

Executive Search

Destination Boardroom

Seeking and Finding the Leaders For What's Next

With
Eelco van Eijck

Chapter 1
Three Trends
Redefining the
Executive Talent
Domain



Amrop

Leaders For What's Next

Destination Boardroom

Seeking and Finding
the Leaders For What's Next



Eelco van Eijck is Managing Partner of Amrop in the Netherlands and a Member of the Amrop Global Board.

He is recognized in the Dutch and wider European market as one of the leading FMCG and retail experts in executive search. He combines 15 years senior management experience with 15 years in executive search.

Eelco started his career with Procter & Gamble, moving to management positions at (Reckitt) Benckiser in Europe. He joined Frito-Lay in 1997 where he was later appointed General Manager, Germany. His last position before joining Amrop was with Cirio-Del Monte as Managing Director for Continental Europe.

Eelco joined Amrop as a Partner in 2003 and has been Managing Partner since 2015.

He holds a Masters Degree in Medicine from Leiden University, The Netherlands.

FMCG and retail companies seek Eelco's advice in seeking talented (international) executives, from CEO/GM, marketing and sales, to finance, supply chain and digital positions. In Life Sciences, Eelco supports industry-leading globals in their search for management, commercial and specialized leaders.

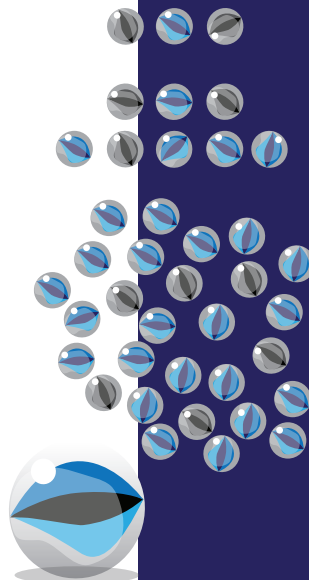
Medically trained, with a career in international business, I have been active as an executive search consultant in the upper segment of the private and public sector for 15 years. In this industry, privacy and discretion are sacred. As a result, clients lack a clear view of the profession. They are quickly inclined to regard headhunters as a necessary evil. Wrongly, as this series, based on my 2018 book 'Destination Boardroom' seeks to make clear.

The UK Corporate Governance Code puts the relationships between companies, shareholders and stakeholders at the heart of sustainable economic growth. Revisions in 2018 included an emphasis on board refreshment and succession planning, ensuring that boards have the right mix of skills and experience, constructive challenge and diversity. The Code sets the tone for many equivalents around the world. Whilst I work at the heart of Amrop, a globally-connected organization, my home is in the Netherlands. Here, Corporate Governance Code was revised in 2016 to focus on long-term value creation, the involvement of the Supervisory Board in strategy, and its supervision of strategy implementation and culture.

Executive search plays a pivotal role in attracting and positioning what Amrop describe as the '*leaders for what's next*', supporting boards in meeting the criteria set out in governance codes. Yet to this day it 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 sector.

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 for the search for new leadership in companies and institutions. All the more reason for writing a management book that seeks to be a compass for both hiring organizations and candidates.

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



Introduction

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 technological developments are hard to keep up with, the stakes are high.

Managing and monitoring remains human work, despite digitization and robotization. No organization is looking for 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 from every supplier who their supplier is. We strike agreements with all of them. We know the manufacturing dates of all these products and closely track their performance. For every product we purchase, we have three suppliers — and this is burned into the way we spread risk. But when it comes to buying our most important assets — directors and managers — we put 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 series is about the headhunters who are active in the higher segment of the public and private sector — 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 is not done?

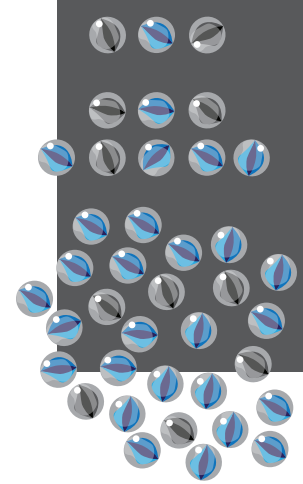
The answers come from various sources. A series of intensive discussions with Eelco van Eijck, the veteran Managing Partner of Amrop in the Netherlands, forms the basis of this series. In addition, we hear the critical voices of influential decision-makers from the private and public sectors. Their statements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

