

# EXECUTIVE TALENT



■ ■ ■ AESC

Volume Ten

IN THIS ISSUE  
**FINDING,  
CULTIVATING  
AND RETAINING  
NEXT-GENERATION  
LEADERS**

**THE FUTURE  
OF BOARDS**

**PLUS  
A COMMITMENT TO  
CANDIDATE CARE**

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# EXECUTIVE TALENT

The Global Magazine from the AESC

Volume Ten

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## Welcome to the Next Gen issue

from Karen Greenbaum, AESC President & CEO

**I**n this issue of *Executive Talent*, we explore the next generation of executive leadership. Senior executives worldwide grapple with keeping pace in a climate of constant uncertainty and lightning fast change, in a new world order that feels fundamentally different than what came before. Yet, beneath the anxiety emerge ripples of a new vision for global business—a clear glimpse of the opportunity that lies ahead as we boldly ride the crest of a new era.

- Baby Boomers are retiring in droves in developed markets around the world, leaving senior management roles across industries without successors. Is senior management headed straight off a cliff or about to set sail on the crest of a new wave? We wanted to better understand this generational transition of leadership, so we surveyed more than 850 business leaders worldwide, across industries and geographies, to glean their insights on their biggest organizational challenges to date.

- To gain a better sense of where our profession is headed and what we need to do to ensure optimal success when we get there, we spoke with 30 next generation executive search and leadership consultants from AESC member firms in different markets around the world, from New York and London to São Paulo and Shanghai. We asked them to share with us: What they like most about our profession; What could be improved; How best to attract, retain and develop next generation executive talent advisors; What clients can do to best leverage the next generation of leaders.

- Candidate care is an important aspect of our profession, but what does it mean? Candidate care is the ethical, confidential, respectful, and responsive treatment of executive candidates. We explore the many ways the

profession and the association are ensuring candidate care today.

- Executive search has always been part of an advisory relationship, but how did executive search evolve into the high impact profession it is today? We decided to explore the evolution of executive search, from its postwar beginnings to the present day. What we found is a vibrant, competitive, and deeply relevant profession not simply keeping pace with the global market for talent, but delivering sophisticated advisory work, elevating leadership worldwide.

- Globally, boardrooms are evolving. Heightened scrutiny, empowered investors, rising competition, regulation and technological disruption have combined with the record pace and unpredictability of change to dramatically alter how boards are comprised and how they operate. We explore how this perfect storm is shaking up board composition, expanding and redefining what is expected of boards, and fundamentally changing what it means to be a director.

- Kandace Miller, Global Director of Marketing at The Cluett Corporation, shares with us the new school approach to assessing emerging leaders.

- Andy Warren, CFO and Chief Information Security Officer at Invenias, provides insights on what the GDPR means for executive search.

Thank you to the many individuals and firms who participated in the interviews and contributed to the research for this issue of *Executive Talent*. As always, I welcome your feedback on all matters relating to global executive talent. Welcome to the next gen issue!



# The Emerging Business Imperative: Finding, Cultivating and Retaining Next-Generation Leaders

**W**hat are CEOs and C-Suite executives looking for in the next generation of organizational leaders? What skills and qualities do future executives require to lead effectively in a changing world, and how will current leaders attract, develop and retain the talent necessary for their organizations to thrive in the future?

In AESC's largest client survey to date, respondents provided telling insights about how they are preparing the next generation for leadership roles, what they are looking for in emerging leaders, and how they can appeal to a new generation of high-potential talent. Interviews with several top executives both reinforced those findings and shed new light on the future of the C-suite and the organizations they lead.

Our findings suggest that leaders are focused on broad executive succession planning, and are working under increasing pressure. Our respondents project a high

level of anxiety related to how they and their organizations can grapple with the pace and nature of change, and how to determine who will be best equipped to lead their organizations through that change.

That pressure is compounded by the fact that the clock is running out on the transfer of leadership. Baby Boomers are aging out of the workforce. As recently as 2015, 68% of CEOs were Gen Xers, demonstrating the leadership transition in progress. But even if younger Gen Xers can be fully prepared for executive leadership, that generational cohort simply isn't big enough to fill the gap left by retiring Boomers. Millennials, regardless of their relatively fewer years in the workforce, will have to take on some of those roles.

Organizational leaders are trying to ensure that the next generation of leaders—Gen Xers and Millennials—will be prepared to step into executive roles by the time they are required to lead.

## Survey Overview

Over 850 executives from around the world, representing a wide range of business sectors—from technology to professional services, from non-profits to 100 year-old industrial firms—contributed to the research. The survey sample included family-owned and operated regional enterprises to large, multi-national corporations. Across these broad ranges, we found that many of the executives surveyed are already employing recruitment, retention, and professional development strategies tailored to a new kind of emerging leader. The responses suggest that business leaders have anticipated what the latest research is telling us about what motivates next generation talent.

When asked ‘Why is building the next generation of executive talent important for your organization?’ the several-hundred open-ended responses from executives around the world covered a wide range of answers, including the growth and sustainability of the organization, continuity and succession planning, competition, and even survival. Some executives answered that building next gen talent was important for building culture and empathy, building a better world, and to both face, and create, disruption.

*“Next Generation is more open to change and adapting new ideas, which is important for companies to keep evolving and growing in today’s world.”*  
- Regional/Division Head,  
Consumer/Retail sector, India

TOP FIVE REASONS FOR BUILDING  
NEXT GENERATION TALENT

BUSINESS CONTINUITY

GROWTH/REVENUES

SUCCESSION PLANNING

TECH/DIGITAL EXPERTISE

DEVELOP PIPELINE

Other key questions addressed in the survey include:

1. What can you do as a business to attract and retain top Next Gen executive talent?
2. What are the top priorities in your organization related to developing Next Gen leaders?
3. What are the top three leadership qualities of the Next Gen of executive talent that could enhance your organization?
4. How can executive search and leadership advisors help you build Next Gen executive talent in your organization?
5. In your industry, what are some of the challenges next gen leaders will face in the future, and what are the skills, experiences, conditions and/or resources that will help them face those challenges?

*"We need leaders beyond the C-suite to actually drive change. To be flexible, you need more articulations. Talent from the Next Generation is more capable of understanding what is currently happening." - CEO, Financial Services, Central & Eastern Europe*

## Setting the stage: What research on the next generation is telling us.

While our survey is focused on organizations and Next Gen executive talent, there is a growing body of general knowledge about the cohorts that will eventually replace the existing generation of executive leadership. These insights will provide a foundation for our understanding of Next Gen leaders.

### EY GLOBAL GENERATIONS 3.0:

"Gen X is the least likely to trust among the generations."

### DELOITTE MILLENNIAL SURVEY 2017:

"38 percent of Millennials globally would leave their jobs within two years."

### PwC'S NEXTGEN, A GLOBAL GENERATIONAL STUDY:

60% of Millennials would like to have the flexibility to occasionally work from home, and shift their work hours.

### 2011 STUDY BY THE CENTER FOR WORK-LIFE POLICY:

"Nearly a third of high-earning Gen Xers work 60+ hours a week."

### FINANCIAL TIMES, 2015:

The global average age of CEOs is 55 years old.



## GENERATION X

Born 1965-1979

The first Gen Xers turned 50 in 2015  
Formative Experiences: personal computers, video games, two income households, financial crashes, 24-hour news.

#### COMMON TRAITS:

- Independent
- Entrepreneurial
- Resourceful
- Skeptical
- Direct
- Transparent
- Pragmatic
- Adaptable
- Ethical

#### WHAT THEY WANT:

- Work / Life Balance
- Independence
- Transferrable skills
- Meritocracy
- Casual work environment

## MILLENNIAL

Born 1980-1995

The first Millennials will turn 50 in 2030  
Formative Experiences: smart phones, social networks, helicopter parenting, terrorism, reality TV.

#### COMMON TRAITS:

- Tech- Savvy
- Multi-tasking
- Collaborative
- Self-Confident
- Diverse
- Competitive
- Optimistic
- Multicultural
- Goal-Oriented

#### WHAT THEY WANT:

- Workplace flexibility
- Mentorship
- Meaningful work
- Recognition and encouragement
- Collaborative work environment



The talent pools from which next gen executives will arise have characteristics that influence what kinds of organizations they find attractive, how they can be retained, and what qualities they are most likely to possess. The generation currently leading alongside Baby Boomers, and closest-in-line to future executive roles, is Generation X.

Tamara Erickson of Right Management observes that several countries have a name for what North Americans call Generation X, "many of which reflect a sense of disenchantment or disenfranchisement, including Generation Bof (whatever) in France; the Burnt Generation in Iran, representing those most negatively affected by the political and social consequences of the 1979

revolution; and the Crisis Generation in some Latin American countries, reflecting those who came of age during the recurring financial troubles in the region.”

Economic uncertainty and domestic social change were common themes in many countries during Generation X’s formative years. Gen Xers learned to be resourceful, consider multiple options, and adapt. Generation X has been dealt life experiences that prepared them for navigating uncertainty.

The children born to Generation X were most likely to experience two-income households, divorce was on the rise, with the resulting single-parent households and therefore this generation learned to be independent. The waves of economic upheaval they experienced through the 2001 dotcom crash and the 2007 global economic crisis may have contributed to Gen Xers’ resiliency and adaptability, as well as their focus on developing job skills they can carry with them.

Gen Xers are innovative and entrepreneurial, and the cohort includes the founders of some of the world’s most disruptive companies, including Dell, Twitter, PayPal, Google, eBay, and Square.

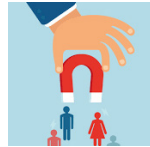
According to financial planning industry expert Michael Kitces, Gen Xers “will vet you in three or four places online, so before they ever meet you they’ll know what you do, what you say you do and how much you charge. If you say something on your website that’s wrong or misleading, you’ll lose their trust forever.” Gen Xers are skeptical, so in order to attract and keep them, brands should be authentic and transparent.

As for the next generation in line, it is worth remembering that Millennials are digital natives. They are the first generation to grow up with many of the technological advances that were hugely disruptive in the experience of the previous generation, and their employers: including cell phones, streaming video, social networks, online shopping, and the Internet.

Perhaps the near-immediate and constant feedback through “likes” and “shares” on social media has influenced Millennials’ preference for frequent feedback and affirmation in the workplace? The PwC study revealed that Millennials place a high value on being “supported and appreciated in return for their contributions.”

Perhaps the ubiquity of information on organizations, their behaviors, their values, and their performance, and even ratings by customers and employees has influenced how Millennials choose their employers? According to Henrik Bresman, associate professor at

Insead and Academic Director of the HEAD Foundation, “The fundamental reason we can expect the Millennial generation to be different, and in a dramatically different way from previous generations, is the information revolution now unfolding and the explosion of possibilities this presents.”



## 1.1 What can businesses do to attract next gen executive talent?

*“As a Software/Technology company, we depend on attracting young talent that has the pulse of the market at any time, and that has the ability, drive and ambition to challenge the known. It is crucial for the company’s ability to move forward, evolve and develop.”*

*AESC 2017 Client  
Survey Response*

According to PwC’s “Future of Work” research, “opportunities for career progression,” and “competitive wages and other financial incentives” were the top factors that made an organization an attractive employer to next gen talent.

David Vargas Zepeda is Director of Human Resources with Atento, a leading global provider of customer relationship management and business process outsourcing services (CRM/BPO). He said, “Basically we have changed our approach to the next generation. The recruiting process, now, is through social media channels, with more information about our industry, our company and the positions that we offer available online. Another improvement in place is the automated hiring process that uses technology among all the stages. We call it ‘Pre-hiring.’”

In addition to speaking to next gen talent in their own language and leveraging familiar tools, executives also appeal to potential leaders’ interest in the job security afforded by a growth-company with a focus on development. Clay Callan is the former Chief Operating Officer at Cornerstone Healthcare Group Holding, Inc., a diversified healthcare company based in Dallas, Texas, operating 18 hospitals in six states.

Callan said, “We typically outline the growth potential of the company and the development potential of the individual. We provide them with challenging work assignments, 360 degree-feedback and collaborative goal-setting sessions. Our goal is to put individuals in a role where they can be successful, and then we

provide them with coaching and assistance as needed.”

Competing for executive next generation talent is just the beginning. Organizations who successfully attract next gen leaders must give them reasons to stay.



### 1.2 What can businesses do to retain next gen executive talent?

*“Although Millennial leaders do not seem to be sending the message, “Promote me tomorrow or I am out of here,” they do expect to ascend the leadership ranks. Companies that are unable to provide their Millennial leaders with promotions over time may lose their best and future leadership talent. That being said, promotion opportunities in some organizations may be slow in coming. Horizontal experiences that provide challenge and growth opportunities must enter into the mix.”*

*The Conference Board,  
“Divergent Views/Common Ground”*

The majority of respondents answered the AESC survey question “What can you do as a business to attract and retain top Next Generation executive talent?” with “provide strong development opportunities” followed by “build a diverse and inclusive leadership,” and “build a mission-driven culture.”

