

South Africa CFO Route to the Top

INTRODUCTION

This study is the first detailed analysis to look at the profiles of CFOs at South Africa's top listed companies by market capitalisation, the JSE Top 40.

Our research has produced fascinating data about the profiles of CFOs and the routes they have taken to reach the top of their function. We have paid particular attention to CFOs' background, functional experience, diversity, education and professional qualifications. We also take a look at the CEOs of JSE Top 40 companies with backgrounds in finance leadership.

We end our report by comparing South African CFOs with their counterparts in Australia, the UK and the US.



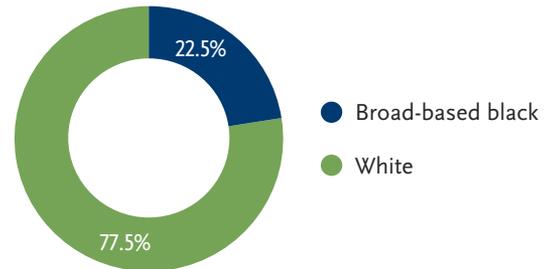
KEY FINDINGS

Diversity

While our research reveals that their careers have taken a variety of trajectories, there is a conspicuous lack of diversity among JSE 40 CFOs.

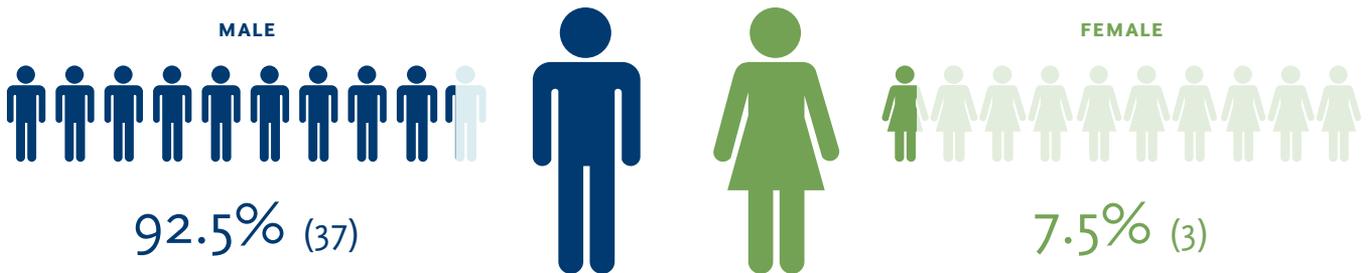
Ethnicity

Nine (22.5%) of the TOP 40 CFOs are from a broad-based black ethnicity group.



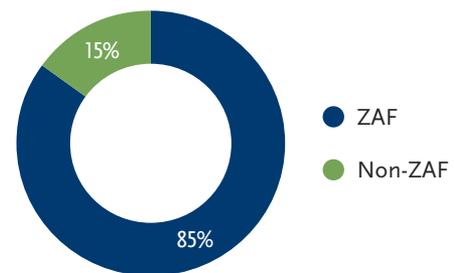
Gender

Only three out of 40 CFOs are women. While the percentage of female CFOs is low in most markets, the situation in South Africa is of particular concern.



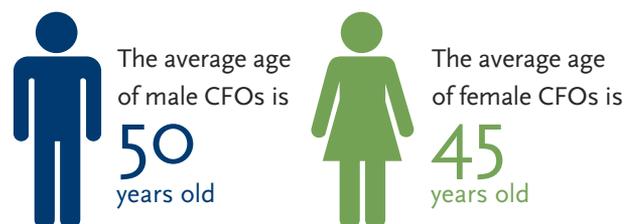
Nationality

Of those CFOs whose nationality we have been able to confirm, only 15% are not South African nationals. These five non-nationals come from Australia, Germany, Greece, Netherlands and Zimbabwe.



Age

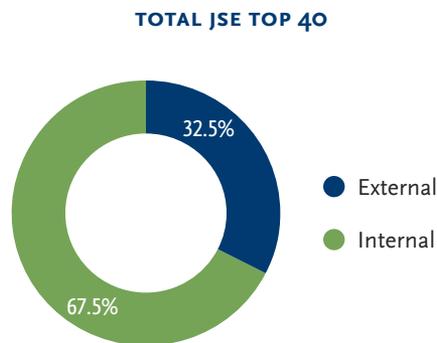
JSE 40 CFOs range from 36 to 61 years old, with an average age of 49. Two-thirds of CFOs are between 46 and 55 years old.