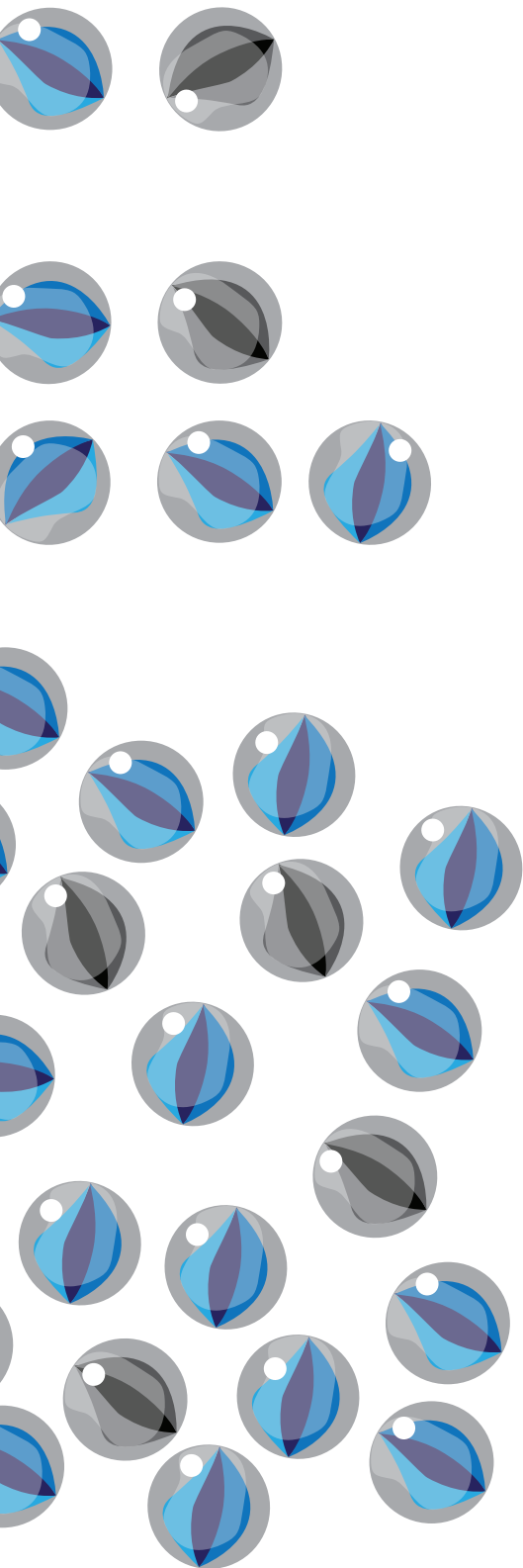
In this series we address the most important aspects of the executive and board search landscape: from sector to company, from headhunter to process and from client to candidate. The chapters are connected like the blades of a propeller. The propeller blades are all adjustable, and should be well-balanced.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



“

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1

We outline 3 trends in the executive talent domain, such as digitization and the rise of the data economy. Next, we focus on searching for, and finding, top talent. Important talent indicators are discussed. We address indispensable leadership qualities, such as passion and perseverance.

2

We cover the executive search sector and the types of firms that operate in it. Running an executive search firm is very demanding, and there is a lot to be gained from high innovation. We will see that reaching the boardroom is like a Spartan marathon.

3

We turn the magnifying glass on the executive search roadmap, the selection, search, presentation and accompaniment of candidates. A talent show is more likely to be a matter of a sophisticated search strategy than of (online) networks. The best candidates are often happy where they are and need to be carefully approached. And that requires tact and diplomacy.

4

We address the two main players in the search process: client and candidate. The client has a particular responsibility for the success of a search. In addition, we look at the drafting of a well thought-out resumé. We close by looking at the problems of performance pressure and stress.

5

We conclude our journey by looking to the future and a potential re-think about the extent to which a tightening of the professional code of conduct (in a way familiar to accountants and lawyers), can contribute to the professionalization of executive search.

Throughout our series, for pragmatism, we use the gender 'he'. You can also read this as 'they' or 'she'.



3 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 and big data. The same goes for discovering early-stage talent. It's 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 good 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 2016, the Office of Social and Cultural Planning in the Netherlands reported that the country's institutions are out of step with social reality. Labor market provisions are rooted in the 1950s and 1960s, and the Netherlands is hardly unique in this respect. What is the new reality?

The classic business of the twentieth century — the modern enterprise — is making way for 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 capital, information capital and organization capital.

