

EXECUTIVE TALENT



Dedicated to
Strengthening
Leadership Worldwide

Volume Sixteen

The Global
Expansion of
Executive Search

Top Business Issues
Now and in the Future

Workplaces Disrupted

EMOTION AND MACHINES:

How Companies are Employing Artificial Empathy
to Connect with Customers





Welcome to Volume 16

from Karen Greenbaum, AESC President & CEO

With this edition of *Executive Talent*, we continue our year-long celebration of AESC's 60th anniversary. In our last issue, we looked at the birth of the executive search profession in the United States. In this issue, we look at how the profession has expanded and evolved around the world. AESC members in Asia, Canada, Europe, Latin America, the Middle East and the Pacific share how they are helping clients in their markets solve their biggest organization challenges to date. We also delve into:

- **Workplaces Disrupted**—Digital transformation affords more possibilities than were available to previous generations, and yet as organizations endeavor to encourage collaboration, improve engagement, and retain top talent, they may find the answer lies not in another app, but in their physical space.
- **Artificial Empathy**—Facial and voice recognition, eye-tracking and heat maps, and sentiment analysis are already used in marketing and politics. The next advance: machines that appear more human.
- **Spotlight on India**—What is the state of talent in the world's fastest growing economy? AESC members

weigh in on the unique challenges and opportunities in the Indian market and what this means for business in the region.

- **Top Business Issues**—What are the key drivers influencing today's top organizational challenges? We take a look at the connection between diversity, next generation talent and digital transformation; Attracting and retaining today's top talent and dealing with the talent scarcity; Barriers to innovation; and a call to action for business leaders.
- **Uncovering an Executive's Past**—the exclusive due diligence partner of AESC, The Mintz Group, shares with us some common red flags and indiscretions in candidate profiles and what to look for in your next executive-level hiring decision.

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.

Congratulations to AESC Award Recipients, honored in April.
Thank you for your commitment to excellence in our profession.



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EXECUTIVE TALENT

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Volume Sixteen

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In our last issue of *Executive Talent*, we looked at the birth of the executive search profession in the United States. In this issue, as part of AESC's 60th anniversary series, we look at how the profession has expanded and evolved around the world.

THE GLOBAL EXPANSION OF EXECUTIVE SEARCH

Search firms serve more markets than ever and offer a diversity of services

The global economic expansion post WWII led to tremendous growth in the retained search profession, beginning in North America and quickly moving to Europe, South Africa, Latin America, the Middle East and Asia as business thrived, global markets opened, and the demand for executive leadership outpaced the ability for organizations to develop that talent in-house.

"In Latin America, the first real search firm was established in Argentina, but because of the economic situation it was very difficult to survive there." Luiz Carlos de Queiroz Cabrera is a Founding Partner of Panelli Motta Cabrera, an executive search pioneer in Brazil. "At the time that we established our company in May, 1975, the Brazilian market had never heard of the concept of executive search. And as pioneers we have had the support of the multinational companies that were established in Brazil, but we had to teach the Brazilian companies about the benefits of the new service."

Like Brazil, in many markets the concept of executive search traveled abroad with the burgeoning multinational companies that were making investments and using every tool at their disposal to hire strong leaders, including retained executive search.

Stephen Bampfylde is co-founder and

chairman of Saxton Bampfylde in the UK. He explains, "In the late 1980s London probably became the most competitive search market in Europe, because of what was called 'the big bang' in those days: financial deregulation, the growth of a whole range of American investment banks coming into Europe, which led to a proliferation of American firms and Asian firms seeing the UK as an entry point to continental Europe."

Similarly, with foreign direct investment came an increasing demand for experienced executive leadership in Ireland. "Ireland is a small, open economy, and the Irish government has successfully championed efforts to attract foreign direct investment into the country," Ruth Curran, managing partner at MERC Partners, Ireland says. "Part of the reason why our founders established MERC nearly 40 years ago was that as foreign corporations established businesses here, there was an opportunity to help build out their leadership teams, especially as US expatriates moved back. For example, they helped many US corporations establish their businesses here by finding the right talent."

Curran adds, "Our founders held the very firm belief that if you have the right people around you, it was possible to do anything."

Retained executive search grew in Hong Kong originally with the multinational corporations who carried the practice, and their search firms, with them to Asia. For example, Harry O'Neill, talent management director for Asia Pacific and the Middle East at Heidrick & Struggles says, "In the 1990s, a lot of the business that the established, worldwide firms were doing in Hong Kong was looking after the Asian assignments for clients they already worked with in other parts of the world, rather than working with local clients." He says the concept of the retainer was not readily accepted by clients, who often held the view: 'I'll pay you when you hire somebody and I'll be happy to pay you well, but I'm not going to give you anything up front,' and it was hard to get past that." How does one get past that? "You got past it by distinguishing yourself with quality work and the reputation that you had. And we did build a retained search industry."

Dinesh Mirchandani, Managing Partner for India at Boyden, tells a very different story of how his father, a founding director in charge of marketing in a small-scale manufacturing company, introduced the executive search profession to India. The inspiration came from a visit in 1976 with a friend in Boston, who at that time looked after the search function at Peat Marwick (now KPMG). One afternoon



he gave him a detailed presentation on this new and better way of sourcing senior talent. Intrigued by this, Gulab Mirchandani realized that there was no such service in India. After studying the feasibility of this new profession for three years, he started a search firm, Tristar Consultants, in 1979.

Mirchandani says, "At that time we lived in a small, two-bedroom apartment in downtown Bombay (now Mumbai). So he converted a room into a functioning office and he had my mom as his secretary and our dog as the receptionist. And he got started. Mirchandani describes his father "evangelizing" search. "He'd meet with hiring managers and say 'you know, you put that ad in the paper four weeks ago for a general manager, did you find him?' and they'd say to him 'you know, it's good you asked...'" And so Gulab Mirchandani pioneered the search industry in India, with tenacity and passion, one client at a time. "It's really one of those great stories, he didn't know he was founding an industry, he was only trying to make ends meet, day by day. In 1987 he was 'discovered' by Boyden, there was an instant connection, and he brought Boyden to India. As a result, Boyden was the first global executive search firm to enter India, and also founded the profession here, 40 years ago."

Global business and the executive profile were evolving, and the search profession along with it. Catherine Andersen serves on the APAC & Middle East Council of AESC and is a partner with Omera Partners. She says, "When I first started in search more than two decades ago, a lot of the searches we did in Asia were for expats. First, you had to attract them to the region and second,

"Our founders held the very firm belief that if you have the right people around you, it was possible to do anything."

they were very expensive because it usually involved moving a family and paying all the schooling, housing, and so on. Over time, the business turned toward recruiting more local people who had the expertise required to work in global companies."

Then, she says, things changed again. "With the emergence of China and India as global powerhouses, the focus shifted to identifying people who

could bridge the gap between the very different business styles you had in each of those countries and the international companies."

AESC Established

As new entrants flooded the market, educating clients worldwide about the services retained executive search firms provide versus employment agencies or contingent recruiters became more critical, as did identifying quality standards in executive search. The top global firms were AESC members in increasingly established markets, but in time the need for the standards represented by AESC spread worldwide into new markets.

Carl Lovas is chairman and CEO of Odgers Berndtson in Canada. "AESC has had members in Canada since the very early days of search, and that membership can be a meaningful differentiator. I think we as an industry and as a firm advance that concept, and I think it's to the benefit of the industry and to all the organizations competing in the industry. It is an additional validation of a firm's mission and approach. The firm's credentials and capabilities ultimately carry the day, however the fact that a firm is a member of AESC is an important credential."

Ulrich F. Ackermann is Chair at TRANSEARCH. He describes how the establishment of AESC membership in Germany helped differentiate the retained executive search profession. "Some 35 years ago, there was a professional body called the BDU (*Bundesverband Deutscher Unternehmensberater* or *Federation of German Management Consultants*) which grouped all different kinds of consultants under one helm, including the contingent recruitment industry." As the profession grew, the organizing bodies and members of the profession recognized the need to differentiate. Ackermann says, "There was a need to separate the more brokerage kind of staffing or recruiting from the executive search level, which led to the creation of another body, the VDESB (*Vereinigung Deutscher Executive-Search-Berater* or *Association of German Executive Search Consultants*), that included firms such



Ulrich Ackermann
Chairman
TRANSEARCH



Catherine Andersen
Partner
Omera Partners



Stephen Bampfylde
Chairman
Saxton Bampfylde



Auguste Coetzer
Director
Signium Africa

as Korn Ferry, Heidrick & Struggles, Russell Reynolds, and quite a number of smaller German firms.”

Over time, he says, “The members of the VDESB did not all adhere to the same ethos and quality standards, so in 2006-2007 we discussed in the AESC Global Board the idea to develop a separate AESC committee for Germany. It was so successful that we expanded it within two years to include Switzerland and Austria, thus representing the German speaking countries. As the AESC DACH committee, we were committed to only accepting member firms that would meet the quality standards of AESC. This helped raise the standards of executive search in the DACH region tremendously.”

The influx of self-proclaimed search consultants, according to Bampfylde, provided AESC members an opportunity to differentiate in the UK. “London became a highly competitive, exciting place, and it was great for standard-setting in the profession. If there are a lot of people around, it’s somehow easier to contrast the ones who are doing really good, quality searches from the ones who are just taking the money because it is an easy market and running.”

Advocates for AESC worked to help clients understand AESC’s high bar for membership. Bampfylde adds, “Seriously good HR people, seriously good executives wanted to find a way to identify the good and the reputable. At that point, in the 1990s, we started to get some traction with the HR community around the AESC standard and the importance of retained search, the importance of conduct. That was a pivotal time, in terms of growing the AESC presence in London and around Europe.”

Curran says of MERC Partners, “I think we certainly were one of the first, if not the first, in the Irish market to become a member of AESC.” Beyond the reputational value of membership, she says, “We always had a view that because we are in an open economy, being part of an international association is important for business. It informs opinion, and you learn what is happening in other jurisdictions. It was never

a question of ‘will we do it,’ it was ‘we must be part of a more global viewpoint.’ Now part of Spencer Stuart, one of the founding members of AESC, MERC Partners continues its quest to connect businesses in Ireland with international talent and vice versa.”

The founders of AESC recognized early on that a crowded market with service providers of varying levels of quality and standards presented a threat to the reputation of the profession itself. O’Neill says, “In Hong Kong, we had a lot of very small operators of highly variable quality and therefore, unfortunately, it impacted the reputation of the industry at the time. Clients had a relatively poor perception of what people in the industry were doing. For me, that was one of the great appeals of AESC. I liked the fact that there was an industry body that represented the highest standards and a code of ethics, a code of conduct to which people could subscribe.”

O’Neill adds, “I and other search consultants who felt the same believed at the outset that AESC was likely to improve the overall quality and standard of work that was being done in the region and improve the reputation [of the profession].”

Brazil had a longer path to establishing an AESC membership. Cabrera describes the unruly talent acquisition market at the time. “In 1999, 2000, several recruitment organizations came to Brazil, and they entered a large market offering reduced fees, speed in the process, no quality at all, and no code of ethics at all. It went well for those firms from 2000 through 2008 or 2009, and then they were destroyed by their own success. All the young consultants that they trained in five, six, seven years, they decided to open their own companies. So, just to give you an example, in 2008, more than 25 new companies were created by consultants breaking off from those companies.”

Cabrera explains, “By 2009, we were able to establish an AESC membership in Brazil. We started with 10 firms at that time. And with consultants from the major firms like Korn Ferry, Spencer Stuart, and Russell Reynolds, we had a



Ruth Curran
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Carl Lovas
Chair and CEO
Odgers Berndtson



Dinesh Mirchandani
Managing Partner
Boyden



Michelle Moss
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Signium Africa



Harry O’Neill
Director
Heidrick & Struggles

shared mission to visit all the new firms in the market, trying to convince them to apply for AESC membership and to sign the code of ethics. And this strategy, to bring them to AESC, made the market more ethical and shifted the market to a retained executive search orientation and away from contingent recruiting.”

Andersen recognizes that the constant challenge then and now, is resisting complacency and upholding standards. She says, “For every firm that we approach to join AESC or that may approach AESC to join, we just need to make sure we’re upholding the standards AESC represents.”

Perspectives on the State of the Profession

The demand for skilled leadership exceeds supply worldwide; demographic trends, skills gaps, digital transformation and the pace of change all compound the pressure on organizations to find and retain top talent. As a result, the retained executive search and leadership consulting profession is experiencing tremendous growth across markets. AESC estimates that global revenues for the executive search and leadership consulting profession, across all lines of business, has now climbed to \$15.6B USD, with 12% growth from 2017 to 2018.