Internal vs. external appointments

Two-thirds of JSE Top 40 CFOs were appointed to their roles from inside their companies. Leading South African companies appear to have a strong enough pipeline to enable a smooth succession in the leadership of the finance function. They benefit from the continuity that comes with appointing an internal candidate, as well as the positive signals this sends to high-potential, future leaders of the finance function.

Out of the seven CFOs appointed during 2017, four were internal and three external candidates.

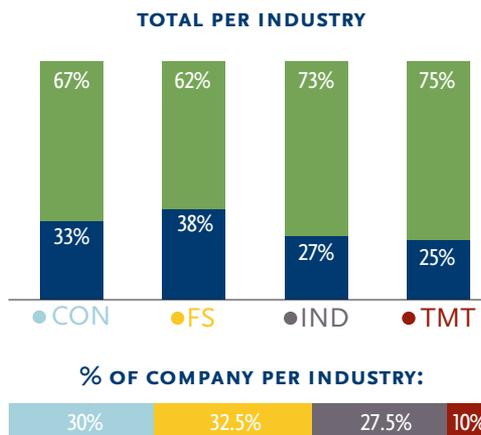


57%

of new hires are from a broad-based black ethnicity group

70%

of external hires have relevant industry experience



Development areas for companies to consider

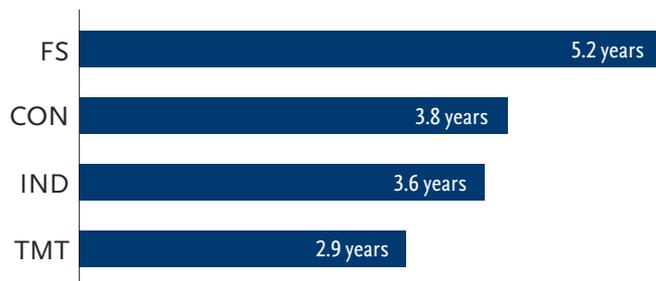
With two-thirds of the current cohort of CFOs being internal appointees, many JSE Top 40 companies appear to focus on finance talent management with an eye to CFO succession. However, we recommend that all companies should be regularly reviewing their pipeline of high-potential finance professionals, steering them towards the kind of roles that will position them to be credible candidates for CFO when the time comes. We recommend that companies ask themselves the following questions:

- » How do we encourage gender and ethnic diversity at all levels within our finance organisation?
- » How do we expose high potentials to the challenges of high-impact communication and stakeholder management?
- » How do we make sure that our best finance professionals do not fall into the “specialisation trap”? How can we develop their skills and experience by offering them business or functional roles outside their comfort zone?
- » How do we rotate high-potentials through roles in the corporate centre?
- » How do we help finance professionals gain international exposure, especially experience living and working abroad?

Tenure

The average tenure of CFOs is 4.1 years. Those in the financial services sector have the longest average tenure at 5.2 years (the CFOs at Capitec Bank Holdings and Investec have both been in the role for at least 15 years). The current average tenure of internally appointed CFOs is 4.4 years, compared with 3.5 years for external hires.

AVERAGE CFO TENURE PER INDUSTRY

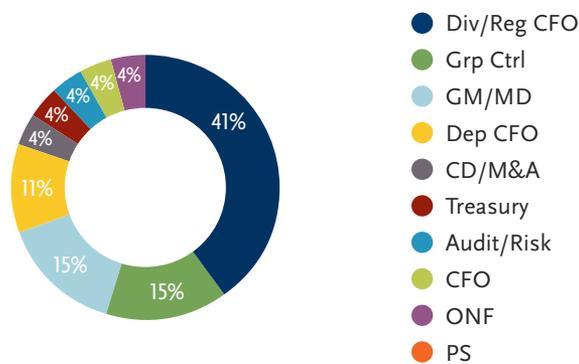


Previous role

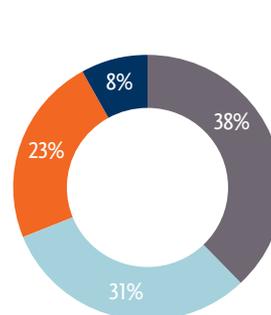
Internal vs external

Of the nine CFOs with prior experience as a Group CFO, six were external and three were internal appointments. While external hires were mainly drawn from the ranks of CFOs and general management, around one quarter of these appointments came out of professional services/audit firms.

