

CFO Route to the Top 2015

Spencer Stuart has spent the last five years analysing the backgrounds and demographics of CFOs in FTSE 350 companies. Through our detailed knowledge of CFO career paths we offer a unique insight into CFO hiring trends. This report contains some of our latest findings.

Around 20% of companies change their CFOs each year. With the spotlight falling on diversity among senior executives, this year's data shows that when hiring a CFO to sit on the main board the nomination committees of public companies remain conservative and are generally reluctant to hire promising, unconventional candidates.

The balance of power between clients and candidates is changing. The market has become increasingly competitive over the past 12 months and the best candidates are often considering multiple opportunities at any one time. As a result of this shift in supply and demand companies are having to consider the trade-offs; for example, it may not be realistic for a FTSE 250 company to insist on hiring a proven plc CFO. Indeed, only 45% of FTSE 250 CFOs had CFO experience before being appointed to their current role.

Executive Summary

Combining the data from our research with our extensive experience working with FTSE100 and 250 boards on CFO succession planning, we have identified three areas for nomination committees to focus on:

- **Diversity.** The UK CFO market is dominated by white, British men. Until boards begin to make bolder and perhaps less conventional hiring decisions this is unlikely to change in the short term.
- **Power swing.** The market is no longer at the client's beck and call. The balance of power has shifted to the candidate. Companies are having to move faster and be more aggressive and decisive to acquire the best talent.
- **Bullish outlook.** The UK CFO market is defensive and conservative but also highly active. We don't see any likelihood of the market slowing down in the near term.

The findings outlined in this paper are indicative of the data-driven approach that we take to advising clients and candidates. If you would like further information on CFO succession planning please contact our team of UK-based consultants (see page 7).

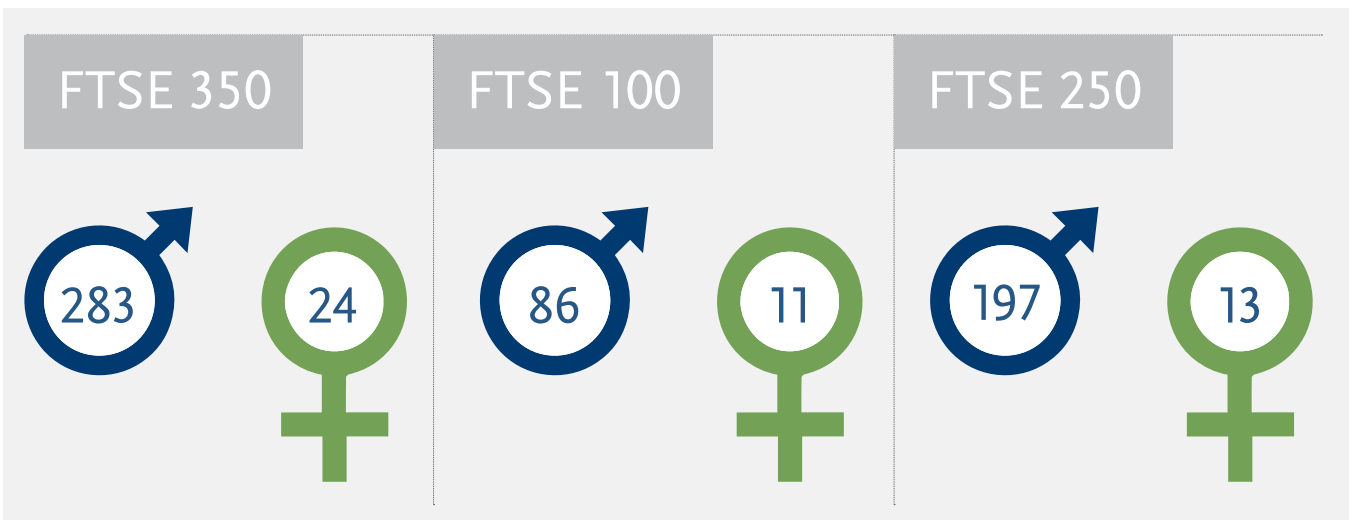
HOW DIVERSE ARE FTSE 350 CFOs?