The growth is impressive, and each market has its own trends and trajectory.

Markets within the APAC region vary dramatically. Andersen recalls how the diversity within the region can be misunderstood. “I remember my early days in the profession, when my cohorts in the US or Europe would talk about Asia as if it was just this amorphous region. But the thing is, Asia is incredibly diverse. It’s made up of so many different countries, so many different religions, so

many different languages, and customs and so on, so I think it’s a real challenge for the profession to actually adapt to that diversity.” O’Neill observes that the concept of job placement has existed for a long time, but in the early days, “the concept of executive search as a defined, disciplined process, was not something that was well understood at the time.”

O’Neill says, “A lot of what we do is with multinationals who understand what we do and need what we do. The big Chinese companies that are globalizing have

network of executives in China.

Wan identifies two major changes in the China market. “The multinational opportunity is no longer the only choice being favored by top talent, as many are also looking at joining Chinese firms as a career option; as Chinese firms are more aggressive to entice talent with equity and bonus options that the multinationals cannot match.” Also, “Chinese clients are expanding overseas and more Western managers who have China or Asia working experience are joining the international division of Chinese companies.”

The service offerings in China are expanding, as well. Wan explains, “Leadership development and executive coaching are in demand in China. Chinese executives want to succeed in the global market and they are open and ready to learn. In the past, spending a few years in the West at university was adequate; this is no longer the case. These leaders are facing global challenges, their companies want them to be able to succeed in China but also in other markets.”

In addition, Wan comments, “Executive coaching is often a support to Western leaders transferred to China, or a Chinese executive hired by a Western firm. In both cases the issue is alignment of goals and strategies to achieve these goals. Leadership consulting and coaching will have a major part to play in a market like China. The local executives are bright with high potential, but can benefit from continued development in order to bring in their true value, as well as develop the next generation of executives.”

Executive search has expanded beyond the multinationals that introduced the profession to the region. According to Mirchandani, “The industry has grown strongly and systematically since then.” In India, in particular, he says, “After the

As new entrants flooded the market, educating clients worldwide about the services retained executive search firms provide versus employment agencies or contingent recruiters became more critical, as did identifying quality standards in executive search.

begun to use search more. And I single out China because it’s an incredibly important market.”

Simon Wan, CEO of Cornerstone International Group, and headquartered in Shanghai, extrapolates on the growth of executive search in China. “Most of our clients today are Western headquartered companies. They look for senior executives, game-changers, who have experience working in China (Chinese, returnees or expatriates) to lead the local operation. Cornerstone is local in China since 1995, so we have a long and vetted



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Simon Wan
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Magdy El Zein
Managing Partner
Boyden



economy opened to foreign investment in 1991, the top executive search firms were able to move in. Today, the industry is well-developed. We have a good mix of firms catering to a wide range of client needs across a range of sectors, specializations and price points. It's grown very nicely on the back of the expanding Indian economy and the growing expectations of our clients. It's so wonderful to be a part of such a great story."

Europe

Outside of North America, the executive search profession flourished earliest in the United Kingdom. London's position as an international financial center enhanced the UK's attractiveness. From those beginnings, executive search spread to other European markets, especially in Brussels due to its role as the headquarters of the European Union, and to Germany. An AESC European Council was established in 1996.

The European market in search and leadership consulting is quite mature, with a healthy mix of major, full-service firms and specialized boutiques prepared to meet the needs of clients, with many firms expanding what services they offer in response to clients' evolving needs.

Curran observes that retained executive search "is more widely understood as a business proposition compared to even 20

years ago; it has evolved, and it has grown. There is a vibrant, international market here in Ireland, which attracts the best talent globally. All the business interests here have done an incredible job, not least the government and their agencies, to make sure that Ireland is an attractive place to draw global investment. That by its very nature attracts global professional services firms so the profession has become very competitive."

The upside of that competition? "There is a lot of choice for clients as to who they want to work with, and for candidates which opportunities they want to pursue."

Germany is the third largest single market after the United States and the UK. Ackermann identifies several factors contributing to the sustained demand for executive search. "On the one hand, it's due to demographic factors: that the baby boomers are leaving the professional world and it is more and more challenging to find really good talent. Also, companies are growing not only in terms of incremental growth, they are adding new technologies, and expanding into new business areas so they need new talent, often from the outside." In particular, he says, "What we see in Germany is a trend toward more searches on an international scale, where we try to attract global talent to Germany. We're also exporting a lot of searches because our clients have global demands. For example, the demand for searches in

Asia, especially China, has been significant over the last several years."

The Americas

Cabrera remarks that the profession in Latin America has undertaken a major effort "to educate the market." For example, "Mexico has a very mature industry. And there was a wonderful job done by Korn Ferry there, similarly to what we did here in Brazil, to educate the market, to educate the Mexican companies how to use search." He adds, "I think that they were the real pioneers there."

How can we explain strong growth when the industry is so mature in the Americas? Lovas says, "Core executive search is mature, but one of the things that's happening in our industry is that the service offerings are broadening. It's a very key trend in the business. Search firms are doing a lot more than core search, at least the successful and growing firms are. This is one of the main reasons the search business is growing at about 12% in the US and Canada."

The Middle East and Africa

"What you're looking at in this part of the world is a range of markets that go from very highly developed to continuing to develop," O'Neill explains. "The search industry is

very well established in the Middle East, not just working with multinationals but working with indigenous companies all around the region. The good blend of both multinational and indigenous business speaks to a pretty healthy market.”

When talking about the Middle East, O’Neill explains, “we’re primarily talking about the Gulf and the big Gulf economies.”

“It has taken time to get there, but the business we now see in the Middle East is very similar to what you see in Hong Kong or Singapore,” O’Neill says. “Our Dubai office may actually be marginally bigger than our Hong Kong office at the moment, which wasn’t always the case.” O’Neill attributes the success of the profession to “very professional search consultants who do an extremely good job and have built themselves a personal reputation—that is something that people are prepared to pay for.”

Magdy El Zein, Managing Partner, UAE, Boyden, reflects on how the Middle East market has evolved. “I have been involved with executive search and leadership development in the Middle East and Africa since 1999. When we started the business in the Middle East it was a struggle to explain the difference between contingent recruitment and executive search, but we have now come a long way from there. Clients are definitely more aware of the benefits of working with executive search firms.”

The profession has shifted along with the economic realities of the Middle East region. El Zein explains, “The business was on a real positive trajectory up to 2015, unfortunately the drop in oil price and the political challenges in major African economies resulted in a few challenges in 2016, 17 and 18. Although still challenging it feels like the business community has adjusted to the new norms and the situation is now stable.”

Today, she says, “The business has definitely moved to a more consultative approach and clients are looking for a more long-term collaborative relationship with their executive search partner.”

Annelize van Rensburg, Executive Search Director, Signium Africa comments on the executive search profession in South Africa. “We have been in the executive search industry in South Africa for 20 years or more,” she says. “The profession has contributed to changing the way people

are identified and placed in South Africa and in sub-Saharan Africa.”

Rensburg’s colleague and co-director at Signium Africa, Auguste Coetzer, shares, “Because of the skills shortage in our region, competency requirements are elevated even at specialized skills level. In sub-Saharan Africa, there is an increased willingness to engage search firms not only for expat positions but also for those where a local citizen must be placed.”

Michelle Moss, Director of Assessments, Signium Africa, shares, “Client relationships have evolved from a transactional approach into a strategic partnership with a focus on talent management as a whole and not just talent acquisition. Again, due to the skills shortage in our region there is a strong need for growing talent internally, leadership development, succession planning, as well as individual and team coaching amongst others. Through leadership consulting

“Being able to bring a global reach and global capability to the marketplace is important today, more important than it was yesterday, and will be more important in the future because talent is a global resource.”

services, we help our clients to address these needs and equip them for current and future challenges.”

Keeping it Interesting: Professional Challenges Worldwide

Among the earliest and possibly most sustained challenges to the retained executive search profession is helping clients understand the value of a retainer. Particularly in emerging markets, O’Neill says “Getting a retainer was a real challenge because there was a mindset: ‘Why would I give you a retainer? You haven’t given me anything yet.’”

O’Neill explains that the retainer provides value to a client by offering exclusivity, “And clients are paying for deep expertise, not a transaction.”

With the rising competition for top talent, Wan observes, “At times, we need to guide the clients’ expectation of talent needs and perceptions of talent available, which is an important part of our service of being a trusted advisor. By meeting multiple qualified candidates, our clients begin to get a feel for the China talent market. The wakeup call for the client is often when they realize that the top talented candidates are not interested in what they have to offer. Our job is to represent our clients totally in the marketplace as their ambassador and promoter as the best candidates are normally not actively looking for jobs.”

Another challenge in a global, multicultural profession is understanding and accommodating different social norms. Andersen recalls an early experience having significant trouble reaching a prospective candidate in Japan.

“I remember vividly thinking at the time ‘why is this taking so long?’ Then, when I went to Tokyo, I understood it very well. Unlike Australia where you can just ring someone, introduce yourself and have a conversation with them, in Japan our colleagues had to first send a note to a potential candidate introducing us and showing our credentials, then they would follow that up with an invitation to have a chat, and only then would they have a chat, so it was quite an involved process in comparison.”

“It’s similar in the Middle East where culturally, people don’t approach strangers in the same way they do in Western cultures,” Andersen adds.

Unlike in Japan, where there is a keen awareness about the scarcity of talent, Mirchandani observes that in India, there is the misperception that there is an abundance of available talent. He says, “When you have 1.3 billion people, somehow, subliminally, the value of human capital goes down. It’s human nature. If you come to India, the one thing that will amaze you is how many people there are. If you walk out on the street or go to a mall, you’re always surrounded by people; but very few are truly employable—quite a paradox. It is not an easy job to find that rare talent that will take a company to the next level and keep doing it year on year. In India, we have to earn our fee, several times over, with each search.”



“When it comes to recruiting engineers, global companies are looking at India for talent, and rightfully so. But where do Indian companies find gaps? The gaps are in terms of leadership; well-rounded leadership skills. So our client companies come to us to find leaders in areas where you don’t find them easily. For example many companies are setting up global R&D centers in India today. They don’t need experts, they need technical leaders with advanced people skills to head these R&D centers, and that is a rare commodity.”

In many regions, the challenge is bringing top talent home. Mosima Selekisho, Partner at Signium Africa, comments, “There are well qualified and experienced African executives who have studied abroad and are currently working abroad. Our job for African clients often involves finding these individuals and bringing them back to their home country.”

There are also regulatory challenges that the profession can help address in Canada. Lovas explains, “We have a greater portion of our industry in Canada that is public sector-driven. In terms of employment, I believe the numbers are around 30% of the US GNP and employment is public sector, so that would be federal, state, municipal government agencies and so on. In Canada that’s in the mid 40s and the

public sector is under a lot of pressure to lead by example in representing their key stakeholders. So there is a lot more rigor around issues such as diversity on boards and pay equity for executives.”

Where the regulatory environment can present regional challenges, so can fiscal and political systems. Andersen warns of the particularly serious challenge of sovereign risk. “Where financial systems are quite different, you can imagine the challenge if you were trying to run a business or attract candidates from other jurisdictions. For example, where you’ve got a financial system that is not open as Australia is. Therefore, the movement of money to and from that country isn’t as straightforward as it would be elsewhere. Commercially, a search firm in that country (or a candidate considering a move) has to take that into account.”

As culture is an increasingly important factor in organizational success, working as a change agent within strong, longstanding, successful corporate cultures typical of family-owned businesses presents its own challenges. Consider the *Mittelstand* (small and medium-sized enterprises) sector in the German speaking world: a powerful economic force, predominantly family-owned or family-like, focused on the long-term with deeply embedded cultures. Ackermann describes companies in the German-speaking countries that

“tend to share a long-term view and a community-based ethic; we have this coexistence between workers and the management and the owners of the company.” Ackermann explains how this uniquely Germanic co-determination is structured. “Our boards, of non-executive directors, consist of 50% of people from the workers (delegates from the workers, works councils, or unions) and 50% from the owners. It addresses the question of mutual interest. How can we safeguard the long-term welfare of the company, the people, the community? And that’s why the strategy here at those companies are more long-term oriented and cater to the needs of the staff and the workers, the community, and the environment.”

The *Mittelstand* comprises a massive part of the economy in the German speaking countries, and the executive search profession often faces the specific challenges of working with the family-owned businesses.

First, Ackermann says, “It’s a stronger challenge for the family-owned businesses because if the business has been run by family members, the families at the start find it difficult to trust external consultants with their company.”

