

How the Route to the Top Is Changing for CFOs in Australia



A study of financial leaders' route to the leadership table within the top 100 Australian companies and the common trends among this preeminent leadership cohort.



The role of chief financial officer (CFO) sits at the heart of organisational impact and is a core element of enterprise leadership in the ASX 100. CFOs of Australia's top 100 companies are assuming broader business leadership responsibility as we emerge from a global pandemic that has spared few organisations from change. They play an important role as partner to the CEO on the strategic and operational priorities for the business.

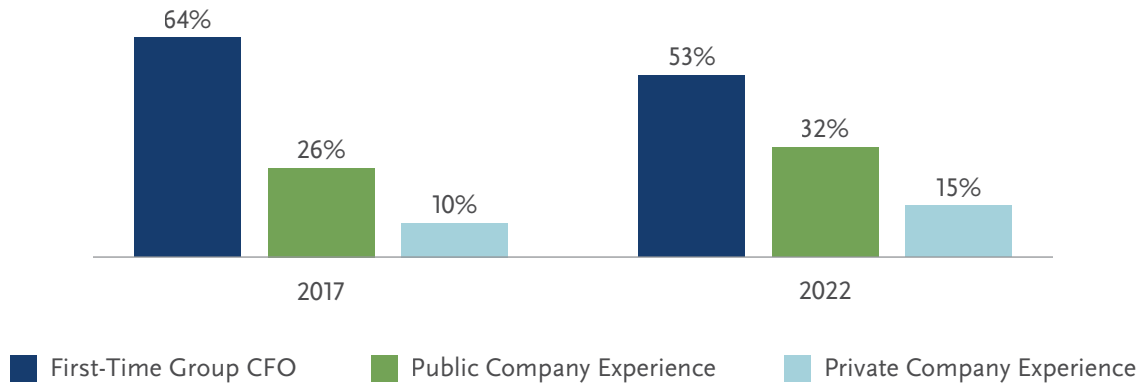
Spencer Stuart conducts periodic research into the backgrounds and demographics of CFOs in ASX 100 companies to surface truths, trends and market insights. Combined with our decades of experience with CFO succession and advisory work with global leaders, we present highlights from our 2022 analysis, including comparisons to the FTSE 100 in the UK and the Fortune 500 in the US.

Proven leadership takes precedence

We are seeing more experienced group CFOs stepping into ASX 100 CFO roles. Within the ASX 100, industrial and healthcare industries have the highest affinity for proven experience in CFO candidates.

The numbers show that more CFOs have previous group CFO experience, both from public and private companies. While our 2017 and 2019 analyses demonstrated very little movement in the percentage of CFOs with proven public company group CFO experience, in 2022, that number has increased from 26% to 32%. The share of CFOs with private sector group CFO experience is up from 10% in 2017 to 15% in 2022. Overall, this is a meaningful shift from 36% to 47% of proven group CFO experience present in ASX 100 CFO backgrounds.

