DESTINATION BOARDROOM

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Secrets of a Discrete Profession – Executive Search Unveiled

BY

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INVESTOR IN PEOPLE

This book is dedicated to the clients, candidates and colleagues
who have placed their trust in me over the years.
I continue to be educated and inspired by our collaboration.

Amsterdam, 2024

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ABOUT THE AUTHOR

Eelco van Eijck is a Managing Partner, Chairman of the Global Nomination and Governance Committee and Global Board Services Practice member of Amrop, a global executive search and leadership services firm. He is also a member of the Amrop Global Consumer and Retail and Life Sciences Practices.

He combines 20 years in executive search with 15 years in management positions for Procter & Gamble (Reckitt) Benckiser, PepsiCo and Cirio-Del Monte. He joined Amrop in 2003 and has been Managing Partner since 2015.

He has previously held positions on the Amrop Global Board, Global Membership Committee, Consumer and Retail and Life Sciences Practice and acted as Amrop representative to the AESC (the Global Association of Executive Search Consultants).

Family offices, private equity and industry-leading organizations in FMCG and Life Sciences seek his advice in their search for (international) executives and non-executives across a wide spectrum of roles. Since 2014, he has been a Guest Lecturer for Erasmus Governance Institute, Rotterdam, supporting its program for new board members.

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ACKNOWLEDGMENTS

This book aims to make a meaningful contribution to the professionalization of executive search. Despite its unregulated status, the sector has considerable social importance. After all, headhunters are responsible for introducing professional managers, directors and board members to the higher echelons of the private and public sectors; they underpin the ways in which these key players are sought and found. Headhunters operate in a rapidly changing and increasingly complex world. And yet, this is a profession about which little is known because of the discretion and confidentiality the work demands.

This book is primarily based on a series of conversations with Bert Koopman, a seasoned business writer and researcher. His discerning questioning helped me to open the "black box" of my profession, shed light on its contents and distill my ideas about ways in which the sector can be improved and renewed.

A second pillar consists of interviews with prominent managers, directors, supervisory directors, professors at business schools, directors of governance institutes, board members of "supporting parties" and policy officers. Thanks go to to Rients Abma, Inge Brakman, Wessel Ganzevoort, Kitty Koelemeijer, Paul Koster, Mel Kroon, Marie-Pauline Lauret, Johan Scheffe, Jan Stolker, Peter Verveen, Biense Visser and Jaap de Vries. Their cooperation enriched this book.

Literature study is indispensable in deepening our understanding of the positioning and context of executive search, and this forms the third pillar of *Destination Boardroom*. The transition to a digital, information economy and increasing socio-economc complexity are revolutionizing corporate governance. This has far-reaching consequences for the labor market and therefore for the executive search sector. Continuing education is becoming a pre-condition for headhunters to survive.

As a fourth pillar, two experts played a significant role in assuring a robust examination of our subject. Emeritus Professor of Social Sciences Hans Adriaansens outlined the significance of academic institutions for young talent, and Professor Hans Strikwerda skillfully connected insights in organizational theory and organizational change with the headhunting profession.

On an editorial note, I would like to thank illustrator René van Asselt for making elaborate executive search practice accessible to outsiders in an appealing visual language. He made a substantial contribution to the interpretation of some of the key messages of this book. Last but not least, thanks go to Steffi Gande for her expertise in translation, supplementary research and editing, and to the team at Emerald Publishing for their diligent support in bringing this work to fruition.

Amsterdam, 2024

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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.

An earlier form of this chapter by the author was published in Dutch in "Bestemming Boardroom: over zoeken en gevonden worden" (Boom, Amsterdam, 2018) and in English (online) by the Amrop Partnership (2021) as "Destination Boardroom 1: Three Trends Redefining the Executive Talent Domain."

***Keywords*:** Executive hiring trends; executive search sector; executive search process; executive search code of conduct; trends in the labor market

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.

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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,

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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.