

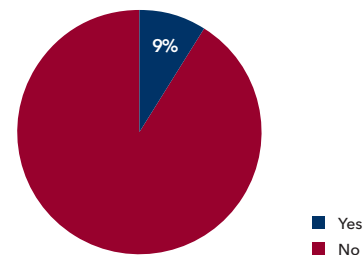
Where Do CFOs Come From?

Profiles and Career Patterns of Fortune 100 Chief Financial Officers

As the role of the 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 how (if at all) that route has changed in recent years.

Ideal Candidates Are Hard to Find

F100 CFOs with Three Key Experiences: General Management, Strategy/Corporate Development and International



Internal/External Hiring Dynamics

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

- Sixty-nine percent of F100 CFOs were promoted internally, while 31% were recruited externally.

A high bar for external hires

- Seventy-three percent of external hires have previously held a top CFO role.
- Fifty-seven percent of external hires were CFOs in their most recent roles, while 13% most recently served as divisional general managers.
- Nearly half have worked outside their home country (compared with 25% of internal hires).

Vast majority of internal hires demonstrate long-term tenures with their organizations; “heir apparent” hires are exceedingly rare

- Seventy percent of internally promoted CFOs had at least 11 years of tenure with their organizations prior to their promotions. More strikingly, 41% had more than 20 years of tenure with their organizations prior to becoming CFO.
- Our analysis reveals that “heir apparent” hires (i.e., external “number two” hires who quickly move into the CFO role) are rare: among internally promoted CFOs, only 15% had five or fewer years of tenure in advance of their promotions.

Relevant industry experience important for external hires

- A clear majority of externally hired CFOs arrive in their new roles 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.

Common Roles on the Route to the Top

Dominance of the divisional CFO role

- Nearly half of F100 CFOs have served as a divisional CFO, making this role the most common job on the route to the top.

Corporate accounting also prominent, but less typical among external hires

- Forty 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 experience, only 23% of external hires note this experience.

General management experience also significant

- Thirty-six percent of F100 CFOs cite significant divisional/regional general management experience, making operational leadership the third most common role on the route to CFO, and more common than many traditional finance roles.
- This experience, along with experience in strategy/corporate development and international roles, is becoming increasingly commonplace (see “Shifts in the Route to the Top”).

Wide mix of finance roles broadly typical; handful of roles remain decidedly less prevalent

- Treasury (36% of F100 CFOs), senior corporate finance (32%), divisional/regional controller (32%) and strategy/corporate development (31%) experiences round out the most frequent roles across F100 CFOs. Corporate audit (9%), investor relations (8%) and corporate tax (6%) experience are decidedly less prevalent.

Shifts in the Route to the Top**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: general management, strategy/corporate development and international.
 - **General management:** Fifty-one percent of CFOs appointed in the last three years hold significant general management experience; in contrast, only 35% of CFOs appointed more than three years ago hold this experience.
 - **Strategy and corporate development:** Forty-nine percent of CFOs appointed in the last three years hold strategy/corporate development experience; in contrast, only 22% of CFOs appointed more than three years ago hold this experience.
 - **International:** Forty-three percent of CFOs named within the last three years indicate working outside the United States prior to their appointment; in contrast, only 25% of CFOs appointed more than three years ago hold this experience.

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

- Even with their impressive backgrounds, few F100 CFOs possess all of the experiences commonly cited as must-haves on the route to the top. For example:
 - **CFOs with General management, strategy/corporate development and international experience:** Only 9% of Fortune 100 CFOs cite having all three of these experiences.
 - **CFOs who have already been a sitting CFO, are operationally oriented (i.e., held a divisional CFO role) and have a CPA designation:** Only 4% of Fortune 100 CFOs cite having all three of these experiences.

Other Findings of Note**Gold-plated educational credentials a plus, but not essential**

- Sixty-two percent of F100 CFOs hold advanced degrees.
- Fifty-four percent hold an MBA. However, only half received their MBA from a Top 25 business school.
- Only twelve percent received their undergraduate degree from an Ivy League institution.

Women still a minority of F100 CFO population, but growing

- Women represent only 10% of F100 CFOs.
- However, women represent 20% of F100 CFO appointments that have occurred within the past three years.

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