According to The Conference Board, “the formula for continuous loyalty consists of a variety of elements, including compensation, promotion, development, work-life balance, and a sense of belonging to a community at work.” These features are valued across age cohorts.

While compensation often ranks at or near the top, many executives must find alternatives to out-compensating the competition for emerging executive talent. For example, Vargas said, “The industry just finished a market survey, and in almost all categories, retention, operations, we are at the top, even though we are not the company that has the best compensation. I have to find different ways to compensate people—we have motivational events almost every month on a Rally Cycle—a winners day to celebrate the best performances, thematic days like pajamas, Halloween—and family days, pizza days, sports events—whatever is possible, we do it.”

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Next generation leaders are ambitious, and find opportunities for promotion very attractive. Christoph Szakowski is Chief Operating Officer with AsstrA Associated Traffic, AG, a Switzerland-based, multinational transport and logistics provider. He said, “We at AsstrA provide development opportunities for supply chain talent along the East–West traffic routes in the Eurasian logistics market.”

AsstrA’s approach is consistent with what studies identify as a common driver for next generation talent—advancement. “Our philosophy allows strong, internal career progress for the best people in the international market environment. In particular, the most talented people receive expanded roles in one of the 16 countries where we are located,” Szakowski said.

Vargas said, “We show them a career path from the beginning, and they take e-learning tools to learn, to grow in the organization. They can take different training courses in different technical and managerial skills. They have a coach to support this training, and when they are certified, they become eligible to be promoted. More than 85 percent of our positions are promoted from within.”

Investing in professional development carries risks. “We’ve trained people, and some found opportunities outside the company; we made them more valuable, and they elected to leave,” said Callan. Additional observations from The Conference Board indicate that fewer than 25 percent of millennial leaders feel they’ll be able to climb to higher leadership levels within their current company. “Whether a misperception or a reality, this is a lingering retention risk for organizations unaccustomed to offering rapid—or creative—movement, which will leave Millennial leaders to feel that their once-rapid progress has stalled.”

Callan recalls a particular individual at Cornerstone Healthcare Group. “He was the director of operational excellence, and he did multiple projects across multiple hospitals, driving improvement. There was an internal vacancy for a hospital CEO role, and he ended up taking that role and now he has been promoted from a internal consultant to a single hospital CEO.”

“My philosophy is this: if we have the right culture and we try to train and develop these people, that should create an environment where people want to stay,” Callan said.

Advice from the Korn Ferry Institute: “Prepare for high attrition rates as the new normal. Millennials transition between companies more frequently. Build this into your manpower planning rather than force fit loyalty.”



## 2. What are the top priorities related to developing next gen leaders?

*“Except in rare cases, leaders don’t develop themselves. Next generation talent is always critical—you have to identify the high-potential candidates and ensure they have a solid cross-section of experience to prepare them for their eventual roles.”*

AESC 2017 Client Survey Response

AESC survey respondents chose “empowering top talent,” followed by “succession planning to accelerate next generation leadership” and “include next generation talent in decision making.” These answers align closely with what researchers Strauss and Howe learned about Gen X decades earlier. “Their accelerated contact with the real world gives them strong survival skills and expectations of personal success.” And they “generally make their own way, rather than follow established patterns.”

At AsstrA, Szakowski said, “We believe that empowerment and decision-making authority should start with the staff—operations and mid-management—and that is possible once main objectives are clear, and measurable targets have been agreed upon. For developing new talent, we offer a special tutorship program for every beginner, with a broad range of trainings and get-together occasions. The team spirit is one of the points which keeps our talent loyal to the company.”

Vargas said, “We believe we have to train them faster than in the past, and not just in technical tools. We invest time and money to develop their managerial skills in a blended-learning model. In addition, we offer a career path that includes small promotions in a short amount of time (three or six months) and lateral opportunities. This helps us retain these people and develop the next generation.”

In fact, in the The Conference Board research, both Millennial and Non-Millennial leaders identified “development assignments” and “coaching” as the most effective leadership development methods. Callan said, “In some instances we will pair a more experienced manager with someone less experienced for an informal peer-to-peer mentoring relationship. Mentoring peer-to-peer has been very positive, and it’s rewarding to see someone take on new responsibilities, and see them become successful. I am constantly amazed and impressed with how folks take these different inputs, and come up with their own way of doing things.”

The top priorities for developing Next Gen talent from our client survey:

1. Empowering top talent (36%)
2. Succession planning to accelerate Next Gen leadership (25%)
3. Include Next Gen talent in decision-making (23%)
4. Access internal talent and provide meaningful coaching (20%)
5. Creating more diverse and inclusive leadership (19%)

The combination of the Boomer generation approaching retirement and the expectations of next generation leaders to grow or go, puts increasing pressure on organizations to make sure the next generation of executives is ready to lead.

*"Succession planning of our senior leaders is core to our business. We want to have clear career and development plans, so that we can fill our senior positions with our own capabilities, and take along the history of our company, while with new talents from outside the company we bring diversity and ... innovation."*

*AESC 2017 Client Survey Response*



### 3. What are the top leadership qualities of the next generation of leadership talent that could enhance your organization?

*"In a world where we all have access to the same technology and information, talent is what will distinguish an organization from the competition. CEOs believe the most effective employees are those who are agile, curious, and have the ability to collaborate with others to achieve the greatest results. These skillsets are among the hardest to recruit."*

*2017 PwC CEO survey*

"Mainly, we are looking for individuals who have the right energy level, and a desire to

learn and try new things, Callan said. "Being entrepreneurial and the ability to lead change are the most important in the industries I've been in—manufacturing, services and health care — with private equity portfolio companies that were either distressed or needing to change."

He added, "Leading change cannot be effective without critical thinking skills and a certain amount of emotional intelligence. You can have great analytical skills, but if you can't connect with the people, it's very difficult to lead change. You can have a lot of entrepreneurial thoughts but you've got to be able to get the organization to follow you, and you've got to be able to articulate that vision well."

AESC client survey respondents largely agreed, ranking "entrepreneurial" at the top, followed closely by "leading change," "emotional intelligence," and "critical thinking."

According to BridgeWorks, a research and management consultancy specializing in generations, "While Millennials often get credited as the tech generation, it was young Xers who first learned to navigate new technologies, including the computer and video game consoles... They became highly adaptable to change, a trait that served them well when they entered a floundering job market. Their adaptability to change, coupled with a distrust of traditional institutions, created ideal conditions for a generation of entrepreneurs."

Vargas said "Due to the deep transformation of our business model that we are facing, innovation should be the top quality of our next generation of leaders." To foster innovation, Vargas said, "We create an environment that brings people together from different areas. All the important new processes, new projects or new customers have a special team that links financial people, HR, operations, IT and other areas to develop solutions. It helps us have more innovation, because the people on the team know what happens in our facilities, what happens in our support areas, what kind of tools are we using in IT area. This collaboration drives new and innovative solutions for our customers, and improvements to our internal processes." He added to the most sought after qualities of next

generation leaders, “negotiation skills, and people who are team-oriented and inclusive.”

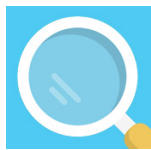
For Szakowski, next gen leaders “will have to use analytics and listening skills, and see the dynamics of the market as an opportunity, not a barrier. The skills they need are empathy, being able to listen to clients, and being able to realistically see what the company can provide to the client—searching for opportunities to help them with entry to new markets, streamlining the supply chain or supporting their trade with value-added solutions.”

Essential to third-party logistics companies are “international leaders with a high level of education, and diverse experience in different market segments” as well as “good project management skills and the ability to create and offer value to clients, partners and suppliers.” Szakowski adds, “Logistic companies are digital, and we need people to cope with IT, and cope with clients. They need to be okay with technology and be a people manager.”

In the not-too-distant past, high-performing subject matter experts with superior technical skills looked like ideal prospects for executive roles. “Today, we need leaders who can tackle new and complex situations, cultivate ‘game changing’ teams, and leverage the power of many for the benefit of the overall organization,” according to Heidi Gerhard, Director, Talent Acquisition & University Relations at BOSE. “By focusing on breadth of experience, aspiration to tackle interesting problems and bring fresh perspectives to our many businesses, we are able to cultivate a robust pipeline of executive talent,” she says.

“In this VUCA world, we are highly focused on learning agility and the ability to inspire and motivate others to perform at their best. We also look

for those with humility, openness to feedback, ability to foster a diverse and inclusive environment, and those who continuously challenge the status quo.”



#### 4. How can executive search and leadership advisors help you build next gen executive talent?”

*“Despite greater automation in the workforce, CEOs realize they can’t rely on digital skills alone. To innovate, they need good problem-solvers and people with creative skills and high emotional intelligence. These are also the hardest skills to find.”*

*World Economic Forum’s 2017 Annual CEO survey*

Vargas said, “We have been working with advisors to attract executive talent because we do not have the internal capabilities to do it. We see that in the short term, the industry will require more support for these people inside the company, that will allow them to be more productive in a shorter period of time—ASAP.”

Szakowski said, “For some positions we do work with executive search, but we do a lot of the work internally – we like to develop leaders from within the organization, first. For me, personally, it is important to find the best people you can hire at the given moment, and then develop them. We have been searching for various positions in the company spanning the whole geography from Shanghai to Antwerp and from St. Petersburg to Istanbul. I believe there is a gap between what the market is searching for – international candidates who understand the work and are able to work with people, and what’s available. Executive search can accelerate the whole search process and make hiring simpler.”

*“We depend on attracting young talent that has the pulse of the market at any time, and that has the ability, drive and ambition to challenge the known. It is crucial for a company’s ability to move forward, evolve and develop.”*  
- CEO, Technology sector, Nordics

## Clay Callan, Healthcare Industry

"I think it's change management, and dealing with the fact that we are increasingly disrupted by digital technology, which changes how a business operates relatively quickly.

It requires staying close to your customer and recognizing that there could be some new technology app or some way of connecting with your customer that could make you obsolete. For example, the use of electronic health records. While trying to hire qualified talent, we learned that some required and expected the use of electronic health records before we had made the transition from manual process to electronic health records."

"You have to be able to connect with your customer, take the opportunity to grow, or if there is a change – for example you're a DVD manufacturer and here comes Netflix – you have to be able to change. What are the options to reposition the company or reposition the work, to provide different or better products and services long-term? These require being open-minded, being responsive and timely."

## Christoph Szakowski, Logistics Industry

"What is different in 3 PL logistics is the speed, the dynamics, and the challenge to play the role between the client and the carrier considering the particular supply chain and the available infrastructure. For example, operating large networks in Russia is different from providing solutions in networks in Germany." Szakowski illustrates his point with his own story. "I was born in Poland, and educated in Germany. So I have an Eastern European mentality with higher education in Western Europe. I've been in different management positions in western companies with roles in Germany, Austria, CEE and Russia. What we need in our industry is international emotional intelligence. Being able to work across cultures is essential in logistics. You have to be able to speak with employees and partners in specific countries like CIS countries, where the personal relationship is important, you need to operate with a good understanding of each person – that is a skill we have been looking for in higher management, too."

## David Vargas Zepeda, Business Processes Industry

"New leaders need to be strong on decision making in a complex environment – one that will involve a huge volume of people and an expensive technology investment.

They have to be experts in the operational matters of the business, to offer "out of the box" solutions to customers that integrate the customers' capabilities with our business strengths. They have to have a deep understanding of how we manage the company and how our customers are expecting us to improve the services they provide to their own customers.

"In the next five years, we will require people who really know our company, our processes, our technology, and our customers. For example, they have to be an expert in the financial sector for financial customers. They will have to understand their customers' business, their processes, their customers, and they have to be able to reduce costs, and improve the experience of our customers' customers. We have to improve our customers' process through our people and tools."

"With any strategic change that might require competencies that are not available internally, we are open to working with executive search, and with leadership advisors that can show us competencies in the market that could be developed," Szakowski said.



**5. In your industry, what are some of the challenges next gen leaders will face in the future, and what are the skills, experiences, conditions and/or resources that will help them face those challenges?**

*"77% of CEOs find it difficult to get the creativity and innovation skills they need."*

*2017 PwC CEO survey*

We asked the clients we interviewed this direct question. Their answers are different, and equally illuminating.

## Conclusion

Eventually, a new generation will lead our organizations, and another generation after that.