INTERNAL APPOINTMENTS



EXTERNAL APPOINTMENTS



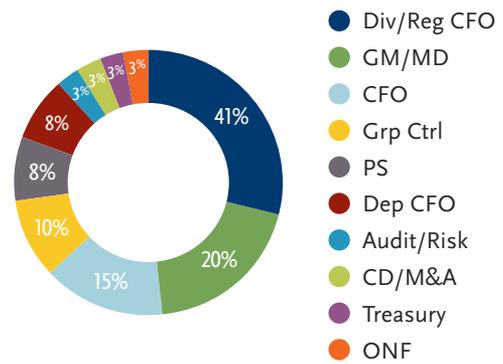
JSE Top 40 CEOs with CFO experience

- » 13 of the current JSE Top 40 CEOs previously held a Group CFO role. Nine of these had been CFO of the same company they now lead, and six were appointed to CEO directly from the CFO role.
- » Two CEOs had been the CFO of a non-listed company, whereas 11 had JSE CFO experience.
- » CEOs who had previously been CFO of the same company had served as CFO for 5.7 years on average before taking on the top job.

Finance function experience

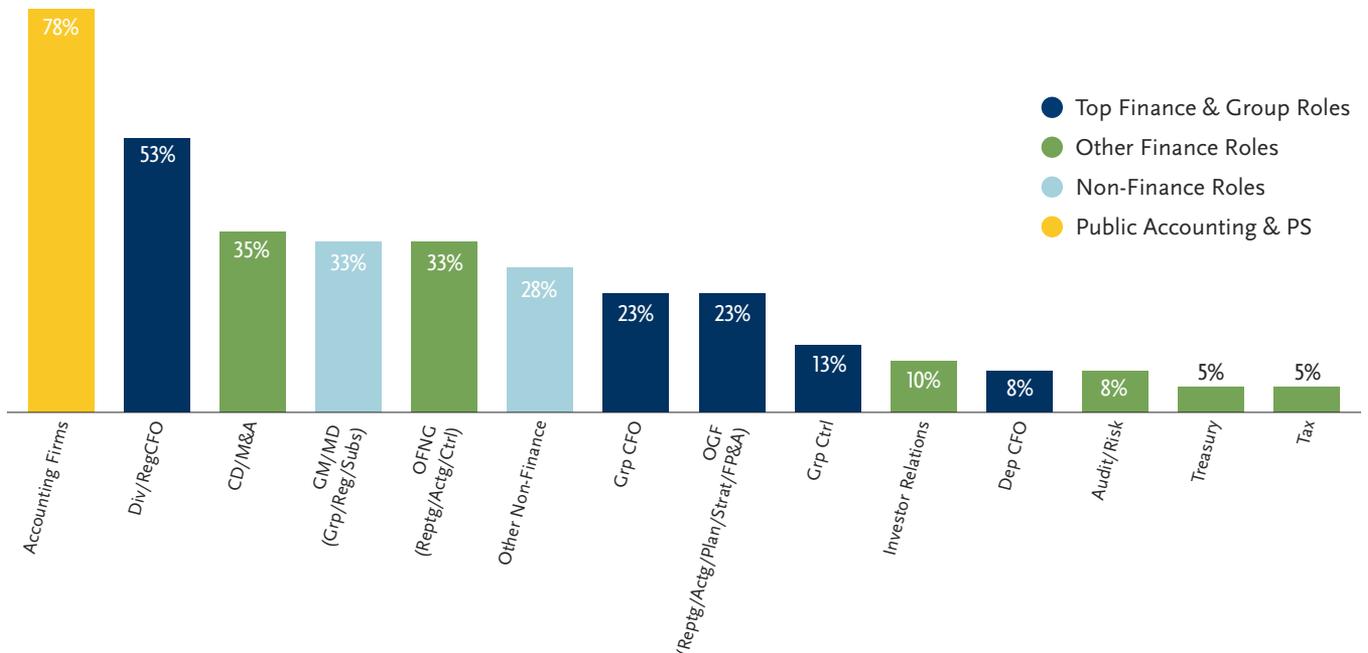
Nine of the JSE Top 40 CFOs (22.5%) had prior experience as a Group CFO. 45% were either a group CFO or a divisional/regional CFO immediately prior to their appointment. A further 20% were in a managing director or other general management role.