8% of FTSE 350 CFOs are women

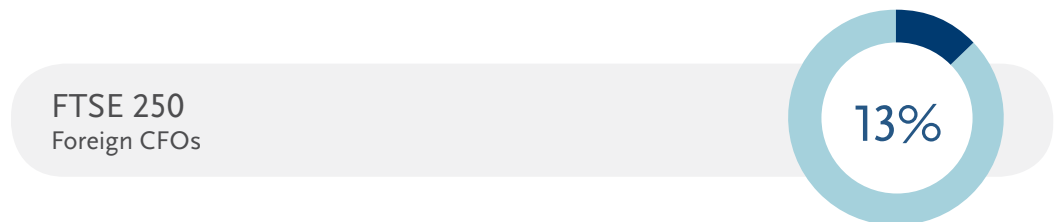
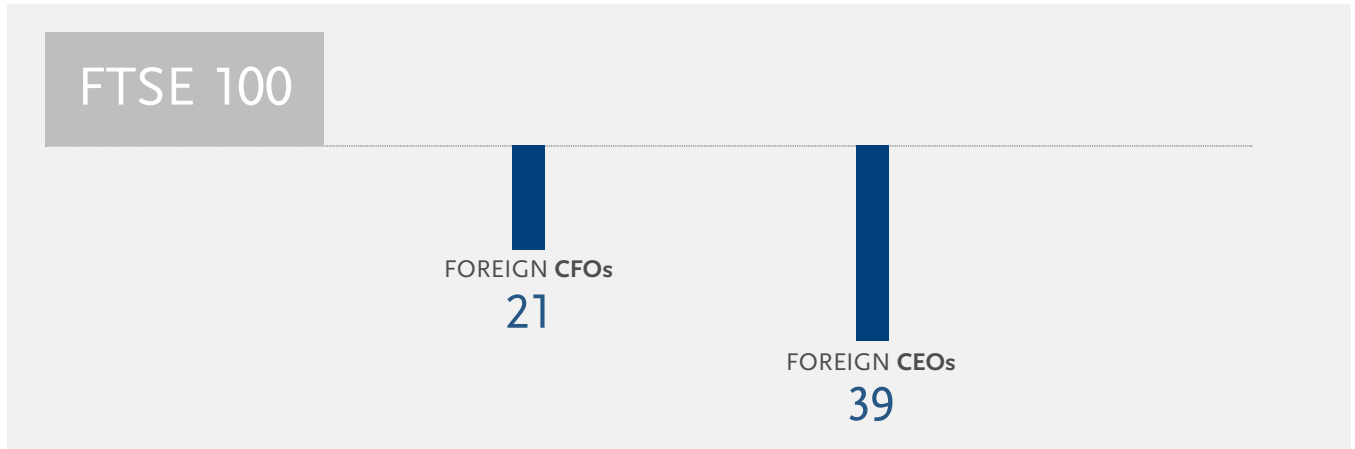


Gender diversity among CFOs is extremely low in FTSE 350 companies. At the most senior levels there is a finite number of high-quality female finance executives; we find them to be more thoughtful and risk averse than their male counterparts when it comes to their own career planning.

Clients are increasingly focusing on diversity when hiring direct reports to the CFO; this gives us grounds for optimism that the number of female CFOs will grow over the longer term. Indeed, companies are paying much more attention to the CFO's ability to develop an outstanding function and build a diverse talent pipeline.



HOW DIVERSE ARE FTSE CFOs? (cont.)



An increasing number of foreign chairmen and CEOs run FTSE businesses but boards still prefer British CFOs. This is partly due to the perception that British accountants have more rounded skills than their international peers and partly due to the innate conservatism of UK plc. That said, with the exception of Switzerland, all the major markets in Europe have an overwhelming number of 'local' CFOs, as do most companies in the US.