Current Gen X leaders play an interesting role in serving as a bridge between Millennials and the older generations at the top of most organizations. Soon enough it will be up to Gen Xers to develop and prepare the youngest Millennials to take their turn in the C-suite. As surveyed by Deloitte, Millennials in leadership positions today already have career advice to pass along to the next generation, Generation Z.

That advice: learn as much as possible, work hard, be patient, be dedicated, and be flexible. Generation Z would also do well to cultivate the essential qualities businesses need to leverage today and in the future. ■

To learn more, download our exclusive report on how organizations are preparing the next generation for executive roles. Visit [www.AESC.org](http://www.AESC.org).



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# Perspectives on the Future, from the Next Gen in Executive Search

**F**rom February to June 2017, AESC convened eight focus groups with Next Gen executive search consultants: younger, emerging leaders in the profession. Thirty professionals participated, representing 16 AESC member firms—including global, boutique and networks—hailing from London, Madrid, Mexico City, New York, Paris, São Paulo, Shanghai, Stockholm, Warsaw, and Washington DC. Participants from a wide range of backgrounds and experiences were generous with their insights, their wisdom, and their candor\*.

## Where the Executive Search and Leadership Profession is Headed

Many factors are shaping the search and leadership consulting profession. Key among them is technology. The Next Gen participants considered whether technology would be an enabler or a disruptor: their answer was “both.”

Technology continues to have a dramatic effect on efficiency, and plays a role in improving responsiveness. In the experience of one participant, “This is especially the case in China where clients have high expectations around speed because the market requires it.”

Another participant welcomes the efficiencies of technology. “One conversation to connect with a consultant takes an hour.

To spend one hour on one conversation, and two hours on expense reports, that’s not conducive for me to be efficient at my job; having more technology makes life easier and more efficient.”

Next Gen search professionals bring essential skills and experience in the area of emerging technologies to their client relationships. “Digitalization and doing business in new ways can be a challenge for existing management,” added a CIO from the Financial Services sector in Europe’s Nordics region. Next Gen search professionals can fill that gap.

Is technology a threat to the search profession?

*“C-level executive search requires work that is derived not only from intelligence but also from insight, judgment and even humanity. Current technology hasn’t figured it out yet, so there will remain a place for good search consultants who work at the top. I’m still bullish about this profession.”*

But how much of executive search can be automated? “Technologies are creeping in which will affect certain components of the search model. Maybe in ten years’ time we’ll be at a stage where a lot of our workforce will have been streamlined and replaced.”

To stay relevant, participants say that firms must provide “value, and information that

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\*In exchange for an open, unguarded discussion, we agreed that any quotes would be unattributed.



clients can't retrieve themselves. They can retrieve the name, but they can't retrieve the informal references, the understanding of what a candidate has actually dealt with."

The general consensus among participants is that the market will demand that executive search consultants continue to evolve deeper into strategic advising. "Anybody can retrieve names, so you need to find ways to add value that goes beyond the identification of people. Hopefully, we can add value by understanding the industry so well that we know what's going on, and what the implications are; that we are following the talent within our industries, and we can make valuable recommendations and suggestions."

Another outcome of the evolution of search-related technology is that more organizations are taking their executive search work in-house. One respondent called the trend "a losing battle." But there remains a key role for the executive search consultant.

"In-house, they are not always able to evaluate the diversity within the company. They tend to look for the same kind of person. We can offer a different point of view in terms of generation and culture, digital profiles, newer profiles than classical ones."

"I work a lot with board assignments, for example, and I can see that there's definitely a lack of knowledge about technology or digital. In that case, there is an opportunity for us to step up and be that strategic advisor, that strategic partner, and say, 'Hey, for your business you need this kind of expertise.'"

## The Changing Profile of Executive Search Consultants

"Diversity of thinking will be core to sustaining the growth and performance of the business," commented a Chief Marketing Officer in the Logistics sector in the United Kingdom.

In discussing influences on the profession, nearly all participants mentioned the diversification of executive search firms. Their observations varied widely, largely along geographic lines, with consultants painting almost contradictory pictures of the state of gender diversity in their organizations. One participant said, "We have already evolved in one sense—we're more global and consequently, we are more diverse. But this has to do with culture, and this is why I think it's slow."

Another participant expressed frustration at the pace of change, and suggested there may be a flaw in firms' assessment in their own gender balance: "I'm not sure that the switch is happening as fast as it should. I think there's a pink ghetto within research, where you'll find really good researchers who are female, but I doubt that if you do a snapshot of the partners, or just consultants in the industry, that you'll find as many females."

In one region, focus group participants observed that the diversification of executive search has not caught up with executive search clients. "Looking at executive search firms and the partners in them, it's majority 'white male.' In no way does it mirror society and our business community."

Globally, the profession shows signs that this is quickly shifting. For example, the Next Gen consultants themselves were predominantly women, and many of them referenced the number of junior consultants who are women. Others referenced that their firms are very gender balanced, suggesting that this cohort of consultants represents the gender-balanced future of the profession.

Some Next Gen executive search consultants see an opportunity for the profession to help the diversification of client organizations, as well. "Executive search as an industry is in a power position, especially if you think about areas such as diversity, and sustainability, and all those barriers where we really sit at the core of deciding whether or not somebody's put on a list, given a call, being interviewed, or presents to a client. We really need to step it up as an industry, and take responsibility."

Part of that responsibility is asking candidate sources to stretch beyond their traditional networks to reach women and minority candidates. "Men just have this informal network, and when I pull sources, they are mainly making male

referrals because they're a part of that network."

How long will clients seeking diversity accept a firm without it? "If I turn up with three gray-haired men, it shows a huge lack of emotional intelligence."

Much of the value Next Gen search consultants bring to clients is also related to their ability to connect with their client's rising leaders and Next Gen candidates, who will be essential to the client's business success.

As markets evolve and talent needs change, Next Gen search consultants give their clients an advantage. They come from the same world and speak the same language as the people who will drive an organization's future success.

"The ability to thrive in a dynamic and uncertain world will be necessary to ensure a business's survival and progress," responded one C-suite executive in the Financial Services sector in the United Kingdom.

## Preparing the Next Gen for the future

How are firms preparing Next Gen

consultants to address their clients' evolving goals? Firms and the consultants themselves are leveraging the benefits of formal and informal professional development opportunities.

Staying abreast of technology is essential, as tools continue to develop that supplement the search and assessment processes. Firms offer training in psychometric testing and certifications for various assessment tools, but as one Next Gen consultant observed, "I don't know if sitting down in a classroom and being taught how to be an adviser is going to make you a better adviser, but shadowing is a good example of on-the-job training that works."

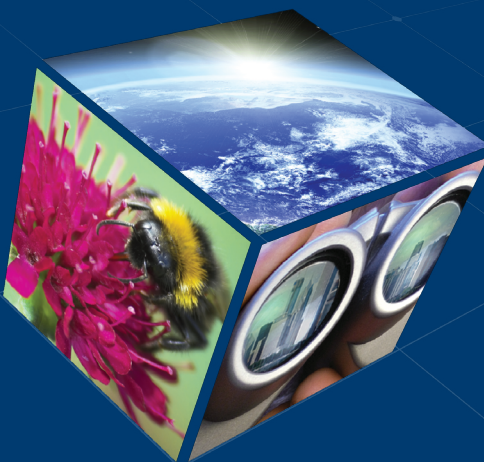
While agreeing that formal training has a place in their professional development, participants expressed a strong preference for experiential learning, and weighed in on the value of their relationships with others within their firms: sponsors, mentors, and role models.

"A sponsor is somebody who's responsible for your professional development. That is, somebody who's supposed to say, 'I have this client you should really meet with. I think this is a

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great opportunity for you to develop in this space. I think you probably need sponsorship more within those types of organizations where there is a defined path to climbing up the ladder.”

While not all organizations have a “sponsorship” program, many of our Next Gen consultants had experience with mentors. One participant said their firm had a formalized mentorship program, but “personally, I’m not a strong believer in those types of programs. I think mentorship is based on trust, is based on a connection with certain individual, it’s not something that you’re just given.”

Another described a mentor who “challenged me, and pushed me into deeper water than I felt comfortable in,” as a key learning experience.

Asked what they want from a mentor, participant responses included “constant feedback,” “leveraging their network to help me develop my own platform,” and “honesty.” One participant summed up the Next Gen commitment to achieving excellence: “What’s the secret sauce to be a top performer?”

Another development approach is to create opportunities for the Next Gen consultant to be a mentor. “When I was a junior consultant, some partners dedicated their time to work together with me. We’d problem solve together, and they would give me leeway to run my own project and develop. I have always worked with partners who have been very dedicated to my development, and always had my back. Now I work with younger people, researchers, and I have their backs.”

Another said, “I mentor someone in one of our businesses—a manager who’s looking to up-skill his capability.” The rewards of mentoring can extend beyond professional development. “It’s really great to help someone. I was really appreciated, I did a cool thing.”

Mentorship does not have to be limited to the confines of the firm. “If you have a good client, and if that client can be a mentor, that is actually a great, a huge advantage—both for the relationship and for those who are on their way up.”

And then, there are the role models. Participants described a role model as someone who sets a tone and provides a good example of how to work. “I’ve admired many people that I’ve worked with, in terms of how they’re able to manage their clients, how they’re able to manage candid relationships, and their expertise in evaluating people’s potential and capacity. I think role models are extremely important.”

*“If there are no role models, I think we’re going to lose everybody in this firm, because that’s what’s*

*inspiring—what’s fun about going to work is the people around you.”*

## The Next Gen of Search’s Advice for Clients

As part of that survey of Next Gen executive search and leadership consultants, respondents were asked, “As a Next Generation consultant, what should clients do to develop Next Generation talent within their own organizations?” Their top responses are:

- 1- Focused development of Next Gen leaders
- 2- Empowering top talent
- 3- Creating more diverse and inclusive leadership
- 4- Provide international and cross-cultural opportunities
- 5- Include Next Gen talent in decision making

Comparing surveys of both clients and Next Gen consultants, both groups ranked “empowering top talent,” “including next gen talent in decision-making,” and “creating more diverse and inclusive leadership” among their top five priorities/recommendations for developing Next Gen leaders.

Clients understand the value of attracting, retaining, and developing Next Gen talent. “Because the market is changing, the new customers are different, they have different expectations, and they respond differently to our products. In order to deal with this new market we need talent that understands that,” commented an executive in the Financial Services sector in Brazil.

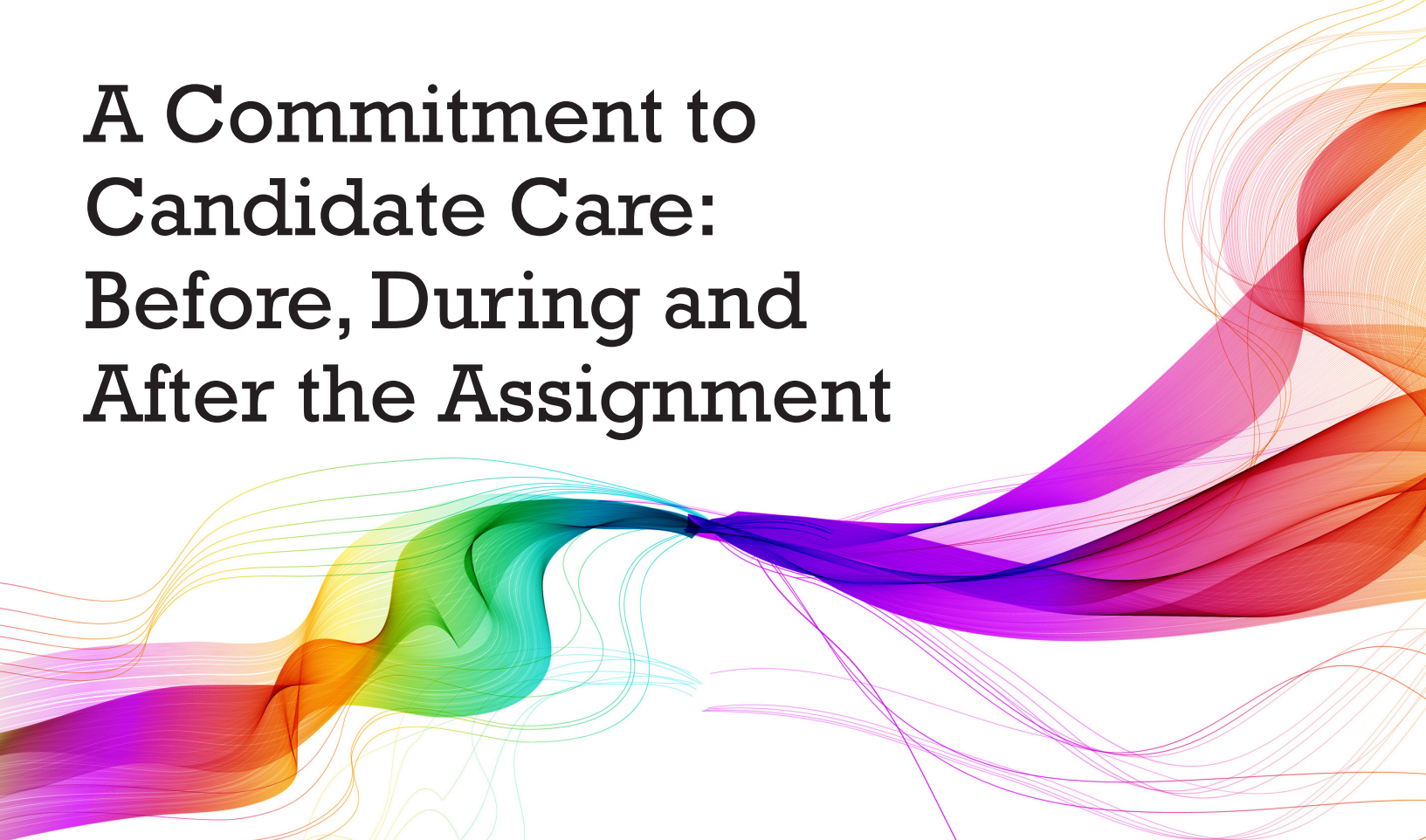
Next Gen consultants may be the key to acquiring that talent. They have many shared experiences with Next Gen executives. They speak the same digital language, and share many of the same generational traits and preferences that distinguish them from the generation represented by most senior executive search consultants and the older masters of the C-suite. This reflection could be from a Next Gen search consultant or an aspiring CEO:

