

Global Leadership

Where Do CFOs Come From? 2012 Update: Profiles and Career Patterns of Fortune 100 Chief Financial Officers

As the role of the chief financial officer (CFO) becomes increasingly complex, a number of competing theories have emerged regarding what's required to excel in the job today. In an attempt to provide greater clarity around this issue—and separate fact from fiction—Russell Reynolds Associates analyzed the career patterns of every CFO in the Fortune 100 (F100) to establish the experiences and underlying capabilities that define the route to the top and examine how (if at all) that route has changed in recent years.

Internal/External Hiring Dynamics

Internal promotions represent a clear majority of CFO appointments, but external hires represent a meaningful minority:

- Seventy-two percent of F100 CFOs were promoted internally, while 28% were recruited externally.

A high bar exists for external hires:

- Seventy percent of external hires previously have held a top CFO position.
- Fifty percent of external hires were CFOs in their most recent role, while 15% most recently served as a divisional general manager.
- Over half have worked outside their home country (compared with 24% of internal hires).

The vast majority of internal hires demonstrate long-term tenure with their organization; heir apparent hires are exceedingly rare:

- Nearly 70% of internally promoted CFOs had at least 11 years of tenure with their organization prior to their promotion. More strikingly, 33% had more than 20 years of tenure with their organization prior to becoming CFO.
- Our analysis reveals that heir apparent hires (i.e., external No. 2 hires who quickly move into the CFO role) are rare: Among internally promoted CFOs, only 12% had five or fewer years of tenure in advance of their promotion.

Relevant industry experience is important for external hires:

- A clear majority of externally hired CFOs arrive in their new role with highly relevant industry experience.
- Two-thirds report that at least one of their previous three employers operated in an industry similar (or identical) to the industry of their new employer.

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Common Roles on the Route to the Top

Accounting and divisional CFO roles are tied in popularity:

- Forty-three percent of F100 CFOs have served in accounting, while 42% have served as a divisional CFO, making these roles the most common jobs on the route to the top.
- Forty-nine percent of F100 CFOs cite significant corporate accounting experience, and this trend has held steady across appointments occurring in the last three years.
- Corporate accounting experience is far more prevalent among internal hires. While almost half of internal hires cite this background, only 30% of external hires note such experience.

General management experience is also significant:

- Thirty-two percent of F100 CFOs cite significant divisional/regional general management experience, making operational leadership a common role on the route to CFO and equally as common as many traditional finance roles.
- This experience, along with a background in corporate accounting/corporate finance and international roles, is becoming increasingly commonplace (see “Shifts in the Route to the Top” below).

A wide mix of finance roles is broadly typical; a handful of roles remains decidedly less prevalent:

- Treasury (33%), senior corporate finance (33%), divisional/regional controller (32%) and international (32%) experiences round out the most frequent roles across F100 CFOs. Corporate audit (8%), CEO (6%) and corporate tax (5%) backgrounds are decidedly less prevalent.

Shifts in the Route to the Top

Emphasis moved from pure analysis and allocation to global strategy and operations:

- Recent CFO appointments point to a growing appetite among CEOs for three core career experiences: corporate accounting, corporate finance and international:
 - Corporate accounting: Fifty-three percent of CFOs appointed in the last three years hold significant corporate accounting experience; in contrast, only 37% of CFOs appointed more than three years ago hold this experience.
 - Corporate finance: Forty-three percent of CFOs appointed in the last three years hold corporate finance experience; in contrast, only 26% of CFOs appointed more than three years ago hold this experience.
 - International: Forty-two percent of CFOs named within the last three years indicate working outside the United States prior to their appointment; in contrast, only 26% of CFOs appointed more than three years ago hold such experience.

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“Check-all-the-boxes” candidates are rare:

- Even with their impressive backgrounds, few F100 CFOs possess all the experiences commonly cited as must-haves on the route to the top. For example:
 - CFOs with corporate accounting, corporate finance and international experience: Only 5% of Fortune 100 CFOs cite having all three of these experiences.
 - CFOs who have already been a sitting CFO are operationally oriented (i.e., they have held a divisional CFO role), and have a certified public accountant designation: Less than 4% of Fortune 100 CFOs cite having all three of these experiences.

Other Findings of Note

Gold-plated educational credentials are a plus but are not essential:

- Sixty-five percent of F100 CFOs hold advanced degrees.
- Fifty-four percent hold an M.B.A. However, only half received their M.B.A. from a top 25 business school.
- Only 9% received their undergraduate degree from an Ivy League institution.

Women still represent a minority of the F100 CFO population, but the percentage is growing:

- Women represent only 11% of F100 CFOs.
- However, women represent 19% of F100 CFO appointments that have occurred within the past three years.

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