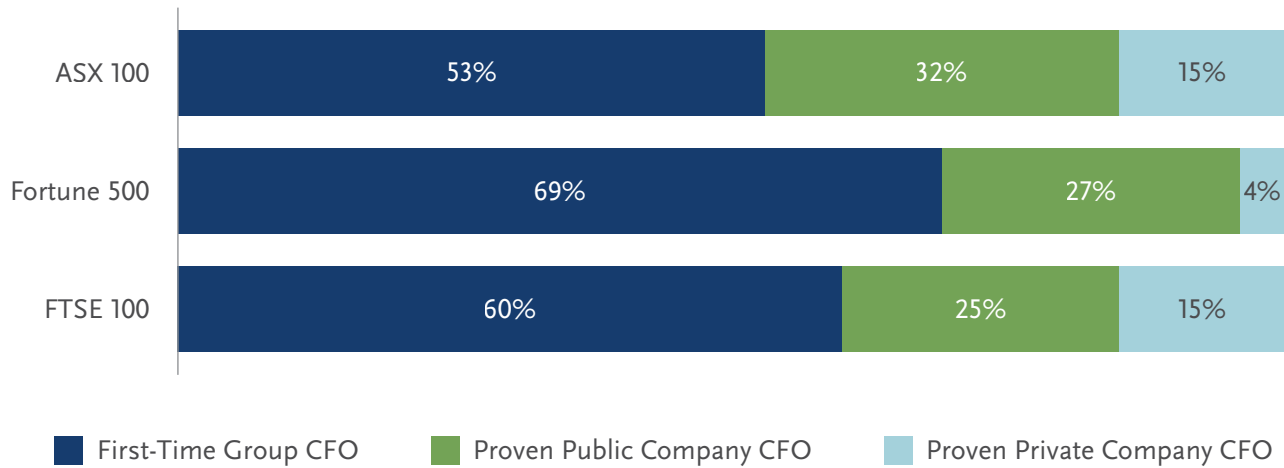
ASX 100 PRIOR CFO EXPERIENCE BREAKDOWN, 2017 V 2022



The demand for experience is not surprising in a challenging economic environment in which significant events continue to impact organisations and industries. In this context, experienced group CFOs and leaders with a strong track record of delivery are more attractive. While prior experience as a CFO seems to be a logical indicator for future performance, it is important to consider other characteristics, including executive capability, cultural alignment, capacity (potential) and the executive’s compatibility to the context when selecting a CFO. Rigorous assessment of these leadership attributes is critical.

When compared to the FTSE 100 and the Fortune 500, ASX 100 companies are more likely to prioritise previous group CFO experience. Just over half of Australian CFOs step into the role for the first time (53%), compared with 69% of Fortune 500 CFOs and 60% of FTSE 100 CFOs.

ASX 100 PRIOR CFO EXPERIENCE BREAKDOWN COMPARISON: USA, UK AND AUSTRALIA

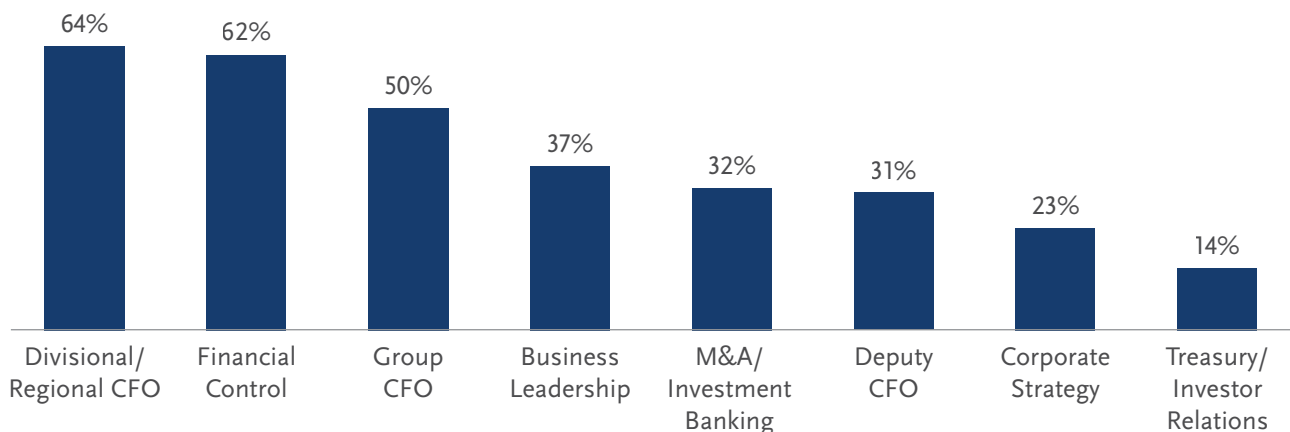


Broad-based finance and business leadership viewed as the most valuable experience for CFOs

The dominant career experiences noted in our analysis of the ASX 100 CFO backgrounds are group, regional and divisional finance leadership and business leadership. Sixty percent (60%) of ASX 100 CFOs have held divisional or regional CFO roles, and a similar percentage (58%) have held group finance positions. Nearly half, 47%, have had group CFO experience.

We have also seen a meaningful increase in CFOs with business leadership experience, up from 27% in 2019 to 35% in 2022. Experience in business leadership roles provides future CFOs with valuable perspectives on the drivers, challenges and levers in an organisation. It also extends leadership from outside a functional domain and into broader areas of which they may not be the subject matter expert. The ability to lead a team of leaders ultimately results in stronger business partnering at a group CFO level, and builds credibility for potential CEO succession, given the frequency with which Australian CFOs move into CEO roles (as detailed later in the article).