*“It’s more about self fulfillment, it’s around sort of the sustainability of the company—what’s the reason for the existence of the company, and what role does that company play in society in a broader perspective? What was previously a top line draw was titles and compensation, and those have come down the list in favor of areas such as: Am I recognized at my work? Can I influence the way this company works, and the role it plays in society?”*



In conjunction with this research, AESC conducted a survey of Next Gen consultants. A comprehensive members-only report on our research is available to AESC members on the AESC member website at [www.aesc.org/login](http://www.aesc.org/login).

# A Commitment to Candidate Care: Before, During and After the Assignment



**M**any executive candidates are already in satisfying jobs when they agree to be considered for a new role. Others are actively seeking new opportunities. Both types of candidate are willing to participate in the thorough, often lengthy assessment and selection process with everything that process entails: effort, self-discovery, a sense of risk, and sometimes disappointment. The executive search consultant can make the experience worthwhile regardless of the outcome, through superior candidate care.

## What is candidate care?

Candidate care begins with executive search firms who, with each search assignment, represent their clients—the hiring organizations—to a slate of high level, executive candidates. Candidate care is the ethical, confidential, respectful, and responsive treatment of executive candidates.

What does that mean? First, candidate care means respecting the confidentiality of the candidate. In AESC research published in *Executive Talent 2020*, “Nine out of ten candidates felt that their confidentiality was protected at all times

(93%) and that the executive search firm made them feel secure about exploring the opportunity (90%).

*“Senior executives simply cannot afford to entertain a job change publicly. They have investors, and competitors. Rumors about senior executives leaving can have a catastrophic impact on their organizations and on their careers. We understand the need for confidentiality—it’s our top priority.”*

*Glenda K. Brown,  
Managing Director, BlueSteps*

Candidate care involves being responsive to candidates, especially during periods of waiting and uncertainty. It requires being honest at all times, and gentle, when a candidate is no longer under consideration. It is being constructive if an individual seeks feedback after their candidacy.

Oftentimes, candidate care means supporting the candidate after the search assignment is completed.

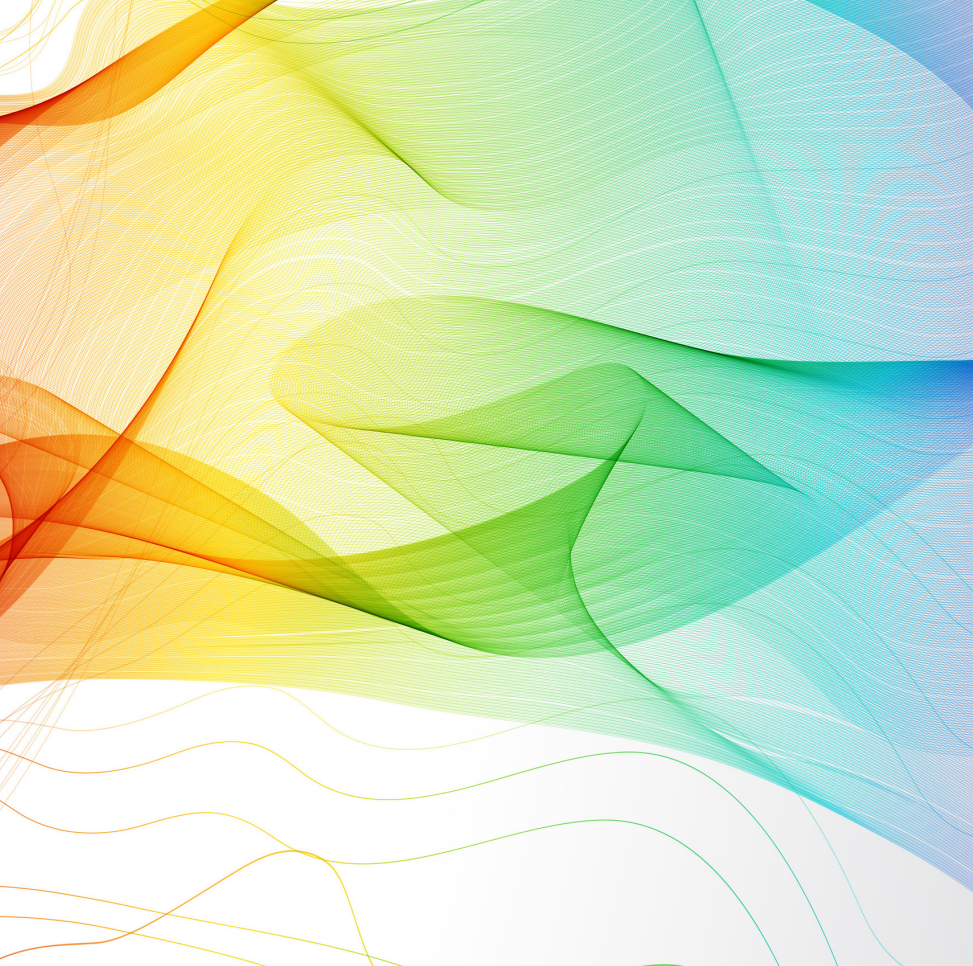
## Why is it important?

Getting to yes: In every search assignment, the executive search

consultant becomes an extension of the client. When the candidate feels respected and cared for by the consultant, and when the candidate experience is one of professionalism and trust, those positive feelings and experiences reflect on the client. The candidate’s experience becomes very important at the negotiation stage, and can influence whether the candidate says “yes.”

When the client says no: The respect and care shown by the executive search consultant leaves a lasting impression on the candidates not selected for a particular opportunity, as well. Those candidates have the potential to be candidates for opportunities in the future, future clients, and brand ambassadors for the client, search firm, and consultant.

*“Candidates will remember you because you treated them so well. Six months later that can come into play in another assignment, or down the road when that former candidate has a key vacancy in their organization and is looking for a search firm. Today’s unsuccessful candidate could be tomorrow’s successful candidate, and even tomorrow’s client. Treating*



*people with respect throughout the process is good for business, for our profession and for the candidates.*

*Karen Greenbaum,  
President and CEO, AESC*

## BlueSteps as candidate care

Candidates surveyed in AESC's recent *BlueSteps Career Outlook Report* were asked to rank the most important educational opportunities for staying relevant in the executive job market. "Executive coaching" was ranked the most important, followed by "digital and social media training." These services out-ranked advanced degrees, industry accreditation, webinars, foreign language study and mentorship.

BlueSteps Executive Career Services provides these resources and more; services delivered with the same care and professionalism with which clients and search firms treat their candidates. Clients and search firms engage with candidates at multiple stages, and at every stage there is a something to offer through BlueSteps.

Referring candidates to BlueSteps, search consultants can be assured that their focus on candidate care will be continued seamlessly and with equal quality.

### Unsolicited resumes:

Executive search consultants likely receive unsolicited resumes every day. How can they handle unsolicited resumes in a way that ensures these potential candidates feel cared for when the consultant doesn't have a current opportunity? A referral to BlueSteps and its executive career services demonstrates both interest and caring. The search consultant can be confident that these candidates will feel recognized and supported by the search firm and by AESC.

### Unsuccessful candidates:

For every assignment, there are several top candidates who just weren't selected for the particular opportunity. These executives may benefit from a referral to BlueSteps and its Executive Career Services. Maybe they could use help enhancing their resume or LinkedIn Profile, or

## Candidate Care also means data security compliance

A key aspect of candidate care is protecting candidates' confidentiality. BlueSteps has a long history of ensuring that candidates are treated with the utmost confidentiality, privacy and security. BlueSteps is in compliance with current best practice guidelines and will ensure that candidate data continues to align with emerging regulations, most notably EU Data Privacy regulation that addresses both data privacy and data security. AESC is developing best practice guidelines for its members and these same guidelines will be followed by AESC's BlueSteps service. BlueSteps understands the importance of candidate consent and transparency in terms of how candidate data is shared only with the leading search firms around the world—AESC members. These firms are committed to AESC standards including a commitment to confidentiality.

*"I found the career resources of BlueSteps extremely useful. I gained valuable guidance from search consultants and from executive coaches [including] very useful advice about job search strategy, personal branding and networking. The tips for interviewing and negotiation are also outstanding."*

*Global Vice President: Commercial Initiatives, US*

*"BlueSteps Executive Career Services was hugely valuable in identifying, positioning and communicating messaging changes I needed to focus on my value as a Board member. Working with [BlueSteps] has led to an incredible transformation and improvement of my resume, LinkedIn profile and other marketing materials. This investment in my future career has already generated returns many times over."*

*Board Member, USA*

*"Many candidates find the search process very rewarding, regardless of the outcome. With the guidance of a top executive search firm, candidates have the chance to explore their own interests and aptitudes, and even hone their interview and negotiation skills. In the end, it's always a win. A candidate either has a new challenge within a new organization, or has become a known entity to a reputable search firm, which could open other doors."*

*From the AESC  
Candidate Bill of Rights*

coaching to better position themselves for the next opportunity, or simply a broader range of exposure to the leading executive search firms worldwide—AESC members. Whatever services they choose, they will experience the extension of AESC candidate care.

*"I want to be on record that my coach has been amazing. [...] Those who have reviewed my resume use words like "powerful" to describe it.*

*Chief Information Officer,  
Japan*

#### **Pre-candidates:**

Many people reach out to BlueSteps because they want to improve their "market positioning" before actively beginning their search. They may not be in the job market yet, but they want to be certain they are ready. And they want to be seen by the best firms with the special opportunity that just might come their way.

#### **Why BlueSteps and not some other resource?**

BlueSteps advisors have a deep understanding of executive search, and work very closely with the executive candidate to understand and articulate their unique value in order to produce materials that differentiate them from other candidates in the market. And perhaps most importantly, BlueSteps is predicated on confidentiality, and often senior executives do not want their career aspirations exposed.

*"Whether it's an executive looking for a change or someone who wants to fine-tune their positioning for a board, our career coaches are really experts in their field. We help executives who have never had a LinkedIn profile. They may not have a resume because they haven't needed one for decades. We provide a real service because often we will work with people who may not have developed a professional focus, and this is where we really play to our strengths."*

*Kathy Simmons, Executive Director,  
BlueSteps Executive Career Services*

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*can•di•date care*

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Create a discreet profile visible to 9,000+ top recruiters who can contact you when you're a match for an executive job or board opportunity.



### NETWORK

Connect with recruiters and learn about confidential job and board searches. Identify jobs, board positions and recruiters by industry, function & geography.



### PLAN & TRACK

Leverage BlueSteps expert resources to map a career plan for every step of your career and track your goals using the MyGoals feature.



### GET ADVICE

Receive a consultation from our best-in-class team of executive coaches and career branding experts. Access coaching and branding services when you need them.

# The Past, Present and Future of Executive Search

AESC President and CEO, Karen Greenbaum, explores the executive search and leadership consulting profession's evolution and the shifting demands of clients

**A**ESC President and CEO Karen Greenbaum heard a comment she'll never forget. It came from an audience member during a panel discussion last year at the AESC Client Conference in Mumbai, India. "He raised his hand and said, 'this business hasn't changed in twenty years.'" The speaker said, "If I compared a proposal today with one that was written 20 years ago, they would be identical. This business hasn't changed in any way, shape or form." Greenbaum thought to herself, "that's not true... is it?"