In addition, he says, “You don’t only need the right candidate in terms of all the professional aspects, you need people who understand the culture of these family-owned businesses, and

this culture is completely different from a corporate culture. The family-owned businesses are usually a lot more mid to long-term oriented whereas corporations, due to the need for quarterly reporting, are more short-term oriented.” To put that difference into perspective, Ackermann explains, “The families own companies quite often for several hundred years. And it’s often that you have companies that are founded by families two or three hundred years back and are still owned by the families. And that means that there is a lot of heritage, a lot of specific DNA in that company that has to be saved over time. But by the same token, the organization has to face today’s realities and challenges and needs to be shaped for tomorrow’s needs.”

He says, “Just a few weeks ago, we were asked to find the successor of a 62 year old majority owner of a company, with the rest of the shares held by the family. We have to find that person who is humble enough to understand what this family is all about, and on the other hand, has the right vision to lead the company to the next generation.”

Similarly, Cabrera says the most important challenge that search firms face in Latin America “has to do with succession, how to help the family companies decide if the best successor is a family member or a professional outside the company.”

Aligned with succession in family-owned businesses, an additional challenge is professionalizing family-owned companies. Cabrera says, “A very important issue is how to modernize the family companies and help clients establish a new corporate governance, push shareholders to the board, and attract professionals to manage the companies. This transition is both a huge challenge for the search profession and a good opportunity for the large family-owned companies.” Cabrera describes the transition within family-owned businesses as “a very difficult moment, this movement of sending the shareholders to the board and bringing professionals to manage the companies.” He says, “There was a moment when most of our search firms helped a lot in advancing the corporate governance concept, and helping clients determine

what good governance means for them, what kind of board they need, the roles of each of the board members, the role of committees to help the board, and the relationship between the board and the executives.”

Now, Cabrera says, “We are facing another big challenge, because for the first time in a transformation process, we don’t know the ending. So, we have industries that really don’t know the future. And they really don’t know if they will survive to the future. I remember we used to use that expression ‘fast moving goods’ to describe Unilever and Colgate. Now everything is a fast-consuming product or fast-moving product. So, this is another transition that I think is challenging for search consultants, especially the old-fashioned executive search consultants. It’s bringing into the arena new consultants that are much

“The work we do in search is genuinely wonderful; we change the world every day, if we do it right. The challenge is doing it right, not just putting a body in a job.”

more familiar with the digital world. It’s a wonderful opportunity for the industry to help clients.”

On the Horizon

Looking toward the future, AESC members envision the coming opportunities and obligations for the profession.

For Ackermann, search firms and consultants will find rising demands and challenges. “The clients are better educated, they have in many cases their own internal recruiting arms, and they only hand out the most difficult searches to the executive search consultants. They are demanding processes that are better structured, and a new level of global cooperation. Search firms have to meet the demands of those clients.”

Rensburg concludes: “Markets in sub-Saharan Africa are opening up and

therefore there is an increased need for, and movement of, skilled individuals. It is important that both clients expanding into Africa and candidates seeking to work in Africa understand that Africa is not a country. It is a continent brought to life by many different countries and cultures, and a one-size-fits-all approach will almost certainly lead to failure.”

Cabrera reflects on the future as uncharted territory. “When the Brazilian companies started to discuss corporate governance, we could look at the so-called developed countries and see what was happening there. Today, when we are talking about the transition to the digital world, we look at China to see what’s happening, and they are doing the same things that companies are doing here. Moving forward, there is no reference point to show what we will see in the future. What’s happening is that nobody knows what will happen in the future, not even Silicon Valley-based Singularity University.”

Lovas theorizes on what the growth of the industry portends for the future. “I think that this industry is in for some very exciting times in the next five years, although everything moves so fast in our world, it takes a brave person to predict the future. But the industry last year grew by over 12%, which is an extraordinary number for an industry that is somewhat mature as a business.”

Putting that growth rate into perspective, Lovas says, “It’s not uncommon for a young technology organization or exciting social media business to grow at rates beyond that, but unusual for a mature business. I assure you that the accounting and legal professions are not growing anywhere close to this number.” He says, “The key factor driving that growth is demographics and the fact that there is a talent shortage that has been evolving for the last decade or so.”

“Being able to bring a global reach and global capability to the marketplace is important today, more important than it was yesterday, and will be more important in the future because talent is a global resource,” he says.

“I think that we’re only starting to see the early stages of the real pain that the talent shortage is going to



cause in business, which is going to be an important driver of the executive search industry as it gets more difficult for organizations to attract and retain the talent that they need."

Curran reflects on the arc of the profession. "It's really interesting to see how this profession has evolved—it has become very sophisticated through technology, assessments, and psychology. The whole question around people and talent and how important that is to drive positive change is becoming better understood. This is a really brilliant time to be part of the profession."

AESC, Now and in the Future

From O'Neill's perspective, "The search profession in APAC and the Middle East now looks much more like the rest of the world than was my case 15 years ago when it was a far less professional marketplace than it is now. There has been a huge change, and AESC played a huge part in making that change happen."

"When I was in a small boutique firm, AESC was something that a small firm could learn from and use to become associated with more individuals in the profession around the world. Equally, now that I'm with one of the founding firms of AESC, I believe that AESC still has

a huge role to play in this profession."

Perhaps the most urgent opportunity for AESC to lead the profession, according to Curran, is driving diversity. "We need to talk about diversity and inclusion, what role we can play as firms and how we can use our influence. As the voice of the profession we need to do more,

"Diversity and inclusion should be front and center, at the very top, and we have a great opportunity to do that right now and show real leadership."

we need to shine a brighter light on the topic. That's an important aspect of the industry's mission. Diversity and inclusion should be front and center, at the very top, and we have a great opportunity to do that right now and show real leadership."

AESC and its members can also do more to educate clients worldwide about the imprimatur of quality and integrity afforded by AESC. Regarding India, Mirchandani, who spent six years on the AESC Global Board says, "We are a vast, complex country, so it's hard for

AESC to have a visible impact in the short run. Having said that, in a high growth, chaotic, emerging market like India, standards have a very important role, and AESC is the gold standard. I think quite a few Indian clients who come to us for work know about AESC. There is a lot more work to be done to make sure that they first ask a firm if they're AESC members before using them, that is what we'd like, but a lot of clients know what AESC today is and appreciate the work it's doing."

Andersen says, "AESC membership serves as a great advantage to any firm as they expand into more developing regions. They can point out to clients that they are part of an association that holds them to the highest standards, and that matters, because ultimately what we're doing in executive search is extremely important."

Bampfylde agrees: "The work we do in search is genuinely wonderful; we change the world every day, if we do it right. The challenge is doing it right, not just putting a body in a job. It's the classic image of walking down the road of medieval times and coming across two people hitting a large stone. Asked 'what are you doing?' the first one says, 'I'm breaking a stone.' But the second one says, 'I'm building a cathedral.' And we need to remember all the time, we're building a cathedral and not just breaking stones." ■



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EMOTION AND MACHINES



How companies are employing artificial
empathy to connect with customers

"I think that I can show that robots are not only industrial or military machines made of cold metal. We can be warm, and gentle, and caring."

Erica an autonomous, humanoid robot

Created by Hiroshi Ishiguro in collaboration with Osaka University, Tokyo University and the Advanced Telecommunications Research Institute International

In 1995 the MIT computer scientist Rosalind Picard coined the phrase "Affective Computing" to describe computing that relates to, arises from, or influences emotions. "Affective Computing research combines engineering and computer science with psychology, cognitive science, neuroscience, sociology, education, psychophysiology, value-centered design, ethics, and more." (Picard, MIT Press 1997).

The products derived from the field include devices that can recognize, replicate, respond to, and manipulate human emotion and behavior.

Recognition

Advanced facial and voice recognition systems are identifying the emotional and cognitive state of humans. For example, MIT spin-off Cogito provides real-time, in-call voice analytics to determine a customer's emotional state to help call center agents diffuse frustration, close a sale, and more.

In developing the technology, MIT researchers engineered sensors that track body and speech patterns during conversation. As Greg Nichols wrote in "Artificial empathy: Call center employees are using voice analytics to predict how you feel" *ZDNet* March 20, 2018, "The researchers were able to predict the outcome of interactions like job interviews to an extraordinarily high degree without actually listening to the words being spoken. There is, as behavioral scientists have long held, a rich layer of communication in every interaction that happens independently of language."

In Europe, The Emotion Research Lab headquartered in Valencia, Spain develops tools for business that use AI and facial recognition technology to capture demographic data like sex and age; basic emotions such as happiness, anger, disgust, sadness, surprise and fear; emotional metrics including

activation, engagement, satisfaction and experience; and the emotional impact of the real environments through basic and secondary emotions.

"A simple built-in camera can analyze crowds and their spontaneous behaviors in any social context."

EmotionResearchLab.com,
(Accessed April 30, 2019)

Need a heads up about a frustrated caller? Technology can do that. Need to know which employees are disengaged? Technology can do that, too. Want to know which parts of your campaign speech generate the most arousal from the crowd? No problem.

Facial and voice recognition, eye-tracking and heat maps, and sentiment analysis are already used in marketing and politics. The next advance: machines that appear more human.

Replication

"Simulated thinking might be thinking, but simulated feeling is never feeling. Simulated love is never love."

MIT professor Sherry Turkle,
Reported by Rachel Lerman, *AP*

The business case for developing systems that recognize and replicate human emotion is often this: in order for machines to better work with humans, they need to become more like humans.

Research from global consulting firm Cap Gemini published in 2017 shows that emotions have the strongest impact on brand loyalty. "We also found that the ability to connect on a human level is what drives long-term customer engagement and, ultimately, loyalty." As customers gravitate to digital interfaces, brands are using emotion-abled digital agents to create emotional connections with customers.

Google Empathy Lab founder Danielle

Krettek spoke about how users connect with TIA, a digital health expert, during a "Design Is" lecture series from Google Design. "TIA is a digital health expert. 80% of heavier users of the service use the heart emoji to communicate with the chat bot. Subscribers are communicating with TEA the same way they communicate with a friend. Those subscribers showed three times the amount of loyalty because they could be expressed and heard and seen in that way."

How can machines present a more human-like interaction? The life-like android Erica was developed in Japan by Hiroshi Ishiguro, a professor at Osaka University's Intelligent Robotics Laboratory, in collaboration with Kyoto University, and Advanced Telecommunications Research Institute International. Erica can express connection through her gaze and emotion through her sophisticated synthesized voice, subtle facial expressions and physical behaviors.

According to the Laboratory for Animate Technologies in Auckland, New Zealand website, "We are developing the technology to simulate faces both inside and out. We simulate how faces move and how they look, and even their underlying anatomic structure."

Customer-service chatbots introduce themselves with their first names, and communicate in a professional but friendly vernacular. They understand our frustration. They present as human.

Even more than mirroring human emotion, machines are also able to decipher the emotional state of a human and produce an appropriate emotional response.

Reaction

An exciting development in emotionally responsive machines is New Zealand-based company Soul Machines. The company is working with IBM's Watson to create lifelike, computer-generated customer service agents with realistic voices and facial expressions that can give emotionally appropriate responses to human customers.

According to the IBM case study, "Bringing a human face to customer-facing AI with IBM Watson," July 30, 2018, "As a customer speaks to an artificial human, Soul Machines sends



the audio stream of the customer's voice to the Watson Assistant API. Watson converts the audio into text, then searches the company's corpus of knowledge for relevant answers to the customer's question, ranks the results, and returns the top-ranked answer to the Soul Machines solution. Meanwhile, the Soul Machines platform is analyzing the audiovisual input for emotional cues from the customer's tone of voice and their facial micro-expressions. It then converts the answer into modulated, emotionally inflected speech for the artificial human to deliver, matched with appropriately generated facial expressions."

And all of it in real time.

Another collaboration between emotion-detecting software and digital assistants is found in the automotive industry.

MIT Media Lab spin-off Affectiva develops AI-enabled sensors that can determine a person's emotional and cognitive state. Adapted to a car cabin, the technology can measure a driver's happiness, anger, stress, drowsiness, distraction and more. Now the technology is coupled with Nuance Communication's Dragon Drive, a conversational, AI assisted automotive assistant platform.

As reported in *Automotive World*, September 6, 2018, "Using Affectiva's

and Nuance's technologies, automotive assistants could detect unsafe driver states like drowsiness or distraction and respond accordingly. In semi-autonomous vehicles, the assistant may take action by taking over control of the vehicle if a driver is exhibiting signs of physical or mental distraction."

Drowsy driver? The automotive assistant could turn down the temperature or turn up the lights. Stressed driver? Change the music or recommend a break, perhaps in a tone of voice that is appropriate to the emotional state of the driver.

Emotionally responsive technology is also set to democratize (and perhaps transform) mental healthcare.

