make sure the wisdom wins.”¹¹

Like Mayer-Schönberger and Ramge, Blom also refers to research from the prestigious Massachusetts Institute of Technology. In *The Second Machine Age*, MIT researchers Erik Brynjolfsson and Andrew McAfee describe how income and productivity growth kept pace with each other in the second half of the last century.¹² But things have changed: the income from capital is rising, the income from labor is falling. The “great decoupling” is now a fact.

Brynjolfsson and McAfee outline how in the first machine age the limitations of human muscle strength were tackled, and in the second machine age – ushered in by the advent of the Internet – the limitations of human thinking. Almost no sector escapes, according to the researchers. Does this also apply to executive search? Is search work now based on algorithms?

SENSORY PERCEPTION

According to Eelco van Eijck, this is partly a misconception.

Carefully seeking out the best candidates for responsible leadership positions in the private and public sector is human, rather than purely algorithmic, work. A good headhunter uses his or her senses in every encounter. In this profession it all comes down to hearing, seeing, feeling, smelling and tasting in combination with observation and association. And let’s not forget the input of the client.

Nevertheless, Van Eijck, as an executive search specialist, does not want to shut himself off from data management “The ideal is an interplay between the latter and the personal touch.”

TREND 2 | DIVERSITY

A second trend in the labor market is the pursuit of greater diversity at the top of organizations. Diversity may relate to age, gender, nationality and background,

11 Hawking, Stephen, *Brief Answers to the Big Questions* (London and New York 2018).

12 Brynjolfsson, Erik and Andrew McAfee, *The Second Machine Age* (New York 2014).

training and professional experience. Of course, the importance of the organization and its future is always center stage. Questions that should be leading in policy design: *Why does an organization want diversity? What kind of diversity is sought and why? How to ensure that the desired diversity is achieved?*

When it comes to the number of women and individuals from underrepresented racial and ethnic groups on boards, signs from the USA indicate that the picture is slowly changing. According to the Deloitte and the Alliance for Board Diversity, women held more than 30% of Fortune 500 board seats in 2022 (up from 26.5% in 2020), versus 55% held by white men. There were also gains for African American/Black women (up by 47%), Asian/Pacific Islander women (up by 27%) and Hispanic women/Latinas (up by 23.7%).¹³

In 2023, the TIAS School for Business and Society published its latest figures on the female representation of women on the boards of directors and supervisory boards of 88 Dutch companies listed on Euronext Amsterdam. The report showed no progress regarding the percentage of female directors at listed companies (standing at 15% in 2022 and 2023). Just as stagnant was the percentage of female supervisory board members (at 38%).¹⁴

If the picture is improving, it is improving at a snail's pace and it is still under performing.

THE HIGH PRICE OF GENDER INEQUALITY

Taking the Dutch labor market as an example, the economy as a whole is much smaller than it could be due to the disadvantaged position of women, one McKinsey study found.¹⁵ Supposing the Netherlands were to outperform all other Western European countries in diversity terms, the economy would be injected with an additional €114 billion. And if women worked as much and in the same positions as men, the Netherlands could be €221 billion richer.

According to a director of a governance institute, more women are being brought into director positions/boards of directors. This is even more evident in supervisory boards.

Sometimes this quest has a box-ticking character: we have another woman. She is then "the diversity." But the question is whether you

13 Deloitte and the Alliance for Board Diversity, Press Release: 'New Data From Deloitte and the Alliance for Board Diversity (ABD) Reveals Continued Focus Is Necessary for Fortune 500 Boards to Be More Representative of the US Population' (New York and Washington June 15, 2023).

14 Tias School for Business and Society, *The Dutch Female Board Index* (Tilburg 2023).

15 The Frontlines of Gender Inequality in: *McKinsey Quarterly*, November 2017.

can take this approach to women. And also, whether only one, or at most two women at the top of organizations is enough to make the necessary changes.

He also wonders whether women or men who are recruited to guarantee diversity in opinion formation are given sufficient space in those bodies.