Greenbaum decided to explore the evolution of executive search, from its postwar beginnings to the present day. What she found is a vibrant, competitive, and deeply relevant profession not simply keeping pace with the global market for talent, but delivering sophisticated advisory work, elevating leadership worldwide.

## Some History

Executive search has always been part of an advisory relationship, but when did the service evolve into a profession? In the mid-1940s, businesses in the US and Europe began to adapt to post-war prosperity. This led to the rise of competition for experienced executives, and a willingness to look for those leaders beyond the company walls and across international borders. That growing demand was the catalyst for the emerging executive search profession. Originally a function of management

consulting, executive search became a thriving profession for consultants and a competitive advantage for clients. By the 1960s and 70s the need for experienced executives outpaced companies' ability to fill those positions internally, and a more open market for talent expanded the demand for executive search. Today, executive search is a \$12 Billion industry.

In the last 20 years, global markets have undergone massive shifts, and what were emerging markets are now poised to exert a powerful influence on the world economy. How we communicate has amplified millions of voices, sparked social change, and connected continents. Technology continues to reinvent how people live, work and conduct business. Executive search has changed, too.

## The Evolution of Search

In response to that speaker in Mumbai, Greenbaum suggests that the structure of a search may not have changed that much: take the assignment, determine the ideal candidate profile, conduct the search, complete the assessment and reference checking, negotiate to yes, and complete onboarding. She says, "If you're just looking at that highest level, you might say nothing's changed. But I think you have to go a level deeper."

First, AESC research shows that client expectations have changed. The single most important criteria for selecting an executive search firm today is expertise across industry, function and

## How Do Clients Select an Executive Search Firm?

Most important factors for selecting an executive search firm:



- 59% Consultant's industry/functional knowledge
- 48% Firm's industry/functional knowledge
- 40% Trusted advisor relationship
- 35% Pricing model
- 35% Consultant's reputation

market. Twenty years ago, one could have been a generalist. Greenbaum explains, “You would still come to the table with knowledge and experience, but what you were selling was your ability to do search.” Today, clients expect a “management consultant” who understands their industry and their function, and can bring that expertise to the table. Those who are generalists today bring that deep expertise, regardless of how they are organized.

Another change in client expectations is the demand for speed. AESC members are seeing continuous and increased pressure to do everything faster. Greenbaum considers the reasons for the increased demand. “First, we are helping them fill their most important positions and they don’t want to wait six months to find the right CFO or CEO. The other reality is that technology has created an ability to move more quickly. The client has responded in kind and said, ‘I know you can go faster.’”

Another significant change in client expectations over the last 20 years is diversity. According to AESC research, the number one issue clients around the world identify is a lack of diversity among their leaders. Greenbaum says, “Diversity is certainly about gender, but it is also about race and ethnicity. And, it’s about diversity of skills, expertise and even age.” Creating a diverse team creates diversity of thought, which drives innovation and enhances a firm’s ability to connect with customers and employees.”

In addition to meeting new expectations, the profession has evolved in the scope of services as well as how those services are delivered.

**The Assignment**

A search assignment is no longer as simple as finding a person who has held a certain role in a certain industry for 20 years. Search has become a very complex service that requires a comprehensive understanding of the client, including the organization’s market and regulatory environment. The assignment also requires a deep dive into client culture, structure, and strategy, to ensure that the search results in a diverse slate of candidates with the highest potential to succeed.

**The Search**

Search itself is different, evolving from the old world rolodex to an entire suite of tools. Greenbaum explains, “Now, the search firm you hire has great networks and knowledge, but also proprietary databases. They conduct Boolean searches and x-ray searches, and they leverage social media. They look at industry news and thought leadership.” Search also requires leveraging tools and insights to fill high-demand roles that didn’t exist 20 years ago, and anticipate the skills necessary to fill roles that are likely to transform at an unprecedented pace. Greenbaum adds, “What hasn’t changed is the all-important human connection. That’s what makes this all work.”

**AESC members, looking forward**

*Firms should be looking to the future, asking important internal questions and examining their own processes. Have we differentiated our brand? Are we truly a trusted advisor? How do we strengthen industrial, functional, and market expertise? How do we leverage technology for speed and engagement? Has our assessment changed? Are we using the right new tools? Are we developing the next generation in our own profession? Are we bringing a diverse team to the client? Greenbaum reminds members that AESC membership is highly selective, and hopes members are leveraging the AESC brand. She says, “As members, you truly are the cream of the crop. Use AESC as part of your differentiation.”*

**Top research methods executive search firms use**



Personal networks and knowledge



Proprietary databases



Sourcing calls



Boolean searches



X-Ray searches



Social media



Event programming and attendance lists



Industry news and thought leadership

## Assessment

Perhaps the most significant evolution over the last 20 years is in assessment. An effective candidate assessment still depends on in-depth interviewing and a deep understanding of candidates' industry and functional expertise. Greenbaum says, "We did that 20 years ago, and we do it today." However, current assessment techniques are more sophisticated, with a suite of technology-based tools combined with in-depth interviewing, role-playing, case studies, and situational responses evaluated by seasoned experts.

Thomas Friedman is a Pulitzer prize-winning author and a *New York Times* Op-Ed columnist who specializes in foreign affairs, globalization and technology. He writes, "The best jobs in the future are going to be what I call "STEMpathy jobs — jobs that blend STEM skills (science, technology, engineering, math) with human empathy." AESC members assess for those skills, for example, with tools that can determine if a candidate is an agile learner. Agility is critically important as hiring firms try to fill roles that didn't exist ten years ago, as well as roles that are rapidly changing. The best candidates will have both technical expertise and soft skills, including emotional intelligence and agility. Greenbaum says, "Interestingly, our own assessment process is also *STEMpathy* process — combining science with human instinct and experience."

## Background and reference checking

With the additional layer of social media, a candidate's political views,

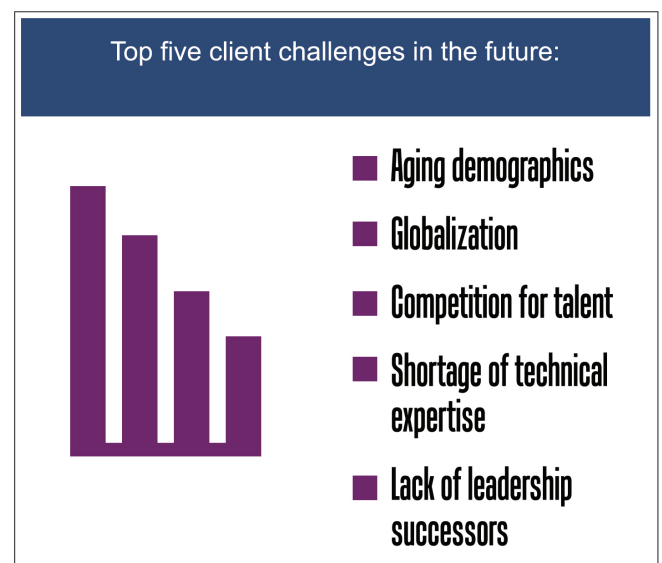
public interactions, and what they do outside of work could influence a hiring decision. AESC provides guidelines on how members can use this information fairly, appropriately and legally. For example, members only search public information and never ask for passwords. They maintain accuracy and give candidates an opportunity to respond to something adverse. And members know the laws about what they can and cannot ask. Every country is different, and privacy laws are more rigorous.

## Negotiating to yes

In some ways getting to "yes" has not changed—consultants still must develop strong relationships and earn a candidate's trust. More challenging today are the new, hard-to-fill executive roles in which the best candidates are in great demand, and are often fielding a number of great opportunities. Greenbaum says, "In any role we're going after those who are the best in their field. After we've determined a great fit, the challenge is to help the candidate see our client as the *right* opportunity." That's where having real experience in getting someone to "yes" is critical.

## Onboarding

Twenty years ago, onboarding was as simple as check-in calls, and that may no longer be enough. Greenbaum says, "We're hearing from candidates that they wish they had more help with onboarding." Greenbaum explains that candidates, consultants and clients have the same goal: "getting that candidate



you wanted so badly to *succeed*” and consultants have an emerging role in helping assure that success.

Where search is headed

Clients are asking their advisors to provide counsel on a broader basis: for example, assessing leadership teams, advising boards on their effectiveness, succession planning and culture assessment. Greenbaum says, “The profession requires agility.” For example, clients are looking to fill relatively new C-suite roles. Greenbaum explains, “You can’t simply find someone who’s done a job for 20 years, when it’s a role that didn’t exist ten years ago.” She says, “When consultants go into an assignment they are not just filling a slot, they have to think creatively.”

Candidate profiles are changing, and clients are frequently looking more widely for key positions, requiring innovative approaches and greater depth from advisors. For example, the industrial segment of the global economy is redefining how it works, bringing new technology into the industrial world by tapping talent from outside the sector. Greenbaum asks, “How do you draw people from hot, new technology start-up businesses to old school, 100 year-old industries looking for those new skills?” Professional advisors with deep tech and industry knowledge *and* relationships will give their clients the advantage.

Executive talent consulting must also accurately assess culture and determine cultural fit. About 70% of people who fail do so because of a lack of cultural fit. So breaking the code on cultural fit is key.

Knowing the vision, mission and values of the organization hasn’t changed, but that’s no longer enough. New tools can add real context to those foundational statements.

Greenbaum asks, “What’s the difference between the things that are posted on the wall and what’s really happening in the organization?” Imagine a client who starts a search assignment with a goal of driving innovation. If the culture does not foster innovation, that client risks bringing in a person who is destined to fail.

Assessing cultural fit applies to the candidate, as well. For example, a candidate who thrives working as part of a team will be more successful in an organization that is highly collaborative than someone who has a preference for working independently. Greenbaum says, “A comprehensive assessment of organizational culture and a candidate’s cultural profile helps us better understand and predict candidate fit.” That level of assessment requires not only advanced tools but the judgment, experience and insight of an executive talent expert.

The role of executive search, specifically, is to provide insight to select talent who are high performing, better fitting and longer lasting. Greenbaum observes, “Whether it’s exploring new ways of assessing culture or a candidate’s ability to adapt, we are leveraging the latest tools with human insights.”

Looking back 20 years, executive search still requires specific steps, refined skills and trusting relationships to fulfill client expectations. But beyond those basics, it’s a whole new world.



CLIENT  
EXPECTATIONS



CLIENT  
CULTURE AND  
CANDIDATE  
PROFILE



THE SEARCH



CANDIDATE  
ASSESSMENT



BACKGROUND  
AND  
REFERENCE  
CHECK



ONBOARDING



NEGOTIATING  
TO A “YES”



# The Future of Boards

*"Gone also are the days when being on a Board of Directors was seen primarily as a prestige position and supervisory role. Being a Board Member is now about active leadership, personal accountability and senior executive coaching rather than passive supervision."*

*From Why Good Boards Fail,  
Stanton Chase, September 2016*

**G**lobally, boardrooms are evolving. Heightened scrutiny, empowered investors, rising competition, regulation and technological disruption have combined with the record pace and unpredictability of change to dramatically alter how boards are comprised and how they operate. This perfect storm is shaking up board composition, expanding and redefining what is expected of boards, and fundamentally changing what it means to be a director.

What is different? Justus O'Brien is Co-leader of Russell Reynolds' Board and CEO Advisory Group, and serves as a Managing Director in the New York office. "The role of the board and the demands on board members have evolved significantly, with more scrutiny, and more required of directors including much more engagement around strategy, investor engagement, and empowerment at the board level in long-term CEO succession planning."

O'Brien said, "The investor community

has had a role in all this—big, institutional investors who are advocating refreshment strategies, advocating for greater diversity, and demanding that boards strike a good balance between long-term requirements and short-term results. All of these pressures have led to a lot of change, and driven companies and boards to rethink how they're doing."

For example, Allan Marks, Managing Partner, Australia, and Regional Leader of the Board Services Practice for APAC at Boyden, says, "There is a greater focus on boards to assess the capabilities they need and try and be sure that there is a balanced portfolio of expertise within the boardroom. Some of that is related to the industry the organization might be in, and some of that is related to skills in other areas such as technology disruption. So it's changing in that context."

Boards are also broadening the range of skills and experience that they are seeking, to serve both the board and the company. Carter Burgess Jr., Managing Director and Head of the Board Recruiting Practice at RSR Partners in Greenwich, CT said, "Boards are doing a much better job of bringing on new members who have particularly relevant experience, perspective, and expertise. This reflects the fact that boards are devoting more time, thought and effort into creating their candidate profiles within the context of a more comprehensive long-term succession



planning process.”