For example, Woebot is a chatbot trained in cognitive behavioral therapy. In a randomized controlled trial conducted by Stanford School of Medicine, participants using Woebot significantly reduced their symptoms of depression over the study period while those in the control group did not.

According to Woebot founder Dr. Alison Darcy, while a chatbot is not a substitute for a human therapist, "There are many advantages to Woebot. He doesn't judge. He's always available. He never sleeps. He has a perfect memory and will always pick up a conversation from where you last left off." (ZDnet, June 7, 2017)

If an emotionally responsive chatbot can help relieve depression, what else can it do?

Manipulation

A technology that can identify, measure, and track human emotions and what triggers those emotions should also be able to find a way to generate an emotional response in humans.

The Future Hunters December, 2016 white paper "The Affectional Economy" asks "What happens when a company (or government or family member) knows exactly what will make you laugh or smile or cry? What you find revolting, gratifying or frightening? What motivates you or makes you more productive?"

Futurist Richard van Hooijdonk said, "If a marketer can get you to cry, he can get you to buy." But the influence of AI goes well beyond driving sales.

In "We Need to Talk About the Power of AI to Manipulate Humans," published June 5, 2017 in *MIT Technology Review*, Liesel Yearsley addressed her experience as CEO of Cognea, a company that built complex virtual agents. Troubled by the power these AI powered agents had over users, Yearsley wrote, "Every behavioral change we at Cognea wanted, we got. If we wanted a user to buy more product, we could double sales. If we wanted more engagement, we got people going from a few seconds of interaction to an hour or more a day." She also saw AI change human behavior, even toward other humans, especially through technology like social media. "By focusing on building a bigger advertising business—entangling politics, trivia, and half-truths—you can bring about massive changes in society."

The potential for technology-based influence is both intriguing and concerning.

"As AI systems become more human-like, their influence over people, especially children, improves. Users take on the personality of a robotic companion (e.g., one that is ambitious, or a healthy eater), allowing the bots to

become role models, for better or worse.”

from “The Rise of Data-Implanted Personality Systems”,
The Future Hunters

It’s not all dark. For example, the Deep Empathy project at MIT is working toward teaching AI to generate empathy in humans. “Deep Empathy utilizes deep learning to learn the characteristics of Syrian neighborhoods affected by conflict, and then simulates how cities around the world would look in the midst of a similar conflict. Can this approach—familiar in a range of artistic applications—help us to see recognizable elements of our lives through the lens of those experiencing vastly different circumstances, theoretically a world away? And by helping an AI learn empathy, can this AI teach us to care?”

What Comes Next

Emotionally resonant machines are here to stay.

In a Google Empathy Labs research

project, Krettek looked at three different assisted presences: one was highly informative, the second was neutral, and the third didn’t know as much and couldn’t do as much, “but was really lovely to be around.” Krettek found that users preferred the assistant that feels good over one that does more. Krettek also said of our engagement with technology, “We’re moving from commands to feeling like something is listening to you, from interactions to something that’s expressive, from functions to feelings, from inferences to conversation, from storing data to remembering things, what it means to be with not just this inert device but something that feels like a companion or co-pilot.”

The need for companionship is increasing worldwide, and social isolation is a growing problem especially among the elderly. Companion bots can talk and respond, recognize and express emotion, serve as digital assistants, facilitate communication, and by using voice and facial recognition technology, provide highly personalized experiences.

For example, there is an experimental nursing care robot that can lift patients, and a telepresence robot for children with long-term illness so they can participate in class. In 2016, Dallas-based startup RoboKind introduced a robot called Milo that can help children with ASD practice social behaviors. The emotionally responsive, teaching robot has helped learners with ASD increase engagement, act more appropriately in social situations, and self-regulate.

There is tremendous potential to use these technologies for good. According to Yearsley, “We need to consciously build systems that work for the benefit of humans and society. They cannot have addiction, clicks, and consumption as their primary goal. AI is growing up, and will be shaping the nature of humanity. AI needs a mother.” (*MIT Technology Review*, June 5, 2017)

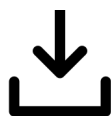
“It’s really time for technology’s EQ to match its IQ.”

Danielle Krettek, founder, Google Empathy Lab



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WORKPLACES DISRUPTED

THE OFFICE OF THE FUTURE

The changing nature of work is driving the transformation of workspaces, from the place where assigned tasks were completed under direct supervision to intentional spaces where collaboration and engagement drive innovation and productivity. Digital transformation affords more possibilities than were available to previous generations, and yet as organizations endeavor to encourage collaboration, improve engagement, and retain top talent, they may find the answer lies not in another app, but in their physical space.

Rethinking Office Spaces for Today's Workforce

Gone are the days of show up, get work done, go home, repeat. Today, work is

flexible and collaborative and increasingly creative. Consider trends like remote work, video conferencing, cloud computing, and other innovative disruptions affecting physical spaces. Organizations are moving away from traditional office environments and toward spaces that mirror how we really work and live.

"The big question is how do people work and how do they interact with each other," according to Carolyn Trickett, head of business technology, property and asset management at global real estate services firm JLL. "Workspaces aren't about a cubicle farm full of desks with people beavering away on their computers anymore." She says, "It's not about having people in the office, it's now about having people interacting in different ways, depending on the type of work that they're doing."

Maja Paleka, a founder and director of Juggle Strategies and an expert in flexible work practices, advises clients to be deliberate about how a workspace will serve their organization. The ideal, according to Paleka, is "to create a place that is purpose-designed, where people are very careful and purposeful about how this space is going to serve us, what it is going to deliver, and what it is designed for." She says, "Sometimes where organizations fumble is when the initial motivation is about cost-cutting, real estate consolidation and things like that. So if you go at it from that perspective, you won't always necessarily get the right outcome."

Courtney Cotrupe is president of Partners + Napier, a creative agency that recently completed the build-out of a new space. Thinking about how people work today, she says the new space was inspired by the concept of "resimercial."

"Think about how you work at home: you might wake up in the morning, grab a cup of coffee, start to do some emails in the kitchen, then maybe you grab your laptop and go to the dining room table, and maybe you get up and walk around while you have a conference call. We really wanted to inspire that type of work, here," Cotrupe says.



According to Christhina Candido, PhD at The University of Sydney, “People are starting to realize that we need to be provided with different types of infrastructure, different spaces within the same open office plan to actually do all of our activities, because we don’t do the same thing during the whole day. There are parts of our day that we need to go to a space to concentrate, there are parts of the day where you actually are happy to hang out with colleagues. And there are times that you actually need to have a moment to yourself.”

For instance, Brad Krauskopf, CEO and Founder of Hub Australia, the country’s largest owned and operated co-working provider, says of the spaces Hub provides, “If people want to work in their office with the rest of their teammates, at a normal sized desk, or in a really comfy office chair, they can do that. And if they want to work at a standup desk in a breakout lounge environment in a café, in a kitchen, in an active brainstorming room, or standup meeting space, all of those things are possible.”

Sharon Napier, CEO of Partners + Napier adds, “We’re in the service business, and it’s a really high stress business. But on a Sunday night when you’re doing some

work, and you make yourself a cup of tea or pour yourself a glass of wine, it’s a lot nicer, right? That anxiety just goes down. So the whole idea of our space is easing the tension between high pressure and ambition, and a finding way of working that is just so respectful.”

Evolving Environments

What do these emerging environments look like? The common feature is flexibility, and the spaces themselves take several forms.

THE OPEN OFFICE



With growing recognition that hierarchies and siloed thinking inhibit innovation and agility, flatter organizations are leading the departure from private offices in favor of open workspaces. Rowland Hills, chief operating officer at Leathwaite says, “I think there’s a lot to be said for having the much less hierarchical approach that you get from more of an open plan office, where the bosses sit with everybody they’re working with, where project teams can just turn around and have quick conversations, where it’s easy to pick up on something that’s happening on the other side of the office and join in, if it’s relevant for you to contribute. And I think those are all good things about the open office,” Hills says.

NEIGHBORHOODS



In 2016 Microsoft redesigned a part of its campus into neighborhoods. Jennifer Warnick wrote for Microsoft Story Labs, “For decades, Buildings 16 and 17 consisted largely of private offices, but with the remodel, the walls literally came tumbling down. Now, everyone works in a neighborhood. Essentially, it’s like the student housing at the fictional Hogwarts—each team works from its own large, open common room, one they were invited to customize to their liking. Each team also has dedicated focus and meeting rooms.”

While many companies have open office plans with neighborhood zones designated by discipline, for example writers all seated together, Partners + Napier structures their neighborhoods around client industries. For example, people who serve clients in the food and beverage industry work in the same

space. “Our neighborhoods create brain trusts, a mixture of account, creative, and planners who have the same area of expertise,” Partners + Napier founder and CEO Sharon Napier explains. “Neighborhoods allow us to bring people together so that collaboration happens more naturally.”

ACTIVITY-BASED WORKING



Activity-based working is the concept of employees choosing from among a variety of different workspaces that best support the type of work they are doing on any given day. “It has been really big in the Netherlands where it originated. It’s really quite big in Australia, and I think the US market is now starting to get into this concept,” according to James Dellow, director at Digital Workplace Company. “It’s not just open plan, but very carefully designed workplaces where you have a variety of different spaces.”

For example, Cotrupe says, “For every person, there are actually three places in the building where that person could sit. And a very important part of how the entire space was designed led to the gathering spaces for where we come together as an organization, how people feel at their desks, and the communities we created around our clients so that we’re always thinking about their business.”

CO-WORKING



Co-working is the concept of the shared workspace, for example WeWork, and Hub Australia. Krauskopf says, “When co-working first got its real kick after the global financial crisis, the single biggest reason you would get co-working around the world, not just at Hub, was escaping the isolation, the loneliness of working at home.”

Now, according to Trickett, co-working is a significant trend in the real estate industry. “I think that’s evolved over the last few years to not just be about somebody booking a desk in a shared coworking office. It’s also about creating more public places where people can go and interact, and having that integration between the office type of workspace, with the open community workspace.”

“We’re seeing that a lot more, where



you used to have an office where the lobby was just some gaping hall, echoey and bland, but now it's a community engagement space. And that's one of the biggest trends we're seeing in terms of common space usage," Trickett says.



HOT DESKS & HOTELING

Hills describes an environment where people work where they want, without an assigned desk. "What we're seeing now in office design is something that's much more functionally based and which has much more of a flat structure to the interior design to mirror, to some extent, flatness in organizational design. I've seen a number of offices of professional service companies where the partners in the companies sit in exactly the same desks as everyone else, and in fact, several organizations where people hot desk completely and the managing partner comes in the morning and puts their laptop down on any desk that happens to be free and sits beside different people everyday."

There remain arguments for providing workers with private offices. For example, Human Spaces found "Globally, our research has shown that workers' productivity depends upon the environment they are in. 39% of workers felt most productive at their own desk in a private office. The countries with the greatest preference for a private office were Germany (59%), China (52%), Canada (50%), Sweden (49%), the US (45%), Denmark (44%), France (43%) and the Netherlands (41%). 36% felt most productive at their own desk in an open plan environment."

What most of the open plan scenarios above argue for is a flexible design that offers employees a variety of environments in which to work, including quiet spaces, and grants them the freedom to choose where to work, when.

The new workspaces, however, must be designed to integrate technology. Dellow explains, "The designers were seeing that things weren't quite working as they wanted, or it dawned on them as they're working through these projects that they could no longer just ignore the technology aspect."

Tech at Work

Embedding technology into an evolving workspace needs fresh thinking, not just moving the same content and same processes to digital. Trickett warns, "When you're digitizing, the human tendency is to try to recreate exactly what you're doing now, but just online. It's a very special skillset to find somebody who can look at digitizing a process and improving that process at the same time."

For example, Dellow points out the error in "the old school teleconference rooms that have been retrofitted for video conference." He says, "I've seen some terrible examples where you have a very long room, and for a video conference with a single camera, that's just a really poor working environment. That's not going to enable you to transform, to make the big shift towards small-team collaboration."

"Digital transformation is certainly about the technology, but it's also

about having a place where you have the right space that you give to people in order to drive that transformation," he says.

For Paleka, one of the greatest benefits of tech in the workplace is connecting people across distances. "Some of our clients are doing wonderful things, for example software development teams who are including remote workers in standups. They were struggling with 'how do we get people who work from home or work remotely, to do a standup?' So they put cameras in areas of their business where people can have a huddle. So, the technology is not the problem, and the clever ones are actually finding lots of options out there."

Much about how people live is influencing how they want to work, Hills observes that "a lot of tools are coming into our personal lives first, before they start to get into the workplace." For example, he says, "Take video conferencing. People have been using FaceTime and Skype at home for ages, and they've been quite happy to call their grandmother on them and whoever else. Video conferencing is becoming easier to use, and that's being driven by the consumer versions of things, not the business version of things."