INTERNAL VS. EXTERNAL HIRES



FTSE 100
Internal hires

48%
of CFOs

FTSE 250
Internal hires

29%
of CFOs

FTSE 100 companies are far more likely to promote their CFO from within. Consumer and TMT companies top the bill, with 60% of CFOs appointed internally. FTSE 250 companies tend to have smaller finance departments which provide fewer opportunities for high potentials to gain broad functional exposure.

EXTERNAL HIRES – RELEVANT SECTOR EXPERIENCE

FTSE 100
External hires

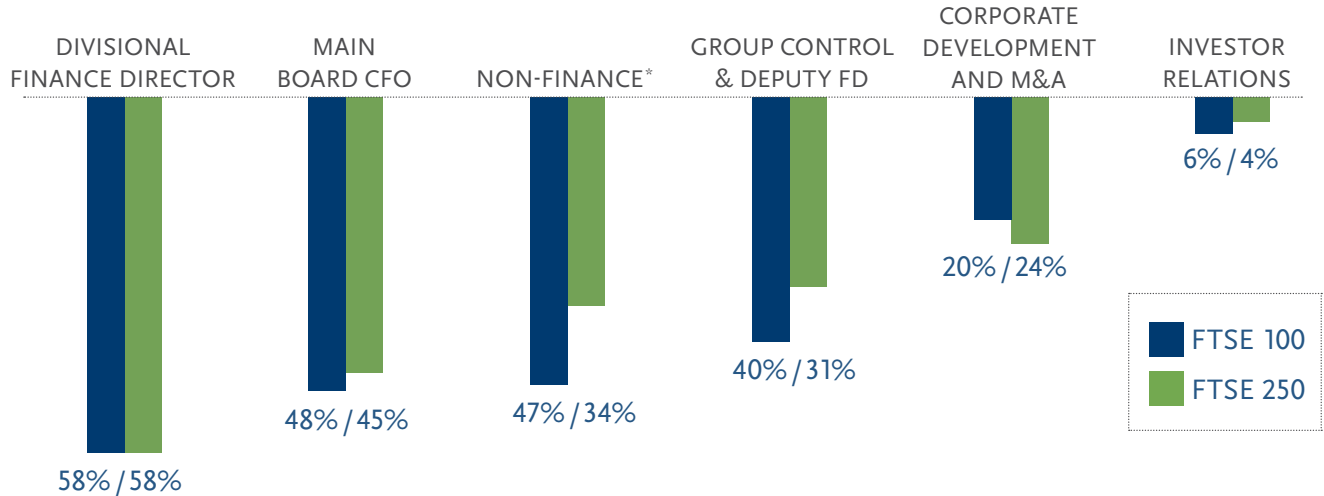
75%
of CFOs

FTSE 250
External hires

79%
of CFOs

When a decision is made to recruit externally, companies prefer to appoint a CFO with experience in the same sector. Life sciences companies and FTSE 100 industrial companies are more open to recruiting from outside the sector.