ASX 100 CFO ROUTE TO THE TOP



Tenure is declining

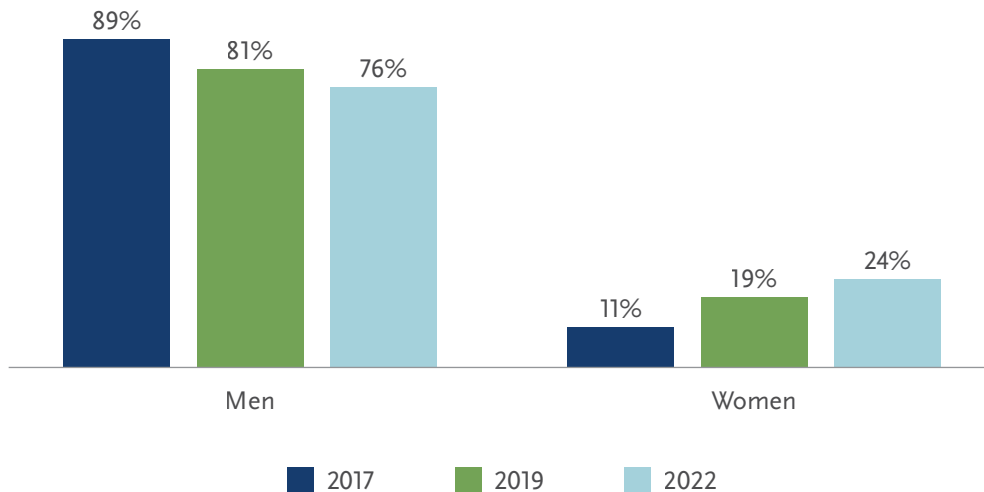
As the demand for prior CFO experience is rising, average CFO tenure has declined. The average tenure of ASX 100 CFOs fell from five years in both 2017 and 2019, to 4.64 years today. This is consistent with the average tenure of CFOs in the Fortune 500 (4.6 years) and the FTSE 100 (4.4).

There have been several events that may have led to higher levels of Australian CFO turnover, including the Banking Royal Commission and the demands of the pandemic. Another trend influencing the average tenure of CFOs in Australia is the growing demand for gender diversity in recent years. More than half of the women CFOs in the ASX 100 have been appointed since 2020. As a result, the average tenure of women CFOs is 2.49 years, compared to an average tenure of 5.33 years for men CFOs. Over time, we expect to see the average tenure for women CFOs to increase.

Gender diversity is increasing

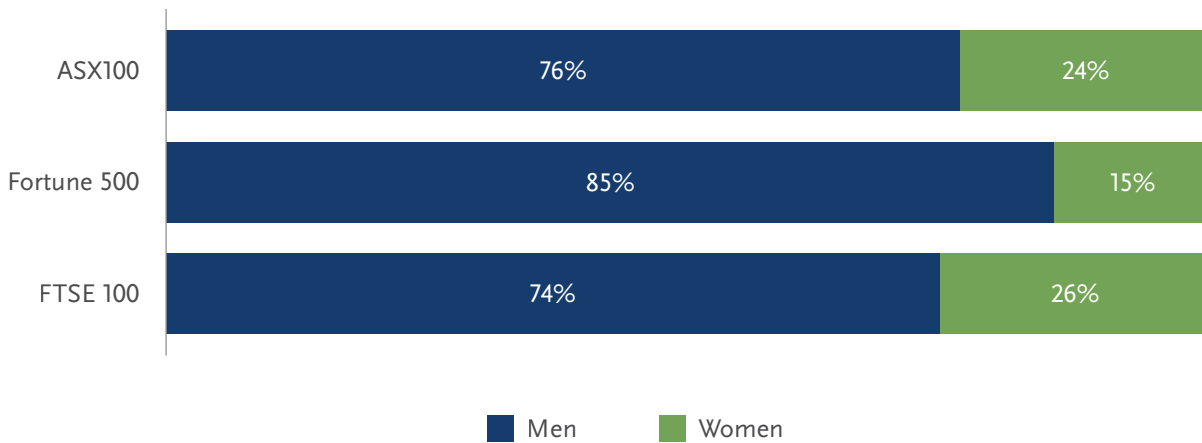
There has been a notable increase in the number of women finance leaders in the past five years, illustrating the sustained effort and prioritisation of women appointments by CEOs and boards in the ASX 100. As of June 30, 2022, there were 24 women CFOs in the ASX 100 — more than double the 11 women in 2017.

ASX 100 GENDER DIVERSITY: 2017, 2019 AND 2022



Within this group of women, there is an even spread between internal and external appointments. A third of the women joining the ASX 100 possess proven public company CFO experience. The Australian market sits between the UK and US markets in terms of gender diversity.