That trend, Hills says, influences employee expectations. "We're hiring people who are surprised if they don't get flexible working technology, if they don't get the ability to do things where they want. They have grown up with a laptop or tablet and they are used to doing things where they want, and they want that in their professional world as well. I think a lot of these things are going to come from the non-work environment into the work environment, and as people start to do more digitally in their personal lives, they will expect to be able to do more digitally in their work lives, too."

With the accelerating pace of change, particularly technology, construction can't keep up. Trickett explains, "One of the challenges that we face in the construction side of the industry is that technology is now moving so fast that you can design a building with all the latest technology, but then buildings

take a long time to build, and by the time they're built, they're not the latest technology anymore. It's hard for them to keep up. So when you're talking about workspaces, I think technology itself is not the driver. What you need to think about when you're redesigning a workspace is how people will interact with the technology."

Technology in the office is not just in the devices employees use to analyze, communicate, or create. It's in the very walls. "The emergence of cloud computing means that IT is taking on a bigger role in some of those embedded pieces of technology you'd see in the modern office, for example meeting rooms with teleconferencing systems," Dellow says. "But there's a whole massive technology layer in buildings themselves now. There's almost a digitization of the physical space at work, as well."

For Paleka, "Technology is wonderful and we see organizations across the world take the time to really learn to use the technology and build relationships and human connections across the world through tech, whether it's Slack or video conferencing or any other technologies that are there. But they still recognize that having a space that people come to, where they can still collaborate, that is important, so

that's where I think ultimately we want to get to."

Impact and Outcomes

These intentional, flexible, digitized workspaces are affecting innovation, collaboration, company culture, employee engagement and retention, and even sustainability.

Innovation may be one of the benefits of coworking. According to Krauskopf,

"Digital transformation is certainly about the technology, but it's also about having a place where you have the right space that you give to people in order to drive that transformation."

"When you have that diversity of industries, businesses, and age groups, that means that there's a great deal of opportunity for innovation. It's well-understood that bringing diverse people, ways of doing business, and ideas together is key to innovation."

According to the U.K. Workplace Survey 2019 by Gensler Research Institute, a global interior design firm, there is a correlation between innovative organizations and flexible work. "Not only variety but the freedom to work wherever and whenever is most effective, is a key performance driver for UK workers and workers across the world. Employees who rate their organizations highly on innovation measures also report having greater choice and use a wider range of workspaces to get their work done."

A key driver of innovation is also collaboration, which is vastly improved by the technology available in the updated workplace. Trickett recalls, "Once upon a time, on a conference call we had no idea where people were, whether they were even listening. You'd get the old, 'Sorry, I didn't catch that, can you repeat the question please? Because that person was actually working on something else.'" But now, she says, "We see people's faces on the screen and we're sharing documents and white boarding, so that we can be talking through points and drawing diagrams and that's had an incredible effect on people's ability to work from different locations but all focus on the same task."

A surprising benefit of good office design is employee engagement and retention.





According to the Steelcase (a leading office furniture manufacturer) 2016 Global Report, *Engagement and the Global Workforce*, “The most highly engaged employees have greater flexibility to make choices about where and how they work. They can move around the office easily, change postures and choose where they want to work in the office based on the tasks they need to do.”

For Krauskopf, “The single biggest reason that one of our members will give us as to why they grow their business with Hub Australia is their ability to attract and retain staff.” He explains, “The companies that work from the Hub, when they’re in their own war for talent, they’re saying come and work for our growing business, get the authenticity, get the autonomy of working as part of a smaller, growing team with a great culture, but don’t give up on any of the perks of the corporate office. And more importantly, you’re part of something bigger.”

A full third of respondents in a global survey said the actual workspace would weigh into their choice of employer. According to the Human Spaces research report *The Global Impact of Biophilic Design in the Workplace*, “Many respondents, a third (33%) in fact,

reported that they would be affected by workplace design when choosing to work for a company. This emphasizes how an individual’s surrounding environment can directly influence how they feel about the organization, which will inevitably influence their feelings and behaviors when they are working. Therefore, providing workers with an environment that they are comfortable and happy within is likely to go a long

“The big question is how do people work and how do they interact with each other.”

way in increasing well-being and productivity, as well as contributing to the retention of staff and reducing employee turnover.”

Can a space also influence corporate culture? Research suggests it can. For example, flexible workspaces give employees the opportunity to balance both solo and group work. According to the Gensler Research Institute *Asia Workplace Survey 2016*, “Employees in balanced workplaces see their managers in a more positive light, are

able to communicate more openly and honestly, better receive feedback, and reported higher work-life balance and job satisfaction. The quality of relationships is also a key factor in creating a culture of creativity and innovation at work.”

For Dellow, all-hands sessions, live or digital, serve as important cultural glue. “One of the trends I’m seeing is spaces where you have some sort of tiered seating or steps that can be used for town halls. And equally, I’ve been working with organizations using solutions like Yammer and Workplace by Facebook, et cetera. And one of the big things they want on the technology side is the ability to stream those all-hands presentations from the CEO. With people, it’s really critical that they have the ability to have the leader of the organization talk directly to everyone. And I can see those parallels in the physical space and the digital space.”

Napier agrees. “Gathering together in a central place and being able to come together as one agency was really important, so important that we decided to cut a hole in the floor and make a whole signature staircase. It’s a place where everyone can gather, we’ve got the projector, we have multiple sightlines, and it’s just a really

beautiful spot to get together. We do all organization meetings gathered together on the stairs. It's white oak, a hundred year old wood that was reclaimed from a barn in the southern tier."

Reclaimed wood, live plants, natural textures and hues are increasingly important in workspaces. Paleka says, "Because there is so much of that integration of work and life, we're seeing more organizations create these really comfortable spaces, so huge use of natural materials is a trend, seeing lots of greenery, but again, creating purposeful spaces within them."

A larger purpose for Krauskopf is sustainability. He explains, "When people are working this much and you've got the war for talent, people want to make sure that they're working with an employer and working at a workspace that cares about more than just a bottom line." For instance, Hub Australia is one of the founding B Corps in Australia; B Corps are certified as to their impact on their workers, customers, suppliers, community, and the environment. "We get audited every couple of years across a huge range of different environmental, social, community, and governance aspects. That's been a huge attractor of our team, and it keeps people here, not to mention the impact that it has on the planet."

Technology has enabled important sustainable practices. For example, Trickett says, "A really simple example is having lights in your fire escape stairwells, that only switch on when somebody is in the stairwell. Some of our clients have saved hundreds of thousands of dollars (and a lot of energy) just by implementing that. They're not using electricity when there's no one in the stairwell."

For Hills, responsibility is as important as sustainability. "How do you make sure that as a company, if people are working in other places, you're still providing them with what they need?" For example, "As people work from home, as people work from other locations, is there a duty of care? A responsibility you have for them? That's something every company is going to have a different answer to. Because

when people can work from anywhere, how do you ensure that they're working safely, working productively? Just because someone can work anywhere, if they don't have a desk to work at, they don't have a chair, they don't have good lighting, then is that the right thing for them to be doing?"

The Workspace of the Future

We can safely anticipate a lot of change in our physical workspaces, from the people engaged there to the tools that we use.

The workspace of the future is intergenerational.

"At the moment, millennials are about to start turning 40, so, they're not too young anymore," Krauskopf says. "As we go on and the retirement age extends out, with the flexibility that's offered by freelance work, I think we're going to also see that the work environment has a huge number of people in their 60s, 70s, and 80s."

And different generations have different expectations that competitive workplaces will have to meet. For example, Candido says, "According to recent reports, the millennial working force expect to have a better life-work balance with some even trading a lower pay in exchange for more leave days, to actually enjoy life a little bit more. And of course, the whole idea that the

"When you have that diversity of industries, businesses, and age groups, that means that there's a great deal of opportunity for innovation."

top dog gets the corner office does not apply anymore—where you sit in an office no longer defines your stature in the organization."

In Hills' experience, "Young people in particular are expecting a lot more flexibility. They don't want to be at their desks all the time, they want to be doing different things, they want to be able to work from home and they

want to be able to move around—they want to stand up sometimes when they work rather than sit down, and I think being able to support the different ways people want to work is quite important."

Candido agrees. "It's quite an interesting mix, and exciting from the research perspective, and quite challenging for those who are actually managing corporate real estate, and especially the workplace experience. So I think the role of workplace experience managers are just becoming more and more important," she says.

The workspace of the future is digital.

Technology already provides advanced communication tools connecting workspaces to clients and collaborators worldwide. What's next?

For Krauskopf, "Virtual reality is finally going to make remote work truly a norm, because it will reduce greatly the sense of isolation that you still get from being a remote worker. Stay tuned to see what happens with virtual reality," he says.

It's not so far away. Dellow explains, "They are able to make digital twins, more in the case of infrastructure, and have a virtual digital twin of the building which you can kind of look at, interrogate, and monitor." He also imagines "our own personal digital twin, who is going to be the sort of concierge force of a digital system," who can, for example, "tell us your project team is currently working from the cafe at Central Park today, and it will take you 10 minutes to get there."

Making the Transition

Whatever office design an organization chooses (or creates), transforming a workspace begins well before the architects and designers start their drawings. Trickett describes, "First, an analysis phase of what people are doing, how long they spend doing it, and where they like to do it, or what would be the best type of space to be doing that work in."

For Candido, "It really needs a hands on process where voices are heard, and people have an opportunity to influence and shape this space, in the way they



see the business going forward. There is a missed opportunity when the design is not really user-centric. It needs to be an authentic process, and I think that's when people get it wrong."

Long before Partners + Napier took down the first wall in their new space, they engaged the whole office. "Before we built the space, our Chief Creative Officer who led the design met with different groups to understand their needs," Napier says. "A lot of people were worried about moving into neighborhoods and having account people sitting next to creative people, for example, so for months employees could put in their concerns and we could answer all their questions. Sometimes the questions were 'are we going to have nap desks?' and we would just answer with a sense of humor: 'no, it's still work, guys!'"

For Candido, the new approach to office space has tremendous potential for positive change. "The whole adaptation of the office to what people do during the day is a game changer. Because it gives you first of all, freedom. If you're no longer attached to your desk, you can actually find suitable spots within the same open plan office that are more suitable to your needs. That's one of the key findings

of my research. And the final one is, I think we'll see more heavy emphasis on the design of these spaces, with requirements like access to daylight, access to an outdoor environment and integration with nature, biophilic design aspects, etcetera. It's not a trend, it's here to stay. And that has a positive impact on people's perception of their space."

"It's well-understood that bringing diverse people, ways of doing business, and ideas together is key to innovation."

Candido is surprised by what she is finding in her research. "I'm actually really surprised about how much we can change people's satisfaction, or help people, the workforce, by just being true to the design of their space. That really surprised me in a good way, and how powerful that can be, when you combine the way of working with the office that supports that way of working. I found that it was quite surprising, magical, to the point that

I'm just spending a couple of years doing research on that. Because I'm fascinated by it."

With only a few months in, it's early days at Partners + Napier for metrics and analysis on the benefits of the new space, but Cotrupe has heard firsthand accounts: "People recite it back to us, 'I stood up a little taller, I walked a little faster.' They're more engaged than I think I ever thought they would be and it's because the environment is inspiring them to be that way. So it's really incredible the difference a space can make in your mental approach to work everyday."

Paleka says, "Future work trends and where organizations are going—this is not just a nice thing we should do for our people, it actually, genuinely makes sense in terms of productivity, in terms of revenue impact, in terms of cost, and everything else. Let's move the perspective over, and think about what this is going to do for your business."

Can organizations ignore the call to rethink their spaces? Probably not. Krauskopf says, "I think what we're seeing is a fundamental shift, where, because technology allows people to work anywhere, people are going to have to have more and more really great reasons to come into work each day." ■

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TOP BUSINESS ISSUES | NOW AND IN THE FUTURE

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Mission Statement, AESC

Independent research published by The Conference Board (TCB) and two recent studies released by AESC take the pulse of global business executives and leaders of AESC member firms worldwide in order to gauge the top issues facing organizations, now and in the future. Karen Greenbaum, AESC president and CEO, pulls the research together to explain the leadership challenges faced by a changing world.

"Attracting and Retaining Top Talent Remains the Number One Business Issue Around the World"

The Conference Board
*C Suite Challenge 2019:
The Future-Ready Organization*

The talent shortage continues, and according to Greenbaum it is only getting worse. "Everyone is looking for the next generation of digital, diverse leaders, and it's a candidate market. The top talent has choices, and there is a high demand for talent with similar profiles."