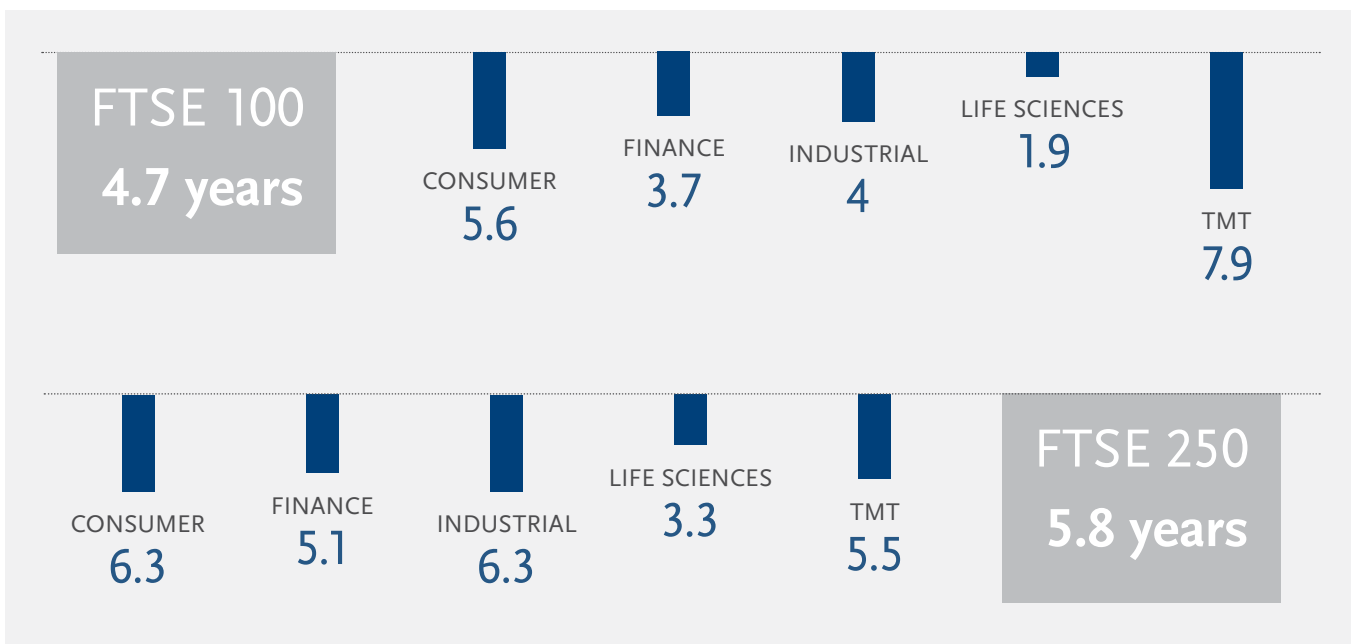
PROFESSIONAL BACKGROUND



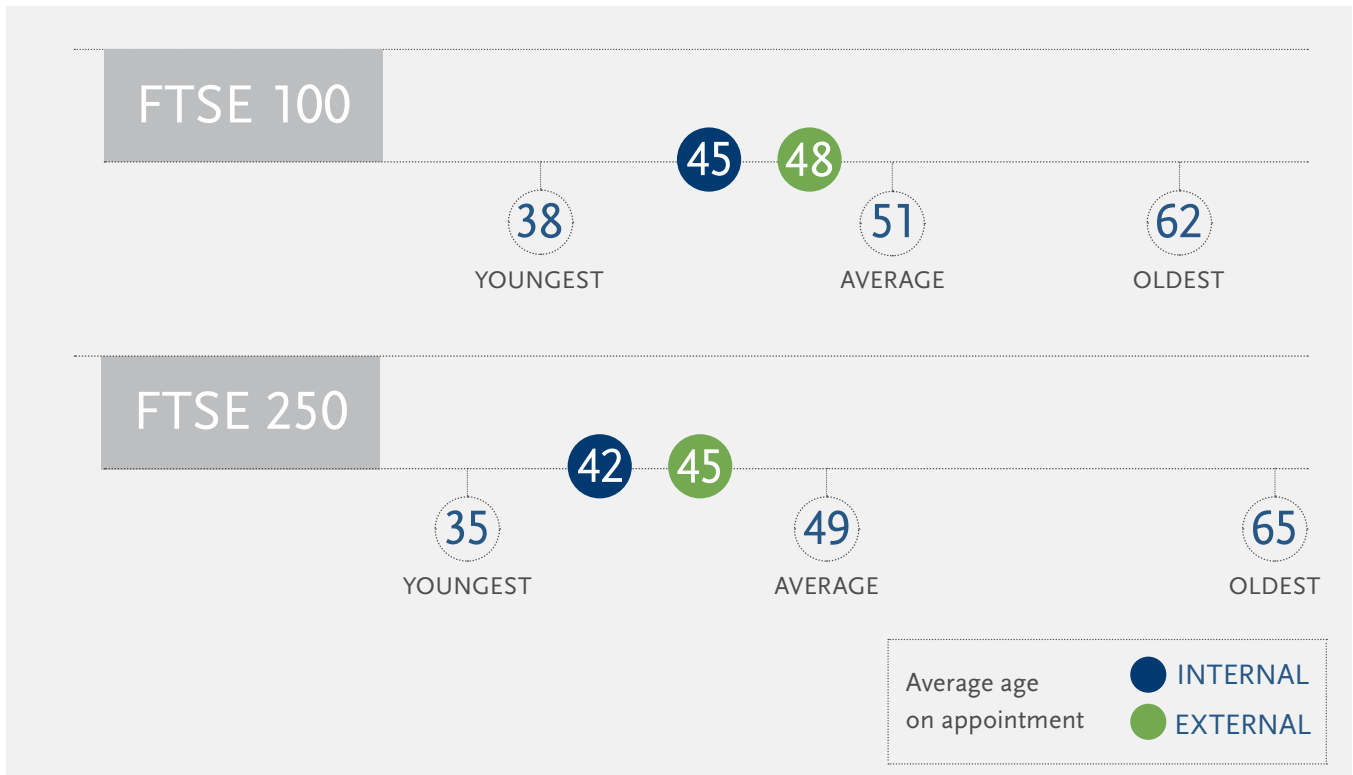
*includes banking and investment banking