Sometimes someone is selected because it is almost certain that she won't be difficult – which of course can also apply to male candidates. The approach should be: what competencies are we looking for, both in experience and character? How do we define that? To then look for suitable candidates.

Van Eijck has given a lot of thought to the state of affairs at the top of the business and public sector:

Given the weight of this role, you might ask yourself whether someone should even want to become a CEO. The person's life is fully lived by others. The role requires physical, mental and emotional fitness to remain vigilant and alert. There's a considerable risk of burnout.

TIME FOR THE DUO-CEO?

He goes on:

The duo-CEO, a two-member board in which a man and a woman both work four days a week, is a good alternative. They form the model for working together, sharing tasks and getting equal pay. In addition, they send the signal that they can indeed fill a top position part-time.

By dividing the eight working days evenly – both executives working four days each – a company leader is available if needed seven days a week. Also on the weekend, therefore. Of course, the compatibility of characters and competencies is a pre-condition for this model to work. It very much comes down to the individuals involved.

A seasoned female board member notes that ethnic diversity is even more difficult than gender-based diversity. “Headhunters need to make more effort. This means sharing new avenues, no matter how difficult that is. Because it isn't easy to build a network in these groups and to establish contacts with talented men and women.”

TREND 3 | GENERATION Y

Generation Y (“millennials”) will supply the directors and supervisors of businesses and public institutions in the years to come. This demographic, which followed the “pragmatic generation,” was born in the last two decades of the last century and grew up in the new millennium. While a lot is expected of them, they’re not always well understood.

ARE MILLENNIALS READY FOR WHAT’S NEXT?

Millennials grew up with new technology. They handle the internet, smartphones, apps and social media more easily than many members of the preceding generations. Thanks to their frequent social media use, millennials have become more self-image-focused. They want to live as “fun” an offline life as their online friends and are willing to invest generously in it. Yet earning money is not the top priority for this multicultural generation.

Generation Y’ers have an idealistic attitude: *you can create your own happiness*. Their lives are sometimes like a cinema for news. They happily echo other people’s opinions, seemingly lacking any real awareness of underlying developments and deep-rooted structures. A historical frame of reference also seems to be lacking; their (grand) parents lived in a completely different era.

In organizations, millennials conform less to hierarchy, rules and guidelines than the generation that preceded them. They don’t score highly on values such as loyalty and engagement. They read “shared values” as “conformism.” Flexible generation Y is committed to meaning, to leadership that shows vision. No strangers to navel-gazing, they honor the “I cult.”

In his book exploring the world of millennials, Malcolm Harris sketches out the backgrounds of generation Y.¹⁶ They are better educated than previous generations, less embroiled in alcohol and drugs. They take a disciplined approach to preparing for a future as an employee. They have unrivaled knowledge when selling themselves as a “brand,” especially on social media. Harris: “In a world where every choice is an investment, growing up as a millennial is a complex exercise in risk management.”

The golden future envisioned for generation Y has not come about, in spite of their thorough preparation, their adaptation to the system and ability to eliminate risks. After an unpaid internship, they enter the labor market with high levels of student debt. Fixed contracts have become scarce, a mortgage is

16 Harris, Malcolm, *Kids These Days. Human Capital and the Making of Millennials* (Boston 2017).

hard to obtain and an affordable first home especially so. “The market” has not fulfilled its commitments.

According to van Eijck, millennials underestimate the requirements a CEO has to meet:

I was active in international business for many years. As Erhard Schoewel, one of my former managers at Reckitt Benckiser taught me: “Experience is a skill in itself.” His philosophy was that someone could only become a general manager if he had got stuck as a functional manager (CFO, CIO, CIO) and came through the impasse successfully.

As an example, a manager made a brand marketing plan at his own discretion and based on his own research. It misfired at launch. However, by intervening in a timely and forceful way, the launch became a success in the second instance. Schoewel saw in him someone who managed to turn the tide during a setback. Van Eijck: “This kind of experience is worth its weight in gold, but it takes time, even today, when everything is changing at high speed.”