Trend 1 | Data



The labor market is changing rapidly. Innovative business models, aggressive market strategies and smart ways of organizing and managing are leading to disruption. A driving force is rapid technological development, in particular the availability of cheap(er) data. For executives, this data is indispensable to arrive at reasonable decisions and actions.

In today's information economy, many companies are in a state of metamorphosis. The classic business of the twentieth century — the modern enterprise — is making way for 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 capital, information capital and organizational capital.

New Capital, New Trinity

In his 'Reflections on Governance, Management and Organization', 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 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 ICT.

'*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: "A characteristic of high 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 digital services: cloud, mobile apps and other applications. They are the new foundation of the digital economy and a magnet for foreign investment. A quarter of the country's GDP already depends on these storage centers.



The sheer speed and intensity of tech developments rather leads one at a loss for words. The margins of uncertainty are huge. However, it is well understood that companies are rapidly increasing the use of robotics. Still, many technological applications that seem meaningful and feasible never come to fruition. Breakthrough technologies and their effects 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 has also published a well-received series exploring AI and Wise Decision-making. This reading 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 when, is something that most authors leave open.

Victor Mayer-Schönberger and Thomas H. Davenport argue in 'The Data Economy' 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 are affiliated with the Oxford Internet Institute and The Economist respectively. They argue that massive job losses will follow from a market in which much of the transaction process is automated and in which 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, according to the authors.

Their central message is the rebirth of the market: the current money-based economy will transform into a capitalist system based on data. This data provides 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, as in the old economy, it's all about power and its concentration.

Online and offline are becoming more and 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*' (1935) makes sense when reading Philipp Blom's '*What is at Stake*' (2017). The historian analyzes, amongst 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.

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Will artificial intelligence become smarter than we are? The 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."



In the tradition of Oswald Spengler's 'The Decline of the West' (1926), Blom outlines a doomsday scenario (he also deals with climate change and consumerism) that can only be averted by timely action. As one reviewer wrote, "Instead of knowing people, are we going to be people who are known by the data collected about us?" The key question is then: to what extent will algorithms take over human decisions?

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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. 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 in algorithms?

Sensory perception

According to Eelco van Eijck, this is partly a misconception. "Carefully looking for 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 senses in every encounter. In this profession it 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."

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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, 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?

In 2018, women still held only 22,5% of Fortune 500 board seats, according to the Alliance for Board Diversity and Deloitte. And minority women held only 4,6% of those seats, versus 66% held by Caucasian men. In the LATAM region, the current average ratio for female representation at top level is still under 15%*.

In 2020, the TIAS School for Business and Society in the Netherlands examined the female representation of women on the boards of directors and supervisory boards of 90 Dutch companies listed on Euronext Amsterdam. Both figures had marginally risen since 2019: 12% of seats on boards of directors were held by women (compared with 9% the previous year), and 30% of seats on supervisory boards (compared with 27% the previous year). (The Dutch Female Board Index 2020). If the picture is improving, it is doing so at a snail's pace, and 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, a recent McKinsey study found. 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.

*See the Amrop article: Latin-American Board-Ready Women (2020)



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According to a director of a governance institute, more women are being brought in to 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 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 really 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. The risk of burnout is considerable.”

Time for the Duo-Ceo?

He continues: “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 are the model for working together, sharing tasks and getting equal pay. In addition, they send out the signal that they can indeed fill a top position part-time.”

By dividing the eight working days well — both executives working four days each — a company leader is available, if needed, seven days a week. So, also on weekends. Of course, the compatibility of characters and competencies is a pre-condition for this model to work.

It very much comes down to the people involved.

An experienced 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. Because it is not easy to build a network in these groups and to establish contacts with talented men and women.”

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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 then came through the impasse successfully!

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. Whilst 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 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 first priority for this multicultural generation.

Generation Y'ers have an idealistic attitude: happiness is something you can create for yourself. Their lives are sometimes like a news cinema. They readily 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 previous generation. 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 like to honor the '*I cult*'.

In his recent book: 'Kids these days. Human Capital and the making of Millennials', (2017) Malcolm Harris sketches out the backgrounds of generation Y. They are better educated than previous generations, less involved in alcohol and drugs. They take a disciplined approach in 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.'