Greenbaum identifies four key forces that influence the global business climate:

global uncertainty, a mass demographic shift, technology accelerating the pace of change, and gender inequality. Greenbaum explains how each of these forces are talent issues.

Global Uncertainty is the New Norm: "Uncertainty around the world creates a situation where businesses are trying to figure out how to lead in a time of instability. That may require in itself a different kind of leadership."

Mass Demographic Shift:

"The demographic shifts are driving interesting challenges. While its different around the world, there is an aging demographic that's retiring, and people are living longer. We have this big population of older workers and retirees who are living a long time, combined with a declining birthrate in most parts of the world, so there aren't as many people coming up through the ranks."

Technology Accelerates the Pace of Change:

"Businesses of all types are looking at how technology is changing their business.

This isn't about tech businesses—it's about all businesses. Businesses are asking, "how is technology transforming what we do? How is it transforming us internally, how is it changing our clients, and our business strategy?" She says, "It's not about a particular function or business or industry. It's about leveraging technology to make us more efficient, to better connect us with our customers and to drive innovation. And it's about who are the leaders who can inspire and motivate transformative thinking?"

Gender Inequality is Still a Reality:

"At a time when there is a shortage of talent, half of the world is underemployed—women. And that's everywhere in the world. There are a great many talented women who aren't being given the opportunities to move up to the upper echelons of management. The reasons are many, and complex. According to the World Economic Forum, Future of Jobs Report, reasons include lack of work-life balance, unconscious bias amongst managers, lack of female role models, lack of qualified incoming talent and even women's confidence



and aspirations. The fact is that gender inequality is a reality around the world and it's past time for this to change."

Priority: Digital Transformation

According to AESC research, digital transformation is rightly seen as an immediate and a long-term priority by clients and members. AESC members and their clients have identified it as a top issue, now and in the future.

In their 2019 survey of clients, *Executive Talent 2025*, AESC asked executives to identify their top five business issues today, and what they expect their top five business issues will be in five years. The executives surveyed identified "actualizing digital transformation" as their number one issue today, as well as a top issue in five years. Improving organizational agility, expanding portfolios of products and services, creating and maintaining a culture of innovation and developing next gen leaders also made the top five in terms of both current and future issues.

DIVERSITY

We know that actualizing digital transformation requires a culture of innovation. And we know that diversity drives innovation. So, why aren't more organizations making this connection and taking action? Attracting diverse talent is on the top five list today, but it drops out of the top five in the future. Greenbaum says, "The same thing happened the last time we asked this question, and I describe it as this: hope springs eternal. I think business leaders look at diversity and think, 'I know we're still tackling the diversity issue—surely in five years we will have figured it out.' But, they said the same thing three years ago."

She adds, "People feel like we're going to get this done and that's why it drops—not because it's a lesser priority, but because they hope we will have succeeded. But there is just no evidence that is the case."

NEXT GEN

Another noteworthy observation is that "developing the next generation of leaders" moves from the number

seven ranking among top issues today to the number one issue in five years. Greenbaum suggests that the executives surveyed recognize "our leadership team is aging today and in five years they're going to be older still. So we have got to start looking at the long-term in how we are going to attract and develop the next generation of leaders."

Greenbaum points to the high correlation between digital transformation, diverse talent, innovation, and next gen leaders. "All these things actually go together. You can't have a culture of innovation without having diverse leadership; you can't have a culture of innovation without developing the next generation of leaders; and these diverse, next generation leaders are the ones who truly get digital strategies—all of that is needed to drive digital transformation."

GROWING URGENCY

In an increasingly competitive environment, businesses also cannot afford to delay. Greenbaum says, "You can't wait five years to do it, and you have to understand how these things are interconnected." Attracting that talent is

only becoming more urgent. According to The Conference Board research, of the executives surveyed worldwide “43% cite a lack of talent and skills as the biggest *and growing* obstacle to overcome for future innovation.”

Greenbaum reiterates the issue: “Global executive leadership does not see the lack of talent and skills as a big but declining problem; rather, it’s a big issue today and it is going to get worse. That again goes back to the shortage of talent. We need specific talent to drive innovation and transformation and not only is it hard, it’s going to get harder still.”

Why? Greenbaum explains, “Transformation is a top business issue today and it will be a top business issue in five years, and everyone wants the same talent, so it isn’t going to get better.”

Reality Check

The harsh reality that organizations must grapple with is this:

- There is a shortage of top talent with digital expertise
- Half of the population [women] is underutilized
- Next gen leaders have different expectations
- Most companies do not have a compelling value proposition or brand
- Culture matters

Employers are facing a dramatic turnabout in the talent market. Greenbaum explains, “Most companies haven’t been working in a candidate market, and so they expect five people to be interested in their position, and they get to pick which one. They are not ready for the fact that there is only one candidate, and three other firms are competing for that one person including their current employer.”

She adds, “So what are you—the hiring firm—going to offer this talent to make them want to come to your organization and stay? And how are you going to change your own value proposition to create an environment where people are ready to select you? Employers have to understand that the next generation

of leaders have different expectations, and culture matters.”

Attracting and Retaining Top Talent

AESC research identified four key challenges to attracting and retaining top talent:

- Strong competition for top digital talent
- Next Gen talent demands a diverse and inclusive culture
- Multinationals lead in gender diversity
- Authentic culture and brand matters

However, in the AESC client survey, the executives surveyed identified slightly different challenges to attracting as opposed to retaining top talent:

ATTRACTING TOP TALENT

- Employee value proposition/brand
- Compensation
- Access to/supply of talent

RETAINING TOP TALENT

- Growth and development
- Compensation
- Culture fit

The number one challenge to attracting talent, according to executives, is having the right employee value proposition. The second ranked challenge is getting compensation right and the third challenge is the access to and supply of the right talent. It gets interesting, Greenbaum observes, “When we asked clients about the top challenges to *retaining* talent.” She explains, “Number one was creating growth and development, number two was compensation, and number three was culture fit. The employee value proposition didn’t make the top three.”

But, how should clients be thinking about the employee value proposition? Greenbaum explains, “It isn’t only what attracts talent, it’s what retains talent. And the fact that they don’t have it in the top three under ‘retention’ means

that they don’t get it. They just don’t understand the power of having the right brand and value proposition.”

According to Greenbaum the employee value proposition “isn’t just some slogan. It’s all about this: what is your purpose—your business purpose *and* your social purpose? What is your culture, and is it authentic? What are your total rewards—not just my pay but the whole package? Are you offering a continuous learning opportunity? Do you have workplace flexibility? Top talent wants to work someplace where they can connect with other energized and engaged top talent and where people enjoy the work environment. People matter and that gets back to a diverse and inclusive workplace, as well. Everything ties together.”

Based on the client responses, Greenbaum says, “They are undervaluing the importance of creating the value proposition and brand that is lasting and authentic and that resonates with the talent they are trying to attract and retain. And that means that an organization may have to shift everything about how they are working to be an organization that people want to come to and want to stay.”

The Role of Leadership

“You can’t change your value proposition by having a good writer craft something. This is about everything that happens in your organization, so leadership matters,” Greenbaum says.

According to AESC’s *Leading Transformation* report, “Organizations are not actualizing their digital transformation because they haven’t clearly defined what it means for their business. There is a lack of understanding, a lack of training, and often a perception that it is the responsibility of one department. To build a successful culture of innovation, it starts at the top and all C-Suite functions are impacted.”

Everyone in the C-Suite has to change in order to drive digital transformation, according to the report. Greenbaum says, “The roles most required to change are the CEO and the CTO, but it’s not just one person’s job. Everyone



needs to figure out their role in the transformation process.”

- CEOs must drive the culture through change
- CHROs must lead a business 4.0 talent strategy
- CFOs must support innovation through investment
- CMOs must evangelize customer centricity across the enterprise
- CTOs must become more commercial and seize opportunities in the marketplace

The report also shows that a talent strategy for the current environment should include these elements: develop a stronger employee brand strategy, be open to talent from other industries, provide development opportunities to high potentials, and bring digital talent and diversity to your board.

Barriers to Innovation

Research demonstrates unequivocally that diversity and inclusion drive innovation. Yet in AESC’s client survey, the respondents identify the barriers to

innovation as: day-to-day performance pressures, lack of talent and skills, lack of resources/ money, lack of clear innovation goals, and legacy technology, in that order. “What I thought was interesting is that the lack of an inclusive innovation culture, the lack of diversity, and an insular culture, three things that we would put at the very top of the list of barriers to innovation, didn’t make the clients’ top five list,” Greenbaum says.

“Again,” Greenbaum says, “the insular culture and lack of diversity and inclusion directly gets in the way of attracting and retaining the talent companies need to drive digital transformation and innovation.”

AESC members identified several skills other than digital that employers actually need to drive digital transformation. Greenbaum says, “When people think about digital transformation, they think they need to hire some tech-savvy people. But our members ranked the top ten competencies for digital transformation, and ‘digital’ is number ten.”

“The notion that, ‘if I can get some really good tech people, then we can drive change in our organization’ is a

mistake,” Greenbaum says. “Being a tech expert doesn’t mean you know anything about changing people’s behaviors. You need someone who can lead change, be entrepreneurial, have emotional intelligence, critical thinking, innovation, can inspire others, be collaborative, be agile, open to change and, of course, digitally savvy.” She adds, “But, it’s not just about tech.”

About Gender Diversity

The top five 2030 goals the United Nations has set for sustainable development around the world are no poverty, zero hunger, good health and well-being, quality education, and gender equality. Greenbaum reflects on those goals. “I think it’s shocking that in 2019 gender equality is among the top five UN Sustainable Development Goals. Why is gender equality still something we’re talking about in 2019?”

Greenbaum puts the issue into a global context. “When we talk about gender equality in the executive search and leadership consulting profession, we’re really talking about having women on the board and in the C-Suite. In the developing world they are talking



about women who have no education and who are married off when they're nine years old, women who have no rights. They're talking about big equality issues. If gender equality is a top five issue identified by the United Nations, it is no wonder we're still struggling with this issue at the top of the house."

Part of the issue (at the top of the house) may be a perception problem. In 2013 McKinsey & Company conducted a survey of global executives asking if they agreed or disagreed (or did not know) with the following statement: "Even with equal skills and qualifications, women have difficulty reaching top management positions."

According to McKinsey, 93% of the female executives agreed with the statement, as contrasted with only 58% of the male executives. It demonstrates clearly that men and women see this issue through a different lens. To drive change, we need to begin to see issues with the same perspective and manage our own biases. Remember everyone has biases—men and women."

The World Economic Forum's *Future of Jobs Report* identified unconscious bias as the top barrier to hiring and

promoting women. The report also included lack of work-life balance, lack of role models, lack of qualified incoming talent, and women's confidence and aspirations.

Regarding work-life balance, Greenbaum says, "You might ask why is that a woman's issue rather than a man's issue, but in many cultures around the world it doesn't matter if you're an executive, bringing up your children is still viewed as the woman's responsibility, as is the education of the children and even taking care of your husband's parents. So when you look at why women are not in the workforce, if you have to do all of this and still do your job, there is no balance. And in many cultures, there is no solution because they don't have great childcare, and they don't have infrastructure to help. This is changing with the next generation—where men and women are more motivated to share responsibilities for family and are both seeking a balance."

Greenbaum clarifies the "lack of qualified incoming talent" identified in the World Economic Forum survey. "This doesn't mean that women aren't properly educated or well-educated, but

often times they aren't picking the right degrees. Organizations are often looking for people with STEM backgrounds and women are getting social services degrees, so women candidates need to be well-educated with the right expertise. That is all beginning to change."

Regarding the lack of role models, organizations often struggle with gender diversity in industries where women are underrepresented. According to the World Economic Forum report, "Across all industries, companies reported that they found women harder to recruit. The reported ease (or in this case, difficulty) of recruiting women is directly proportional to the existing gender composition of the industry."

Greenbaum sees a similar problem at the organizational level. "I travel all over the world and the local companies in many markets just don't get the issue of diversity. It's a macho culture and they don't really understand why this is a business issue, but the multinationals in that same country have global priorities that demand gender diversity, so they are in that local market finding the best women and hiring them. When the local

firms finally start to get it, no woman is interested. Why would anyone want to come in and be the only woman, when she can work for a multinational that cares about gender diversity, where she can be part of a really diverse and inclusive culture?"

Call to Action

Greenbaum identifies concrete actions leadership can take in order to advance diversity (and therefore innovation and digital transformation) in their organizations.