Experience in divisional and group roles is important for FTSE 100 CFO candidates. On the whole, FTSE 250 CFOs have less exposure to group roles, although a higher percentage come from professional services backgrounds. Contrary to popular belief, very few CFOs have held hands-on, dedicated investor relations roles.

CFO TENURE



AGE OF CFOs



COMPOSITION OF FTSE 100 & 250 *



*at the time our data was collected

ABOUT OUR FINANCIAL OFFICER PRACTICE

Spencer Stuart is the market leader in CFO and senior finance appointments, including divisional CFO, M&A, investor relations, audit, tax and treasury roles.

Our global network allows us to search across borders and industries to find finance leaders with the skills and cultural fit to match the needs of our clients.

Working with our industry practices, we put together a best team for each search, recruiting leading talent and drawing on our network of board directors, CEOs, CFOs and leaders in the financial world.

Our UK team consists of three fully dedicated consultants and four research associates.



Aidan Bell

Aidan leads the Financial Officer Practice in the UK. He has 15 years of experience recruiting public company and private equity CFOs and their direct reports. Aidan's sector experience is broad and includes all areas from financial services to media. He has particular exposure to the consumer/multisite finance community and the industrial sector. Aidan has managed more than 50 main board CFO succession projects in recent years. His experience includes hiring CFOs for FTSE100, 250 and small cap public companies, as well as managing projects across Europe and the Middle East. He also works extensively with private equity firms to hire portfolio company CFOs.



Laura Gallagher

Laura works with clients on finance executive assignments across a wide range of sectors and has deep expertise in the consumer, technology, industrial and life sciences spaces. Laura has conducted assignments for FTSE100, 250 and small-cap public companies in addition to private equity portfolio companies. Her expertise extends to searches for the full suite of direct reports to the CFO across all functional areas. Laura joined Spencer Stuart in 2008 and spent four years in the London office before relocating to the firm's Silicon Valley office for 18 months. There, she served clients as part of the North American Financial Officer Practice with a focus on the technology sector and private equity market.



Chris Gaunt

Chris works on a variety of finance function searches across industries, including assignments for CFOs, auditors, controllers, heads of tax, divisional and country financial directors and treasurers. Nearly all of Chris's search work is international, often for clients in emerging economies who wish to access the global executive talent pool. In addition to his experience conducting finance function searches, he brings deep expertise in building teams for newly emerged or growing organizations as well as private equity portfolio companies. Earlier in his career Chris worked as a management consultant for the Washington, D.C.-based Advisory Board Company where he led consulting teams working with senior executives across industries on their human resources strategy and operations.

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ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 56 offices, 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 and many other facets of organizational effectiveness.

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