As an alternative to the old rolodex pattern of board members recruiting and electing the people they know, more boards are beginning to align strategy with board composition. According to Julie Daum, North American Board Practice Leader at Spencer Stuart, “There is a much greater spotlight on board composition, on what skills are on the board, and whether they are relevant to the company strategy now and going forward. They have to ask themselves ‘do we have the right people in the room?’” Daum observed, “People feel it is important not to have all longstanding directors. There is a desire to have turn-over in the board room, and a desire to have boards really assess their own performance, and assess the performance of individual directors.”

Katie Lahey, Executive Chairman at Korn Ferry, Australasia said, “Boards have possibly changed more during the past decade than in the two decades prior.” In addition to greater transparency and stricter governance rules, Lahey says, “Community expectations have also had an impact.” She observed, “Board composition has changed somewhat—but boards are still not nearly diverse enough.”

Much is said about technology, disruption, and how boards have a role, with the executive team, in preparing for transformative products, services or processes. But “disruption” isn’t strictly a business activity. Jo Baxter, Associate Partner at Hobson Leavy, Auckland explained it this way: “To quote Bill Gates, ‘We always overestimate the change that will occur in

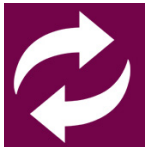
the next two years and underestimate the change that will occur in the next ten. Don’t let yourself be lulled into inaction.’ She said “For example, more and more business leaders in New Zealand are focusing on climate change as the number one risk coming down the line. For example, they are starting to underweight bank stocks on their portfolios with high exposure to residential property, due to global sea levels rising and the increased frequency and severity of major storm events.”

A major event in Japan, where boards are likely to be traditional and comprised of inside directors, is the Japan Corporate Governance Code, which in 2015 introduced several major changes to the way boards of publicly traded companies in Japan operate. The Code focuses on the appointment of external non-executive directors, and evaluating board effectiveness.

Nobuyuki Tsuji is a member of Spencer Stuart’s board practice, and leads the firm’s Japan business. He explained, “Shareholders from outside Japan were asking for more transparent board governance. Based on that, the Japanese government established the Corporate Governance Code, which requires a more transparent way of running the board, with improved communication, more external board members, and board assessment and evaluation. Shareholders specifically asked to have more non-Japanese external board members.”

The changes we see on corporate boards also affect the individual directors. Susanne Thorning-Lund, Board Partner at Odgers Berndtson in London said, “Non-executive directors are becoming more engaged with the business. Increasingly you have board members taking a mentor role with a member of the executive team, and in global businesses non-executives are encouraged to attend regional executive boards, to deepen their on-the-ground appreciation of the business and of the leadership talent. In general terms, Boards are taking a deeper interest in their businesses; this isn’t just governance box-ticking,” she said.

Kevin Jurd, Boards and CEO Succession Practice Leader for Australasia at Spencer Stuart, addressed a new reality for individual directors. In the context of “big corporate collapses where Boards have been held accountable, it becomes hard for those Directors to join another board after that.” He added, “Personal reputational risk is now being considered more intensely, especially in early start-up years for new directors. It can define their non-executive director career, and cut it short quickly.”



## The Drivers of Change

Regulation, disruption, social pressure and business needs are driving much of the change seen in recent years. “In Australia, for example, there is market and stock exchange pressure for transparency and gender diversity on boards and in management,” Marks said. Thorning-Lund added, “In the UK there is a lot of political interest in board governance at the moment, caused by failings at some high-profile companies. There’s been a backlash. For example, the conversation now is about wider stakeholder representation on boards.”

“Regulatory uncertainty and a lot of disruption and transformation are really affecting every industry,” O’Brien said. “For example, when clients want to add digital competency to the board, it’s often because their business has been disrupted and they need to have folks on the board who can think through those issues.” Marks said, “Boards are under increasing pressure to deliver results. There is pressure on boards now for performance—company

performance. Boards have to have a certain amount of accountability around that, as well, because they select the CEO.”

Lahey described an example of an organization using its influence on boards to drive positive change. She said, “The Australian Council of Superannuation Investors recently said it will instruct its members to vote against the appointment of directors who sit on an all-male board.” She said, “There is certainly a brighter spotlight on boards now than in previous years and this has served to encourage boards to be more transparent and to be more attuned to broader community concerns. Culture is a very important topic for boards, and they are focused on ensuring that the organization has a culture that is aligned to business strategy.”

In New Zealand, explained Baxter, “It was announced from October this year every NZ stock exchange listed company will have to have a diversity policy (or explain why not) in their annual reports. Publicly listed companies will be expected to establish a diversity policy with measurable objectives, and each year assess their progress against these objectives.” She said, “It’s a pretty

encouraging policy that recommends companies make their diversity policy and objectives public. It’s not saying you have to achieve a certain level, but rather that you must measure and report on what you have.”



## Board Tenure and Succession:

According to Spencer Stuart’s 2016 Board Index, “Nearly half of board members believe length of tenure does not affect board autonomy.” Which is telling, since board tenures in the US, at least, are getting longer, not shorter.

Daum said, “US Boards have been getting longer and longer tenured, and people are cognizant that not everybody ages to 75 the same, and not everybody’s experience ages the same way, either.” She said, “A lot of industries are changing very quickly, so if you were involved in that industry 20 years ago, some of what you know may be relevant but a lot of it may not be. A big part of the desire to have turnover is to make sure you have relevant and current experience.”

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Burgess sees the same trend. “The average retirement age is moving up – 75 is the new 72. It’s funny that’s happening, when there’s been an outcry for refreshment on boards. The average board tenure continues to lengthen and increasing the retirement age only helps reinforce this trend.” Acknowledging that some board directors may have outdated skills, Burgess looks at board tenure another way. “There are also people who’ve been on a board for a long time and continue to be great contributors and possess substantive institutional memory. You can’t rely on length of service and you can’t rely on age to determine when it is time for a director to step down. What you should rely on is their performance and ability to contribute.”

Sounds reasonable. “If you’re not doing well, it may be time to move on,” Marks suggested. Then again, “One of the more difficult decisions for a group to make, even for people who make difficult decisions their entire careers, often, is saying goodbye to a director who is not working out. It is more usually done around the time of re-election,” he said.

Rotating out long-serving board members can be harder in regions without a deep bench of board talent. Speaking of New Zealand, Baxter said, “We’re a small country, so there’s your top pocket of directors who are at the biggest publicly traded companies and tend to be well sought-after. Then there’s the middle ground, the ones on smaller organizations’ boards. You probably have this everywhere—the well sought out directors are extremely busy, and they’re not necessarily the ones you want moving off the seats. It certainly is a challenge.”

Another challenge Baxter highlights is that the slow pace of board retirement is limiting the opportunities for board diversification. “There’s a view that there is a proportion of senior directors who aren’t moving on—the seats aren’t being made available for the diversity to occur. There’s a degree of frustration around that.” She said, “The forward-thinking boards seem to be stronger at rotating their directors. In our experience, the governance capability exists, and increasingly experienced executives are being given the opportunity to step into professional governance careers.”

In the UK, the accepted corporate governance best practice limits executive tenure to three terms of three years each: “The nine-year rule” according to Thorning-Lund. “What we are seeing are boards much more proactively engaged around succession planning for board members, analyzing board composition with a view to where the business is going, and

therefore the skills they may wish to bring onto the board. This is also reflected in the broader diversity discussion. If succession is thought about in such a proactive way it raises the questions of where else could we go, what else could we get, and what exactly do we want? Those two things do feed quite nicely off each other.”

There is an outstanding question as to whether Next Gen board members will be interested in the long-term service preferred by their predecessors. Jurd observes, “Some digital savvy, “new age” directors with startup experience will not be interested in committing to a 6-9 year term, so we may see greater rotation on boards.”



## Governance and Board Committees:

Government regulations and stock exchange rule changes, primarily the result of the global financial crisis, other perceived risks, and investor pressure, are having a significant impact on board governance, globally.

Debate swirls around the issue of board independence. For example, whether the CEO and Chairman roles should be separated, and whether board chairs need to be independent. In some regions boards have few, if any outside directors, and in others, boards are mostly comprised of non-executive directors.

Japan is a key example of how investors seek to make significant changes to board governance. Tsuji explained, “Shareholders from outside Japan were asking for a more transparent board, and more transparent governance. Based on that, the Japanese government established the Corporate Governance Code, which requires a more transparent way of running the board, with more communication, and external board members. Shareholders asked to have more non-Japanese external board members to represent their interests.” The Code also encourages gender diversity on the boards of publicly traded companies.

Relatively new laws expose corporate boards in Australia to significant investor influence. According to the *Financial Times*, the ‘Two Strike’ rule refers to a 2011 law stating “if more than a quarter of shareholder votes are cast against a company’s remuneration report for two years in a row, it triggers a further vote – on a straight majority—requiring all directors to face reelection.” Jurd says “The ‘Two Strikes’ rule on remuneration is becoming the touch-point for activists to use to seek some sort of change to a board.”

This level of investor influence is complicated. “You have activist investors and their institutional investor supporters holding directors increasingly accountable and requiring directors to dedicate more time and effort into addressing activists’ myriad demands. Some activists have good intentions and some don’t – some want to take advantage of situations. Some activists are short-term oriented and others are long-term oriented.” Burgess explained: “The activist movement is not a fad. It is here to stay and will continue to grow and impact more and more companies.”

In addition, in several countries more corporate boards are addressing uniquely 21<sup>st</sup> century challenges through their committee structure.

In Marks’ experience, “I don’t see a particular change around core committees, but I do see them being more rigorous and effective in what they do, and more accountable. The skills that are required to chair them are increasingly complex.”

However, the nature of risk is evolving. Daum explained, “Financial service boards have added risk committees, and some are adding technology. Cyber security is something boards are dealing with, but we

don’t find a lot of boards looking specifically for an expert in this area to serve on the board or on cyber committees.”

Burgess agreed. “We are seeing risk committees, once only the bastion of banks and financial services companies, popping up more often outside financial services.” He said, “Cyber risk oversight on average falls under the umbrella of the audit committee. Stand-alone risk committees will become the norm as the oversight of risks such as cyber risk cannot be the responsibility of the audit committee, which already has its hands full with its existing mandates.”

According to the 2017 Spencer Stuart Board Survey, “20% of respondents reported having a committee dedicated to providing oversight of cyber/lot risk, and nearly half (45%) said they rely on their risk or audit committee’s expertise in this matter. The remaining 35% choose to discuss and analyze cyber risk at the full-board level.”

Lahey said, “We are seeing boards evolving in line with changes to the business and community environments. For example, we are seeing more demand for directors with technology expertise in Australia.” She added, “Board governance

has changed in step with the changes in business specifically, and society at large.” She said, for example, “Ten years ago all boards had audit committees but now many have a separate remuneration committee, a risk committee and a sustainability committee. With greater transparency, there is heightened accountability—boards are certainly attuned to reputational and culture risk.”

Baxter observed, “There’s a view that boards need to recognize the broader part that their organizations play in society—a much more integrated model that puts people at the center. It’s really about broader trust. We’re seeing boards taking their corporate social responsibility extremely seriously, and taking a wide, broad view of their and the organization’s role in society.”

The impact of these changes could be immensely positive. O’Brien said, “Businesses that are successful are constantly having to rethink their business model or at least check that their business model is right. I would anticipate that the board will have a much bigger role in engaging with management around strategy. It will be less of an arms-length approach and more engagement.”

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Burgess added, “If you do it right you have a governance body, that’s a given, but you also have a group of value added, strategic discussion partners—a valuable resource and sounding board for management.”



## About board composition, representation and inclusion.

*AESC members value diverse leadership. They identify the most qualified talent by searching and assessing without bias.*

*AESC Code of Professional Practice*

What does good corporate governance look like, amid the uncertainty created by the economic slowdown in China, political events in the US and Europe, and the humanitarian and environmental crises we see around us? Many would argue that good boards look sharp. They have a breadth of skills and experience to draw upon and the ability to adapt, to see opportunities, and to make decisions from a broad range of perspectives. AESC’s *Board Search and Advisory Guiding Principles* states, “We, as a profession, believe that diverse boards are better boards and that diversity enhances business results and drives innovation. We are and will continue to be part of a broader solution to enhance diversity of board and business leadership.”

High-performing boards know that diversity is a business imperative. O’Brien cited some simple facts about the impact of women on boards: “The effectiveness of boards greatly improved where there was greater gender diversity. Women serving on boards tended to be extremely well-prepared, showed a lot of EQ in the boardroom, and effectively altered the dynamic in a very positive way. So institutional investors are pressing the case for gender diversity.” O’Brien’s clients certainly are. “There is not one board that we are working with, where diversity is not a major goal.”