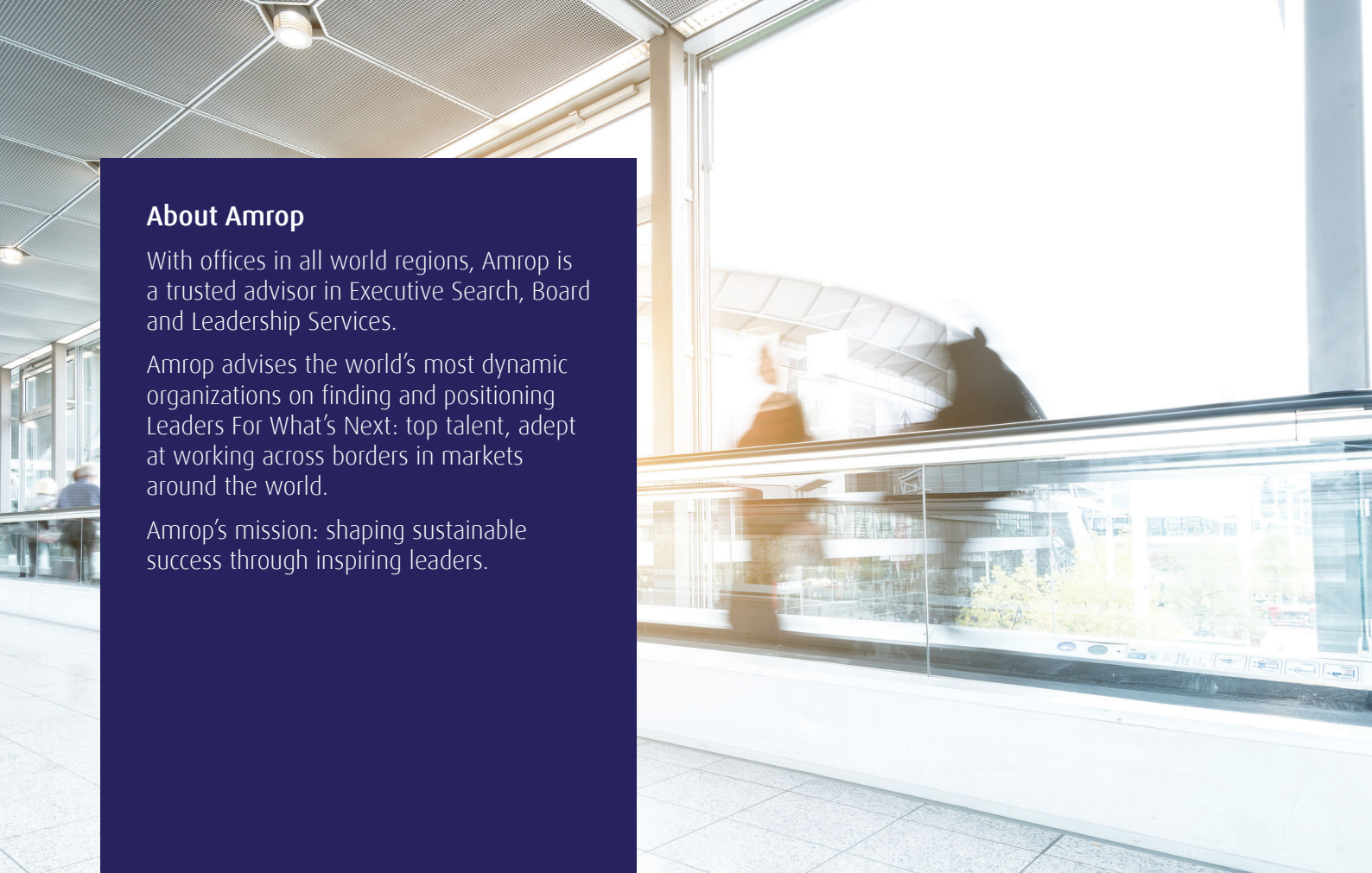
The golden future envisioned for Generation Y has not come to pass, in spite of their thorough preparation, adaptation to the system and ability to eliminate risks. After an unpaid internship, they enter the labor market with high levels of student debt. Fixed contracts have become scarce, a mortgage is difficult to obtain and an affordable first home especially difficult. 'The market' has not fulfilled its commitments.

According to Van Eijck, millennials underestimate the requirements that 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: 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."

To illustrate: 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 gold, but it takes time, even today, when everything is changing at high speed."

Next time, we'll open the box on the search process and the leadership characteristics most sought-after by today's hiring organizations. How to build, and appear on, the radar?





About Amrop

With offices in all world regions, Amrop is a trusted advisor in Executive Search, Board and Leadership Services.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

Amrop's mission: shaping sustainable success through inspiring leaders.

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