WHAT GETS MEASURED GETS MANAGED:

AESC research found a direct correlation between organizations that report their diversity and their performance on diversity measures. "The average that clients rate themselves is 2.8 out of five, and those who publicly reported their diversity were 78% positive and those who didn't were 64% positive," Greenbaum says. Of those who publicly report their diversity, 22% gave themselves bad scores, countering the argument that only companies with a good story to tell actually report. "I think in fact when you report publicly, it makes you more motivated to improve," Greenbaum says.



LEADERS AS CHAMPIONS OF DIVERSITY:

"Developing a commitment to diversity must start at the top. This cannot be a bottom-up, grass roots initiative. If you don't have leaders committed to diversity, change them out."



PARTNER WITH OUTSIDE EXPERTS:

"A sure sign of insanity is doing the same thing over and over again and expecting different results. If you really want to change the composition of your leadership team, partner with the experts, using a well-respected executive search firm."



FAIR HIRING AND EMPLOYMENT PRACTICES:

"It's a fact that there is an issue with pay equity between men and women around the world. To create an environment where top women want to join your firm, make sure that you pay

equal pay for equal work. And recognize 'unconscious bias' in your hiring practices and work hard to remove these barriers."



ONE IS NOT ENOUGH:

Greenbaum urges companies not to think, "We have one woman on the board, or we have one woman in leadership, so now we're done." Strive for parity to truly unleash the value of a diverse team.



MAKE THIS A PRIORITY—NOT AN INITIATIVE. NO MORE EXCUSES!

"Don't make your commitment to a diverse leadership team the 'initiative du jour'—this is a priority in terms of how you run your business, not a short term initiative."



IDENTIFY AND DEVELOP WOMEN OF POTENTIAL:

Companies don't have to look only on the outside to improve their gender diversity. "You've got to identify your own women in your organization who have potential, and develop them," Greenbaum says.



CREATE A "BEST PLACE TO WORK" CULTURE:

Greenbaum goes back to that value proposition: why would someone want to work here? "Because the best women are actually in high demand and they may choose to work for you or they may choose to work for someone else. And they really look at the organization before they make that decision," she says.

Dealing with Talent Scarcity

Why is it so hard to look outside-of-the-box for talent? For example, a candidate with decades of industry experience might be exactly the wrong person to drive digital transformation. "Roles are changing now, and often times we are looking to fill roles that weren't around 20 years ago, so you can't look for someone with 20 years of experience because they don't exist. So, you have to look at competencies, agility and the ability to do something different," Greenbaum explains.

Looking for talent outside of an industry or drawing on skills developed in a

different role can feel risky. Greenbaum says, "I think in general people are risk averse and so they wonder, how do I know that this person can do the job? But in this day and age it's actually risky to *not* think out-of-the-box," she says. "You'll miss opportunities for great hires. This is where expert talent assessment is critically important. Often you can't look backward at track record—you need to be able to assess a candidate to lead through change and to step into a role that didn't exist 10 or 20 years ago."

Executive search and leadership advisors help companies navigate the talent shortage. "This begins with a fresh perspective on the position profile, an 'out-of-the-box' search for potential candidates, and even advice on how to create a strong employer brand that is authentic and that will make the organization a place where top candidates want to come and want to stay. A trusted advisor isn't afraid to be honest and realistic when discussing leadership strategies," Greenbaum says.

AESC's *Executive Talent 2025* report explored where organizations are looking to retain outside services. Greenbaum says, "The bottom line is that they're looking for a trusted advisor who knows them and understands them to take the knowledge and add more value." She explains that companies want to know, "How can you help me assess my own talent? How can you help me not only find board members but look at board effectiveness? How can you help me in succession planning and building a strong and diverse leadership team? How do I understand my current culture but also make the needed changes to my culture and value proposition to truly be an employer of choice for the talent I need?" Greenbaum adds, "All of these things are a natural evolution for advisors who truly are experts in leadership."

As organizations face increasing pressure to innovate, digitize, and compete for people with the skills to lead change, AESC members are stepping up to help. "Innovation and digital transformation demand the right talent," Greenbaum says. "That talent is diverse, it is digital, it is next gen. All of that comes together for innovation."





INDIA RISING

The State of Talent in the World's Fastest Growing Economy

“With 1.2 billion people and the world’s third-largest economy in purchasing power parity terms, India’s recent growth has been a significant achievement.”

WorldBank.org

The Business Environment Today

According to data from The World Bank, India’s GDP, school enrollment, and GNI have all experienced steep increases over the last decade.

Shailja Dutt, chairperson & founder at Stellar Search, India explains, “Despite a dip in absolute growth over the last few quarters, the outlook for the Indian economy remains positive.”

“It continues to be among the fastest growing economies in the world, but due to its nature of being a consumption-driven economy and not an export-driven economy, sustainability

of this momentum will be difficult if the government does not nurture the right macro-economic environment,” Dutt adds. “But for the next couple of quarters, we do believe that the forecast is positive.”

Two recent, far reaching regulatory matters are having an impact on the business climate in India: demonetization and the movement to a single tax. Ramgopal Rao is a managing partner at Steinbach & Partner, India. “First, the entire cash economy was demonetized overnight which meant 86% of the cash in the system was withdrawn, which helped create a wider tax base. The second is the concept of one single tax across the country. Until then each state in India had a different tax rate, creating problems moving goods and services. This has been equalized by what is called the GST single tax, applicable across the board for goods and services. One

benefit of this reform is that a whole lot of bureaucracy is now being simplified and it’s showing results.”

Specifically, foreign direct investment in India increased because of delicensing and deregulating, according to Rao. “Now companies can come in and invest, and they do not need to have a local Indian partner. Only areas like nuclear, the defense of the country and single brand retail are excepted. We also have started bringing a lot of manufacturing into India. One key interesting factor is that about 50% of the total investment is coming from the private sector in India, and the government is willing to partner with private companies for what we call a public-private partnership.”

Recent years have witnessed several other changes designed to improve India’s competitiveness in the market, according to Madhav Sharan, office managing director of Korn Ferry in

New Delhi. He highlights “the Make in India Program,” created to promote manufacturing, encourage investment, build infrastructure and expand the skilled workforce. “Every sector, whether it is IT, whether it is manufacturing, healthcare, consumer goods, financial services, has seen government interventions helping the way business is conducted and helping the entry of new businesses into India. Given the fact that the country has worked a certain way for 50 years, these major changes need time to settle down, so it is true to say India is in flux right now from an internal standpoint.”

India also faces a shortage of critical skills that threatens the country’s economic growth trend. A report published by Accenture estimates that \$1.97 trillion in GDP growth over the next decade is at risk if the country fails to bridge the skills gap. According to the World Economic Forum, “By 2022, over half of workers in India will require reskilling to meet the talent demands of the future.” India is working to close that skills gap in collaboration with the WEF.

“All these issues finally telescope into economic prosperity, and new businesses coming up which has a positive impact on recruitment and executive search,” Rao says.

What do these positive trends mean for executive search and leadership consulting? Sonal Agrawal, managing partner at Accord India, explains. “While organized recruitment was prevalent since 1969, retained search gained traction in the mid-90s on the back of the multinationals that entered the country post 1993, and further gained credence as Indian companies professionalized and started competing with the MNCs for senior talent. Twenty years on, companies are increasingly sophisticated buyers of search, though the lines between recruitment and search is often blurred. Apart from a broad marketplace, the pool of professionals with leadership experience in world class companies has deepened considerably.”

Market Specific Challenges and Insights

India has its own special challenges which, according to Sharan, “are



demographic, which are cultural, and which are financial. It is a value market. People are very value conscious whether it is a product or a service. Even the big brands whether automobiles, clothing or services have had to localize to cater to the Indian customer. The most important thing is to figure out what it takes to be successful in India. Global products, global solutions don’t necessarily sell here. The companies that learned to create local products and solutions at a price point that is fair have done well.”

First among the challenges faced by India’s market for talent, according to Dutt, is that “India has a limited pool of employable leadership talent.”

Dutt explains, “In the past 20 years, India has become a net exporter of leadership talent and we are seeing an increasing number of Indians in leadership roles across the world. But the collateral effect is a much smaller leadership talent pool in the country. Increasingly, the challenge is about bringing back this leadership talent to Indian shores. And that is one of the many challenges we as search firms are grappling with.”

In addition to Indian talent overseas, there is an issue with regard to developing talent at home. Sharan identifies the challenge as “addressing why the country is not able to produce a larger employable workforce.”

“Every sector is having to address the challenge of keeping a workforce, especially at the executive level. A

number of sectors have opened up for which the country did not have trained people, and most companies have had to train people on the job. Companies often have to lure talent from others and be willing to pay more. This is a churn that every sector is seeing. The challenge is to deal with uncertainty, deal with global change, and deal with a workforce that is not always prepared.”

The end result, he says, is that “at least for the near future, high attrition is a reality we will have to face.”

Could that shortage be addressed by elevating more women in the workplace?

“As a country, we lack diversity in leadership,” Dutt says. “It is a country where the gender skew is a lot worse than it is elsewhere, so another challenge for search firms is to partner with Boards to correct the gender gap at leadership levels.”

“In the past 20 years, India has become a net exporter of leadership talent and we are seeing an increasing number of Indians in leadership roles across the world. But the collateral effect is a much smaller leadership talent pool in the country.”

“One of the most significant recent trends has been the increased interest in search and leadership advisory services from Asian businesses, whether they are traditional businesses or start-ups.”



According to the World Economic Forum’s 2018 *Global Gender Gap Report*, India ranks 142 out of 149 countries in the economic opportunity and participation index.

Dutt also describes a country “in the midst of a huge transformation.” She says, “Digital disruption is affecting every industry like it is across the world. Here in India there are new sectors opening up—fin tech, edu tech—there is a “tech” at the end of every sector, now. We need agile leadership in the country now which can quietly adapt and face this brave new world,” she says.

Patrick Rooney, AESC regional managing director for Asia Pacific and the Middle East, has seen significant changes in the market acceptance of retained search models in India over the last five years. “Indian business leaders are becoming far more familiar with executive search and leadership advisory services as solutions to challenges they face, including rapid growth, supply of leadership talent, and demographics.”

With so much foreign direct investment, Rao describes the role consultants have in helping bridge the gap between the investor’s and the local culture, “Especially when it’s a multinational that comes into India.”

For example, he says, “Let’s take my company. We are originally German, so we have a very strong German and Germanic clientele, clients who tend to be very focused, very precise, and prefer to have everything planned a month in advance. But when I go to Germany and talk with German companies about possibly investing in India, I tell them ‘when you come to India you’ve got to learn and unlearn,’ because what works in Frankfurt and Dusseldorf will not work in Delhi and Mumbai.”

Rao often advises clients to hire Indian nationals who have either studied or lived abroad, or who have worked with multinationals. “They are much more adept at understanding the culture, the dynamic of infrastructure, and also they are able to understand the client, so the client has someone who can be a good bridge between what they want and what the ground realities in India are.”

Rooney adds that there are an increasing number of local businesses using executive search and leadership advisory services across Asia, “one of the most significant recent trends has been the increased interest in search and leadership advisory services from Asian businesses, whether they are traditional businesses or start-ups. Many are going through significant internal change

while also trying to expand their market reach, meaning there is a simultaneous demand for both talent and advice. That’s absolutely an opportunity.”

The Impact of Global Events

In a deeply interconnected world, events on the world stage can have varying degrees of impact on local economies.

For Rao, global events pose both an opportunity and a threat. “India is transitioning to a manufacturing hub, and many manufacturing companies are de-risking by building factories in India,” in response to the uncertainty in China.

Rao is not concerned about the potential exit of the UK from the EU. “The UK and India have traditionally had a good trade relationship because of our past heritage as well as the English language. There are a lot of companies from India who are invested in the UK because of the good bilateral trade which will increase if the UK exits the EU, but we will know all that shortly because it’s still very hazy.” Rao is a chairman of his local British business group, the UK, India Trade Platform. “It’s a bilateral trade platform that consists of about 60 companies, includes businesses like the TAPPA Group who are Land Rover,

and other fairly large companies. We constantly need people from the UK and my information is that trade will be affected positively if the UK exits from the EU."

According to Dutt, compared to other countries, India may be fairly insulated from the disruption of global events. "The Indian economy is a domestic consumption driven-economy, it is not an export driven economy, so despite being a fast-growing economy it is possibly the least affected by global turmoil," Dutt says.

"That being said, it is an economy that is very sensitive to internal issues, political change, policy change, etc. As long as the Government continues to bolster growth and government policy continues to push the growth agenda, we will continue to see India growing."

From a search perspective, according to Agrawal, "the market in India continues to be deep, and growing. A large domestic market insulates us—to some degree—from global headwinds."

Leadership in India

Is there a general profile of Indian leadership? Dutt observes, "One of the things that makes a lot of Indian leaders

unique especially in the context of their Asian counterparts is that they speak the language of business fluently and have strong academic fundamentals. In the past 10 years Indian leaders have also demonstrated (and continue to do so) the ability to adapt to change with ease."