ASX 100 GENDER DIVERSITY COMPARISON: USA, UK AND AUSTRALIA

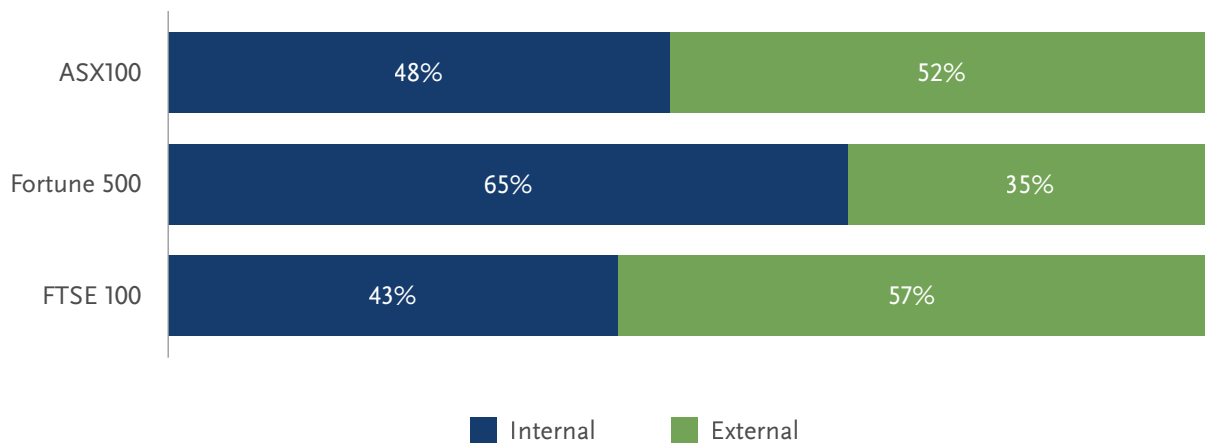


Internal succession planning is still essential

The overall split between internally and externally promoted CFOs is marginally in favour of external candidates, with 52% of ASX 100 CFOs hired from outside. This is the reverse of what we saw in 2019, where ASX 100 CFOs were slightly more likely to have been hired from outside the organisation (52%). Robust internal succession planning, however, is still critical with internal candidates offering swifter integration and sending a positive message to the organisation on internal investment in talent. There is also a greater opportunity for gender diversity in companies committed to investing in high-potential women leaders earlier in their careers.

Once again, the ASX 100 sits between the FTSE 100 and Fortune 500 on this data point. The US shows the highest proportion of internal appointments (65%), while the UK has the lowest (43%).

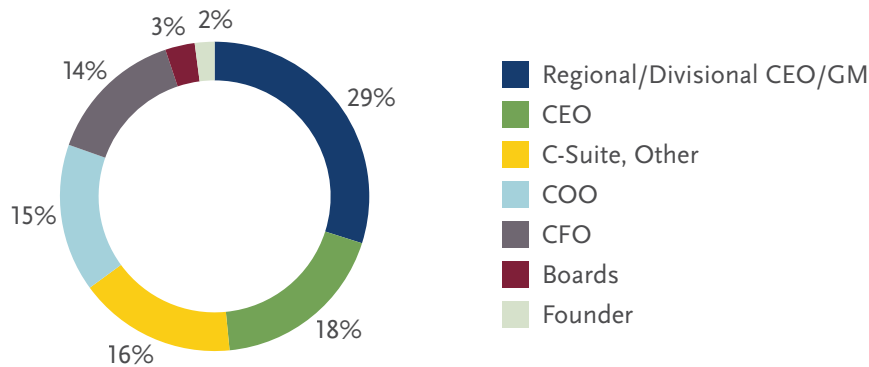
INTERNAL V EXTERNAL APPOINTMENTS



From CFO to CEO

For financial leaders who aspire to become CEO, the CFO position in Australia is a viable route to the top. CFOs have a unique vantage point on the business. Typically the right hand of the CEO, CFOs tend to be a trusted partner in shaping and executing business strategy. They bring an enterprise-wide perspective and deep knowledge of the commercial levers for value creation. Importantly, they bring credibility in influencing a similar stakeholder group to the CEO: board directors, investors and advisers. The composition of the ASX 100 in 2022 shows that 14% of CEOs stepped into their roles directly from a CFO position.

ASX 100 ROLE HELD PRIOR TO BECOMING CEO 2022



A closer look at the data reveals that CEOs are even more likely to have finance experience when looking at their careers overall. Our data shows that 36% of ASX 100 CEOs have held a background in corporate finance, M&A or investment banking, and 42% have previously been a group, divisional or regional CFO.

The future of financial leadership

The current state of the Australian market is aligned with global trends, where proven leadership is favoured in CFO candidates. The route to the top continues to diversify, which presents a promising opportunity for aspiring CFOs in Australia who bring breadth in their leadership experience. Those who aspire to be a CFO, and eventually move beyond the role of CFO, should focus on developing diversity of experience including business leadership. This exposure, including time spent outside of finance, is proving to be invaluable, as a route to the top for ASX 100 group CFO succession, and as a genuine platform for ASX 100 group CEO succession.

About Spencer Stuart

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Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit www.spencerstuart.com.

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