“The diversity debate in the UK has been pretty strong over the last 5-6 years,” according to Thorning-Lund, “starting with gender diversity and moving inevitably on to much broader diversity – what we at Odgers would call cognitive diversity.”

She said, “Absolutely boards are keen to bring in a broader perspective. In a very fast changing and rapidly evolving world, boards are trying to keep pace with what is going on. Having breadth of diversity of perspective is perceived, rightly so, as very important.”

Yet in many cases board diversity is still more aspirational than real. In her keynote address at the Corporate Governance Network Annual Conference in June 2016, US Securities and Exchange Commission Chair Mary Jo White said, “Minority directors on the boards of top 200 companies on the S&P 500 have stagnated at 15% in the last several years.” She also said of the pace at which women are joining boards, “At the current rate of growth, the [US Government Accountability Office] estimated it could take more than 40 years for women’s representation on boards to be on par with men’s.”

In the US, boards are coming under increasing pressure to improve their gender diversity. As Daum explained, “Part of the pressure is from institutional shareholders who are frustrated by the slow pace of change in the boardroom, even though the evidence points to the fact that diverse boards perform better. There is pressure from the shareholders to show change, to show they are thinking about board composition, and show that they have the right people in the room. Shareholders are saying, ‘These people represent us, and we want the best people looking out for our interests.’”

Thorning-Lund said, “In the UK there is more of a focus on developing future potential board members, the pipeline, particularly with the political interest in this subject.” Referencing the Hampton-Alexander Review, a government effort to improve representation of women on FTSE 350 boards and amongst the C-suite, she said, “It is all about the next generation of leaders coming through. The big emphasis has been on gender diversity, and is expanding into race and ethnicity.”

In New Zealand, 40% of listed companies already have 25% or more female representation at the board level. Baxter said, “In our State sector boards, they’ve reached an all-time high of 45.3% of women participation. It’s very encouraging that the index has come out to drive change and encourage diversity and inclusion. And part of this is this new diversity framework: if you can measure something, you get ahead.”

Finding female executives to become board members in Japan is more challenging, according to Tsuji. “Not enough women rise up through companies” to gain the business experience needed to serve on a board of directors. He added, “Only 4.5% of directors in the Nikkei 225 are female, and many of them are lawyers.” (Source: 2016 Japan Board Index)

With very few female executives to draw from, improving gender diversity on boards is a challenge. Tsuji explained, “In Japan there is a shortage of supporting infrastructure for

female executives, such as nursery schools and kindergartens, which makes it hard for a mother to continue working if she has children.” He said some companies are starting to address the environmental barriers to women advancing in the workplace. “Some companies are working hard to increase the number of female executives. They are establishing nurseries inside the company, so mothers can continue working.”

He added, “The companies who do that will eventually have more female executives.”

In O’Brien’s practice, “We are also seeing a demand for digital capability – people who can think in terms of how their businesses are being transformed by digital technology. It’s about someone who can ask the right questions, and make the right investment decisions.”

In Burgess’ view there is a demand for board members who have experience with new technologies: “Disruptive technologies, digitization, IoT, big data, and data analytics are going to have a substantial impact on most every company. Our clients want people with relevant and real-time technological experience and expertise,” he said, “but clients often approach us with a lingering concern. We’re talking about people who are much younger than we are used to having on the board. The relevance of potential board members with tech experience is incredible, considering the types of technology companies want to embrace, but do these young board prospects have broad enough experience/bandwidth and perspective to be sufficiently well-rounded and seasoned enough to be truly effective directors?”

While not geared specifically to young board prospects, New Zealand’s “Future Directors” program is improving the pipeline of experienced board candidates. Jo Baxter described “The Future Directors program: a forward-thinking initiative set up in 2013 to help otherwise qualified executives gain experience in governance and to provide boards with increased diversity of thinking, currency of skillsets and a broader pool of potential candidates.”

Through this initiative, ‘future directors’ participate as a member of a board of a New Zealand company for one year and gain valuable experience. Baxter explained that it is a very active role. “They must contribute to all meetings, and by all intents they act as a director however they do not have voting rights.” She said, “It gives people who have never had governance experience the chance to participate at a Board table.”

Over two dozen directors have completed

the one-year commitment since 2013. The expectation is that they will go on to have board directorships following the program.



### Board Assessment and Effectiveness:

Shareholders globally are demanding transparency and accountability, and organizations are increasingly making commitments to evaluate the performance of boards and in many cases, individual directors.

“It is standard practice in the UK, for example, that companies, boards engage in an effectiveness review every 3 years,” O’Brien said. “We are seeing more of that in the states in recent years, and part of that is being driven by the recognition that boards are being held accountable to a degree that they weren’t, before, and they have to make sure they are performing at the highest possible level. You have a lot of pressure from institutional investors, and that will be a growing pressure.”

How do organizations identify effectiveness? Marks said, “Different stakeholders have different views of how effective a board is. It’s something more and more boards do. Some boards do it through internal process, others get assistance from a third party.” Honest self-reflection isn’t always an easy exercise under any circumstances some, but Marks’s said, “It’s easier if they have an open, transparent culture. And it is the hallmark of a good chair, who is open to doing that as well.”

Assessing board effectiveness is a new (2015) requirement of the Corporate Governance Code in Japan, where, according to Tsuji, “The measure of Board effectiveness was not well-developed yet.” He explains that any assessment was an internal matter for Japan’s boards, “but the Code requires companies to evaluate and assess board effectiveness, and for most companies, they are just starting.”

Whether the increased attention on board assessment and evaluation will have an impact on future board performance remains to be seen, but another element of board assessment is related to alignment: the inventory-taking of skills and experience and making sure the board has what it needs to perform its responsibilities.



### Changing Practices in Board Search and Advisory Services

If it affects the client, it affects the advisor. Firms and consultants who are involved in board work see

their practices changing, as the priorities and needs of their clients change.

“Five to ten years ago, if there was some big CEO transition, the company would bring in half a dozen folks to make a pitch, and somebody would win the mandate and go find a new CEO,” O’Brien recalled. Today, “Because of the requirements around long-term CEO succession planning, boards have taken on thinking about succession – so we get called in 2, 3, or 4 years ahead.”

To meet the changing needs of board clients, Russell Reynolds “created a separate group called the Board and CEO Advisory Group.” O’Brien said, “We noticed that a lot of our work had expanded beyond conventional director search, and we reorganized ourselves to address that need.”

Tsuji described the traditional method of board member recruitment in Japan. “Especially in large corporations, CEOs and chairman have their own personal networks of executives in the community, and they invite the external directors for themselves.”

With the new rules requiring outside board members, qualified directors who are not already engaged on a board are becoming harder to find. “Some companies in Japan, because of the huge demand for non-executive directors, are more and more using search,” Tsuji said. “Some clients ask specifically for female board member candidates. We have a good network amongst female executives, and we always keep developing the list of females for potential board assignments.”

For Burgess, it’s a different kind of change. “What is affecting us is the increasing level of granularity in directors’ profiles that clients are providing us with.” Burgess described the shift from having less direction and guidance from clients to receiving a highly robust and well-thought out candidate profile. “It’s given us clearer marching orders, but some of the lanes we now have to go down may be narrower. The specificity is good, but it can also be challenging, because the population you’re now going after might be smaller. In some instances the pendulum has swung too far in favor of granularity.”

What we hear globally is that board member succession carries high stakes, and interested candidates who possess the right mix of qualities are hard to find. That isn’t likely to change.

advisory experts to speculate on what board of directors will look like in 2025.

## Board terms

**Shorter.** Longer careers, later retirements, and limited term limits worldwide notwithstanding, board tenure will be shorter, because of the growing emphasis on refreshment. What it means to be on a board will change, and the expectation of semi-permanence will change, too.

*“We need to think of the board of directors more as a group where there is constant refreshment and directors coming in and out: as the board looks for new expertise, and as people say, I think I’ve done everything I can here, it’s time to move on.’ It will be much more dynamic.”*

Julie Daum

**Deliberate.** Boards are taking succession from reactive to strategic. No more drag & drop, boards will be balancing skills, building diversity, and creating a successful team based on the company strategy.

*“Boards are thinking much more proactively around succession planning of board members, where the business is going and any headwinds (such as cyber risk exposure, and the rise of the digitally savvy millennial generation as a consumer group), and the related skills they may wish to bring onto the board. This feeds into the broader cognitive diversity question. ... as you think about succession planning in a proactive way, you will want to address the question of where else could you go, and what exactly do you want.”*

Susanne Thorning-Lund

## Composition:

**Diverse.** The business case for diversity has been around, studied and measured, for a long time. It’s hard to say why organizations aren’t farther along, though some parts of the world are doing significantly better than others. If public outcry doesn’t demand it, the drive to be competitive may.

*“Boards will certainly be a lot more diverse in the future, and diverse in every sense: gender, race, age, sector, background, competencies and global perspective. There is one thing for certain, you will not see boards that are*



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AESC members enjoy the challenge of a difficult search and pride themselves on innovative and diverse solutions. They know the value that indepth preparation plays in the critical selection process. They are also expert at preparing first time board candidates for their board interviews and their board appointment



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As trusted advisors, AESC members can be counted on to enhance board effectiveness whether assessing board culture, inducting and onboarding new board members, strengthening the relationship between the CEO and the Board, or defining Board roles.

Our AESC Board Search and Advisory Services Guiding Principles is designed to deliver client-centered results.

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<https://goo.gl/zhZLtk>  
(Note: Link is case sensitive.)

*solely made up of men aged 55 to 75.”*

*Jo Baxter*

**Younger.** It's not simply that Baby Boomers are retiring and their places in businesses and boards are transitioning to the next generation. Shareholders and business leaders are recognizing the value of a younger perspective, and demanding it.

*“We'll see a continued, if not increased, demand for digital or technology-related experience on the board, especially since most companies are on some sort of technological journey (e.g. Industry 4.0), and this will also result in increasing numbers of younger directors populating boards. It will be interesting to see how this youth movement impacts board dynamics and board culture.”*

*Carter Burgess*

## Trends:

**Relevant.** Boards are becoming more than a governance body, and directors are increasingly required to contribute meaningfully to strategy, and engage in decision-making with perspectives that are relevant and connected to business realities.

*“Disruptors such as digital technology, global events or government policies quickly impact our market and I think we will see boards that are closely engaged with the strategy and non-executive directors with deep and specific knowledge in the areas that present the most risk.”*

*Katie Lahey*

**Engaged.** Boards traditionally keep some distance from the companies they serve, but passive non-executive board directors may become fewer, as the levels of transparency, public scrutiny, and accountability continue to rise.

*“Sitting on a board is now an active engagement for senior executives who retire early and choose to develop a board portfolio for the next 10-15 years of their careers. They're better prepared, read the Board papers and make this their priority.”*

*Kevin Jurd*

## Conclusion

*“When considering how boards will be different, we should first consider how companies will be different in 2025 than today. Good boards reflect the evolution of the company, the sector and the broader business environment.”*

*Katie Lahey*

What comes to mind when most people think about boards of directors? Most likely the image includes a lot of men who have been together a long time, in a stale room, behind a closed door. But the world is changing, and companies—and the boards that serve them—are changing, too. With increasing transparency, a growing appreciation for the competitive advantage of diverse perspectives, and a rising degree of engagement from non-executive directors, boards are becoming more open, diverse and agile.



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# The New School Approach to Assessing Emerging Leaders

By Kandace Miller, Global Director of Marketing, The Cluen Corporation

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The Cluen Corporation

**A**s a global executive search software provider, we have seen both search firms and in-house teams change their approach to how they engage and assess high potential talent. Emerging leaders can too often be generalized, based on prevailing generational stereotypes. How many studies have been published on Millennials, for example, that shape what we think about someone of that generation?

These misconceptions of high potentials often tie back to the fact that they are young and lack the experience of their predecessors.

Search teams can effectively evaluate an emerging leader's potential and ability to be successful for a role through research into past projects and analyzing a hybrid of competencies through different perspectives.

As highlighted in the chart, some leadership

Common data points we have seen our clients track when assessing talent include:

## COMPETENCIES SPANNING GENERATIONS

- Learning Agility
- Critical Thinking
- Emotional Intelligence
- Loyalty
- Flexibility
- Transparency

## COMPETENCIES UNIQUE TO EMERGING LEADERS:

- Digital Awareness
- Global/Social Sensitivity
- Lateral Thinking
- Collaboration
- Leading with Uncertainty



competencies are common across generations, whereas others stand out as more unique to emerging leaders. While learning agility and critical thinking may be core attributes sought in today's and tomorrow's leaders, tomorrow's executives will lead entirely digital businesses and, as a result, they will be required to lead at a much faster pace of change than in the past. Lateral thinking and collaboration are attributes that can allow tomorrow's leaders to flourish amidst such high stakes.