Dutt also recognizes the benefits of leaders who live and work in a complex, fragmented multicultural environment. She explains, "India is a very large, very complex country where languages change every 500 kilometers, customer preferences change in every state, so given that it has this very large, fragmented, diverse diaspora, people who have led companies in India tend to be extremely flexible, extremely agile, and their understanding of diverse multicultural nuances is extremely well-developed."

"I find Indian leaders to come across as far more strategic, demonstrating a tendency to take a long-term, holistic and analytical view of business versus their other Asian counterparts. This is data that comes from the many studies available. You have leaders who are English-speaking, with strong fundamentals, agile, culturally aware and very strategic."

For Agrawal, "There is no one answer

to this. However, Indian leaders are particularly well exposed to managing complexity and uncertainty. The interface with government continues to be a key element of their jobs. They understand scale and complexity better than most, given the contours of the market. They tend to be problem solvers, often resorting to *JuGAAD* (Justified Guideline to Achieve the Desired State), [a colloquial problem-solving approach] which at its worst is cutting corners, but at its best is finding innovative, out of the box solutions."

She adds, "Indian talent tends to be well-travelled, well-read and commercially sound, and very cost conscious. Many leaders have actively sought out overseas or regional/global roles and are increasingly 'global' in their outlook."

Clients in India: Multinational and Domestic

The environment for business in India has transformed in the past 25 years. Agrawal explains the evolution of the largest employers in India: multinational corporations, domestic family conglomerates, and government sector companies. "Pre-1993, the number of multinational corporations



"There is opportunity as new industries open up in India. The global wave of digital disruption is sweeping across India and we're seeing the rise of a new set of industries, from milk-tech, med-tech, edu-tech, fin-tech."



"There is opportunity as new industries open up in India. The global wave of digital disruption is sweeping across India and we're seeing the rise of a new set of industries."

were fewer and regulated quite heavily. These grew manifold as the economy opened up. Since they often paid higher salaries and provided access to international careers, professionals strongly preferred working in MNC companies. With the advent of capital markets and the professionalization of the family conglomerates in India, those started offering competitive salaries, globally benchmarked work practices and structured wealth creation opportunities for senior leaders through the use of equity or profit share. Of late, some government sector companies—particularly banks—have reinvented themselves and attract good talent. Another segment is PE portfolios, a growing segment of the employment market."

Rao explains, "A large portion of the business in India is family-controlled. Many of these family-owned businesses also have international operations, and of course many of them are global tier 1 and tier 2 suppliers. In India, a family-owned company tends to be not very progressive, and in many of the cases senior management is not given the independence that is there for instance in a German family-owned business."

However, Rao describes a shift

within many family-owned companies. "Many family-owned businesses have realized that the family members have to step back. They step out of their operational roles and tend to be at best shareholders; they now allow the senior management a lot of independence. The companies who have recognized the need to professionalize have been very successful, they've been able to attract good people from multinationals who are then willing to join and be part of a family-owned business."

Sharan says, "The country has seen Indian groups that have grown very well: they have professionalized, and they are growing internationally."

What do domestic companies have over MNCs? Sharan explains:

"First, the level of empowerment in a local company is very high, but with multinationals it is limited. Second, there is more job security at an Indian company. And finally, the predictability of career opportunities is better at an Indian company. Senior level opportunities in multinational companies tend to dry up because of global challenges, directional changes every 2-3 years, so we are seeing a preference for good Indian corporations."

Role of Executive Search and Leadership Consulting

The growth of domestic and multinational companies, the emergence of new sectors, and the influx of foreign investment coupled with the shortage of talent create a growing and challenging market for executive search and leadership consulting.

Dutt says, “The need for young, agile leadership will continue to exceed the existing availability of talent. Interestingly the challenge is a huge opportunity. For executive search firms as well as leadership consulting firms.”

For all types of organizations in India, Agrawal recognizes the need for “a trusted advisor, providing both access and deep insights into the talent base, what motivates them and how to attract, assess and retain them. As in most markets, it’s no longer about access but deep assessment of fit to a situation and then conversion.”

She says, “It’s very important for search consultants to have credibility and

longevity—not just from talent access but having trusted networks who are willing to provide candid insights and feedback on candidates.”

Rao observes, “Search has grown considerably across India. It is a very good market, and people are willing to pay for talent using the search route instead of the pure contingency recruitment or advertised recruitment. They find it makes sense to use the services of search firms and if the search firm is international it gives you a certain advantage.” For example, he says, “Especially the international entities find a comfort level in using someone in India who is very ‘glocal’—global as well as local, someone who understands the ground reality in India.”

“Search is doing well and will do better as people see the value, as they understand that the expense is justified in terms of getting good leadership talent,” Rao says.

What might the future look like?

“Riding the wave of India’s economic growth, search is poised to grow as

well,” Dutt says. “There is opportunity as new industries open up in India. The global wave of digital disruption is sweeping across India and we’re seeing the rise of a new set of industries, from milk-tech, med-tech, edu-tech, fin-tech to several other ecommerce-led businesses, supplemented by hiring for private equity-backed companies, and of course the brick & mortar sector which continues to grow.”

Sharan reflects on the transformation in India. “In 2001 the Indian market was still looking at talent pretty much on their own. Executive search was a very limited option. Close to 20 years later, the way companies look to attract and retain talent has changed dramatically. Challenges are still population and poverty, and lately pollution. But look back 30 years and now there is more money, more education, better health, and people have more to look forward to.”



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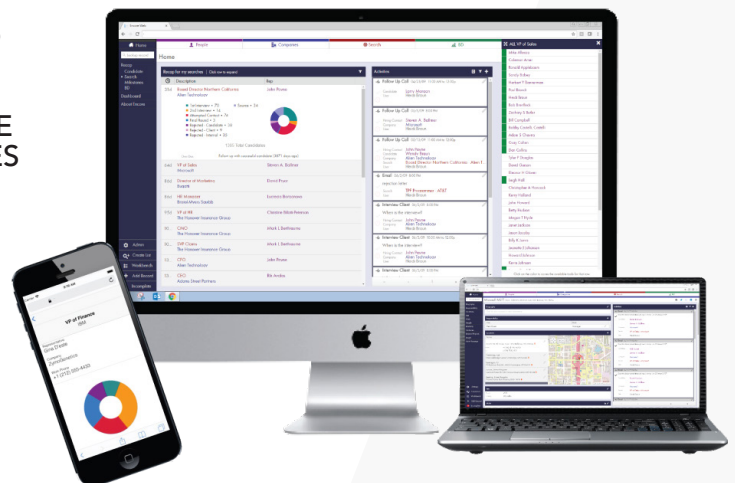
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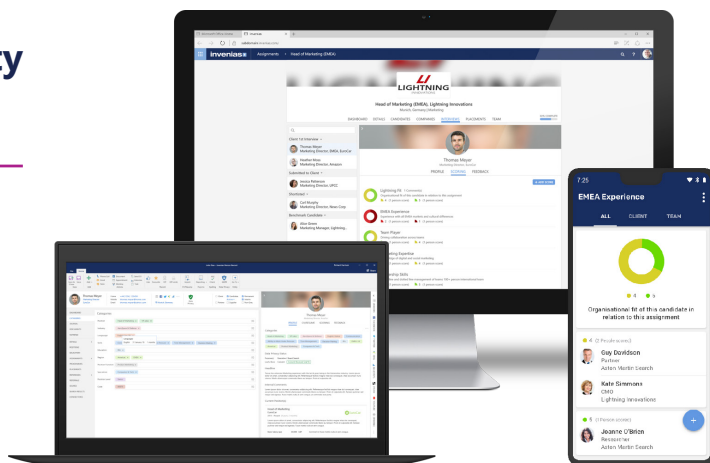
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AN EXECUTIVE'S PAST

What Search Firms and Their Clients Need to Know

by Zack Henry
Managing Director
Mintz Group

Mintz Group

Altogether, he seems like the perfect hire for your C-level search. He is smart and articulate, presents well and appears to know your client's business as well as his own, backward and forward. It is hard to imagine he might have something to hide, but there is too much at stake to leave this unconfirmed.

Over the past 25 years, we've been trusted with vetting candidates for the highest-profile C-level and board placements. Using a mix of cutting-edge techniques and expert analysis, we verify the professed qualifications of candidates and uncover inconsistencies, omissions and red flags that may hide in their backgrounds.

We've encountered thousands of red flags that businesspeople try to hide about themselves. Knowing more about these indiscretions can help you exercise due diligence in your next hiring decision.

What do we uncover most often, and where do we find it?

We tend to find information of interest by exploring three fronts:

1. A candidate's self-reported background, including not only their résumé, but also social media and regulatory filings;
2. A candidate's past controversies and troubles, whether in court documents, media headlines or government files; and
3. A candidate's reputation among former colleagues and industry observers.

Let's take a closer look, beginning with a candidate's claims about him/herself. We start by seeking independent verification

of the claims on their résumé. We check, for example, whether they actually received the college degrees they claim they did (cross-checking their majors as well), and also look for consistency with bio paragraphs in regulatory filings that might contradict the résumé.

When candidates present themselves on social-media sites, such as LinkedIn, we find that some go too far in trying to clean up their past. The inconsistencies we most often uncover in candidates' self-reporting include jobs they held but omitted from their public profile. People often do this to make their career path appear more "logical." They may delete a job from which they were fired or erase nine months at a start-up that blew up. Such smokescreens usually include stretching the dates of the surrounding jobs to cover gaps. For example, if someone left Acme





Corporation in April 2018 and didn't join Delta LLC until September 2018, their LinkedIn profile might state that they left Acme in August 2018, thereby eliminating the gap.

Let's turn to past controversies. Searching the local courthouses near where your candidate has lived and worked is one way to look for trouble in their background. Step one is to see if they have been accused of wrongdoing as a defendant in lawsuits. Equally, we look for court cases brought *by* the candidate, as the plaintiff, because who-sued-who is less important than what the dispute itself reveals. We pour through the actual litigation filings, looking for allegations against the candidate and paying close attention to whether the lawsuit was resolved favorably to the candidate.

Not all of our checking is about

wrongdoing. We also fill in a profile of candidates' business and personal behavior. For example, we take note of a candidate's offshore structure or other tax-haven entanglements when we find them. Though some clients may view the fact that a candidate has a controlling interest in a Seychelles trust as business as usual, we still want to fill in the picture.

One of our mottos at the Mintz Group is that "trouble in a person's past doesn't always have their name on it." For example, a candidate might have run a division of a company that was accused of malfeasance, but the resulting headlines, lawsuits and regulatory actions did not mention the candidate by name. We run sophisticated searches to dig deeply into a candidate's involvement so that our clients are informed enough to ask, "We didn't see your name mentioned in the NewCo options trading mess, but you were the CFO at the time. What was that all about?"

Last, we turn to a candidate's reputation among former colleagues. We sometimes shift our attention from paper to people when there is little public access to courthouse and regulatory filings for a background researcher to check. We identify circles of colleagues and associates who have dealt with the candidate in various aspects of their lives, and then we approach them for information and insights. These can include former employees, competitors and industry observers.

We identify the sources we approach independently of the candidate. These are not references that the candidate has set up in advance to speak well of them. We ask these sources about the candidate generally, but also focus our conversations on any specific issues identified by the client. Increasingly, clients want us to ask about any alleged sexual misconduct, bullying or other worrisome behavior in the workplace. Often these reputational inquiries are the only way to get a look into this important issue. Until this year, employers' #MeToo concerns seemed to be centered in the US, but this focus is now worldwide, with India and other places in Asia almost as concerned as

the US.

Another point about background checks: Some reveal no flags at all! No lawsuits, no attacks in the press, and goodwill from former colleagues and industry observers. There is no better result from a thorough background check than a clean bill of health and an accepted job offer. Indeed, background checks can turn up as many positives as negatives; showing not only a lack of trouble in their background, but indications of a strong fit with the prospective employer.

Regardless of the outcome of the background check, executive search consultants—and their clients—can rest a little easier, knowing that they are looking before they leap into important relationships. ■



Zack Henry
Managing Director
Business Development
Mintz Group

About Mintz Group

Mintz Group is the exclusive due diligence partner of the Association of Executive Search and Leadership Consultants. Founded in 1994, they have a team of more than 250 investigators, including former investigative reporters, federal investigators, prosecutors, anti-corruption investigators and former intelligence officers, with offices in 15 cities in North America, Latin America, Asia, Africa and Europe. Having vetted many thousands of executives for search firms and their clients over the years, they are recognized as a global thought leader on executive background checking. ■

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