### Key drivers we see next-generation leaders are looking for in new opportunities:

- Benefits (outside of basic comp/bonus)
- Latest Technology
- Professional Development
- Personal Touch
- Continuous Evaluations/Feedback
- Creative Freedom
- Development/Training Programs
- Work/life Balance
- Ability to Work Remote
- Educational Incentives/Reimbursements
- Sustainability and Environmental Stewardship

These drivers can make a big difference when it comes to recruiting next-generation leaders. It can also make the difference when it comes to actually retaining them within a company.

### Engaging with Emerging Leaders

Another trend we are seeing is executive search firms and internal talent teams are placing a larger emphasis on how they engage with emerging leaders. To effectively engage emerging talent, the message must be in-line with their interests, needs, and ideas, so finding out what resonates with them is crucial to making and retaining a placement.

Connecting with talent can be done through various channels, such as social media and email marketing. Make sure the message is authentic and presents an accurate image of the company culture, whether it is your own or your clients. Another effective tool is sharing case-studies

and tips, showcasing talent you have successfully placed. These stories are sure to provide a greater return of interest from the next-generation of leaders (especially when shared on social media).

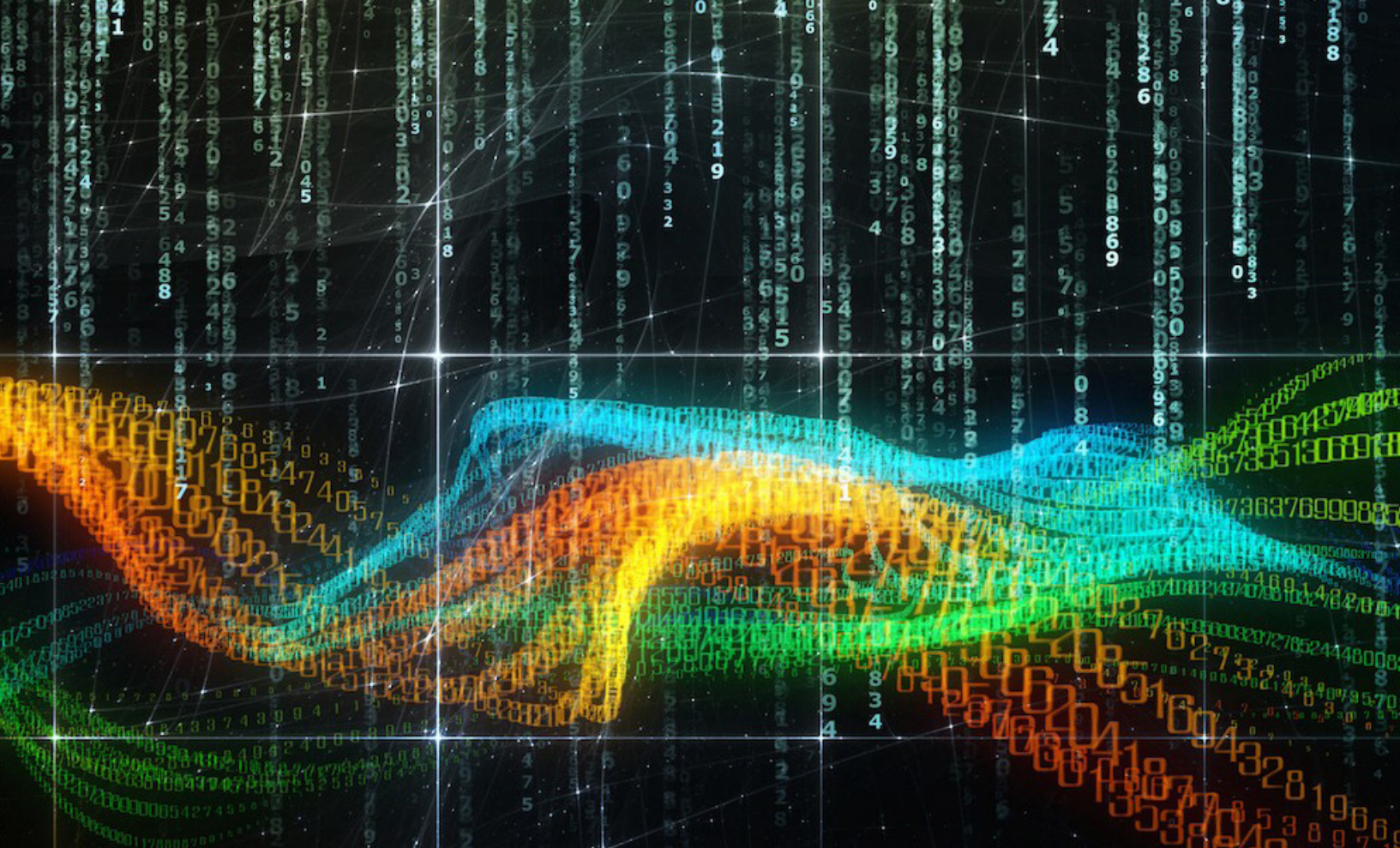
As always, it is important to keep in mind that while you are assessing emerging leaders, they are assessing you back. Give an educational, authentic interview experience. The more challenging the better.

### About Cluen

Cluen has provided software to executive search firms globally since 1990. Cluen's cloud-based solution, EncoreOne, allows you to track relational data and automate your recruitment process. Cluen's experts consult with search firms around the world on best practices for relationship-driven search and executive assessments. Contact us today for more information. ■



Kandace Miller,  
Global Director of Marketing,  
The Cluen Corporation



# What Does the GDPR Mean for Executive Search?

By Andy Warren, CFO and Chief Information Security Officer, Invenias

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**I**n an industry underpinned by data, it is unlikely that the acronym 'GDPR' is an unfamiliar term to those working in executive search. From May 2018, the rules and regulations regarding the way in which data is stored, shared and moved will change dramatically, and this will have a significant impact on the working practices of the executive search professional.

A recent survey by Invenias of executive search professionals revealed:

- **30%** haven't yet taken steps to prepare for the changes to the GDPR
- **55%** have started to think about how they might prepare for the changes to the GDPR
- **15%** are actively planning for the changes to the GDPR

With a plethora of information available, this article provides a general overview of the GDPR and discusses the impact of data

protection changes on those responsible for executive hiring.

## [An overview of the GDPR](#)

The GDPR or General Data Protection Regulation will come into force in the UK by May 2018 and will safeguard European Union citizens with respect to their data privacy rights. The legislation will impact all organisations that are either based in, or do business in, the EU. In essence, the legislation will give individuals greater rights and control over their data by way of consent as well as the power to access, rectify or erase information held and the right to be informed.

## The Key Differences

The financial implications for data breaches are significantly higher under the GDPR than under the existing data protection legislation. In addition, under the GDPR, organizations are

required to notify supervisory authorities and affected individuals of a data breach within 72 hours of discovery, a new obligation introduced by the GDPR.

Whilst the legal basis for the processing of data has always been present in previous data privacy rules, under the new legislation, the bar has been raised on the requirement for Consent. Under the new legislation Consent must be freely given; specific; granular; clear; prominent; based on an active opt-in, statement or affirmative action; documented and easily withdrawn. You are required to notify data subjects that they have the right to withdraw their Consent and you cannot demand Consent as a condition of providing a service.

Although implicit requirements of current data protection law, the principles of accountability and transparency are emphasised and elevated under the GDPR. The new legislation requires you to record and be able to clearly demonstrate compliance with the principles – for example by documenting the decisions you take about a processing activity.

## What do the changes mean for executive search?

There is no doubt, the changes to the GDPR will have a significant impact on the executive search profession. Any firm that operates in the EU, has clients that operate in the EU, or that processes data on EU citizens are subject to these changes in legislation, regardless of where information is stored, whether it is held in emails, a database or in spreadsheets. The rules will have a similar impact on technology suppliers to the industry, with those who act as a data controller or data processor also bound by and required to comply with the changes to the GDPR. Executive search firms will have to show that their systems and technology are compliant.

## It's not all doom and gloom

With severe non-compliance penalties of EUR20 million or 4% of worldwide turnover, the GDPR will make organisations more accountable for their approach to data and the changes must be given appropriate consideration.

However, whilst there are significant financial and reputational implications for failing to comply with the changes, it is not all doom and gloom. Instead, rather than focusing on the burden of preparing for the GDPR and the penalties associated with breaches, the new rules can be viewed as an opportunity to enhance working practices and the quality of data stored.

Compliance with the GDPR will foster a culture of data confidence among an organisation's clients and candidates. Moreover, a greater level of transparency and accountability for information held and transferred will enhance working practices. The GDPR is an opportunity to enhance the quality of data held as the changes will ensure businesses invest more time in thinking about the data that they capture, its future use and how it is stored and transferred. Adhering to the GDPR is a demonstration of the quality of your operations and will strengthen relationships with clients and candidates through a greater level of transparency and increase confidence that you adhere to the highest standards. In turn, this builds on the values of confidentiality and trust that the profession prides itself on.

## Partnering with the right technology provider

At Invenias, we are committed to working in partnership with our customers to ensure a streamlined journey to compliance. Our customers benefit from data protection being at the heart of the design, build and operation of our technologies. Whilst the changes do not come into force until May 2018, investing time in understanding and planning for the legalisation now will ensure that any required changes can be carefully considered and that the GDPR will cause minimal disruption to your organisation. For additional resources and information relating to the GDPR and its impact on the executive search profession please visit [www.invenias.com/gdpr](http://www.invenias.com/gdpr) or email [insight@invenias.com](mailto:insight@invenias.com).



Andy Warren,  
CFO and Chief Information  
Security Officer, Invenias

Footnote: The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained. ■



# COUNTDOWN TO THE GDPR

## 4 Things to Consider

What data do you hold and why?

What do you do with it?

What's your risk profile?

What do you need to do under the GDPR?

At Invenias, we are committed to working in partnership with the AESC and our customers to ensure a streamlined journey to compliance. We recognize that our role in compliance is critical and data protection is at the heart of the design, build and operation of our technologies.

To learn more, request a free, personalized demo with a member of our experienced team or visit [www.invenias.com/gdpr](http://www.invenias.com/gdpr) for additional resources and information.

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#### Income Statement 2016

Revenues	\$485,000,000
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#### Employee Figures 2016

Total Employees	2,200
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Productivity (Rev/Emp)	\$220,455
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#### Valuation Details 2015-12

Valuation	\$20,330,000,000
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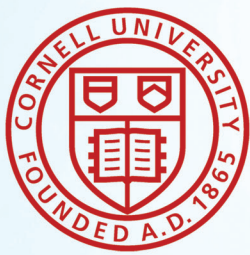
2016	2015
\$485,000,000 <sup>1</sup>	\$420,000,000 <sup>1</sup>

2016	2015
2,200 <sup>1</sup>	2000
\$220,455	\$210,000

Details	2015-12	2015-07
Valuation	20,330,000,000	20,000,000,000

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## WHAT IS NEW FOR THE 2017 PROGRAM?

The program was offered in a state-of-the art virtual learning environment for the first year in 2016, offering enhanced access to more AESC members worldwide. The program also featured a greater focus on leadership consulting, offering participants in-depth insights and actionable practices to expand or strengthen their leadership consulting services. The 2017 program will build on this success. Download the registration form at [aesc.org/cornell](http://aesc.org/cornell) or email to Brian Glade at [bglade@aesc.org](mailto:bglade@aesc.org).

## TOPICS WILL INCLUDE:

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- Diversity and Inclusion Leadership
- Talent Management and Succession Strategy
- Executive Assessment Techniques
- Negotiations and Influence
- Building Trust in Client Relationships
- Becoming a Trusted Advisor
- Executive Compensation and Total Rewards

## WHAT ARE PAST PARTICIPANTS SAYING ABOUT THE PROGRAM?

*"The Cornell-AESC Advanced Certificate in Executive Search and Leadership Consulting program was a valuable part of my development as a search consultant and one that I would recommend to others in the field. The topics were both relevant and tangential to business issues that I regularly confront, and the instructors bring a good balance of real world experience and teaching capability to the program. Having a chance to interact with an engaged peer group that represented a broad spectrum of experiences and cultures was particularly valuable."*

- John Sparrow, Director, BoardWalk Consulting

*"This program helped me not only to understand the change in clients' needs towards advice in strategic talent analysis and management but also equipped with all necessary knowledge and tools to add value to the clients."*

- Igor Kabuzenko, Managing Partner, Ward Howell

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