PREVIOUS ROLE



Career experience

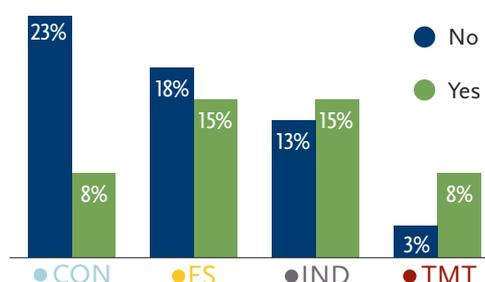
The current cohort of JSE Top 40 CFOs have occupied a wide range of roles during the course of their careers. 78% have worked in a professional services firm, although this is explained by the fact when most of the current CFOs were starting out, a three-year stint at an audit firm was a prerequisite for becoming a chartered accountant in South Africa or for a career in finance. It is interesting to note that while most CFOs have spent the majority of their careers in finance roles, 61% of CFOs have had at least one non-financial role during their career.



International experience

Forty-five percent of CFOs have worked outside South Africa at some point in their careers.

INTERNATIONAL EXPERIENCE PER INDUSTRY



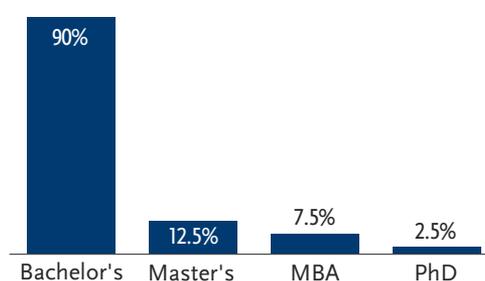
% OF COMPANY PER INDUSTRY:



Education & qualifications

Ninety percent of CFOs have a Chartered Accountant qualification. 22.5% of CFOs have a postgraduate degree (Masters, MBA or PhD).

DEGREE



Board membership

All JSE Top 40 CFOs sit as executive directors on their own boards. Seven CFOs hold a non-executive directorship on another listed company board; one CFO sits on two outside boards while another sits on four outside boards.

International comparison of CFOs

CFOs of South African companies are more likely to be internal appointments than their counterparts in Australia, the UK and US.* However, as a group, South African CFOs are younger than their counterparts, have been in their roles for less time and are not as diverse.

				
Size of sample	JSE Top 40	ASX 100	FTSE 100	Fortune 500
Internal / external appointment	67.5% / 32.5%	49% / 51%	48% / 52%	62% / 38%
% of women	7.50%	11%	11%	13%
% of foreign citizen	15%	20%	23%	N/A
Average tenure	4.1	5	4.5	5.6
Average age	49	51	52	52

*Source: Most recent CFO Route to the Top studies published by Spencer Stuart.

Function Acronyms

Grp CFO/CFO	Group CFO
Dep CFO	Deputy CFO
Div/Reg CFO	Divisional or Regional CFO
FP&A	Financial Planning and Analysis
GM/MD	General Manager/Managing Director (including COO and Group/Regional/Divisional CEO)
CD/M&A	Corporate Development/Mergers & Acquisitions
Grp Ctrl	Group Financial controller
IR	Investor relations
ONF	Other Non-Finance (Banks, Non Finance Roles, etc..)
OGF	Other Group Finance (Reporting, Accounting, Planning, Strategy, FP&A)
PS	Professional Services/Accounting Firms
OFNG Reptg/Actg/Ctrl	Other Finance Non-Group (Including Financial Reporting/Accounting/Control)
Treasury	Treasury
Tax	Tax

Industry Acronyms

CON	Consumer goods and services
FS	Financial services
IND	Industrial
TMT	Technology, media and telecommunications

METHODOLOGY

Our in-depth research draws on information in the public domain and on our knowledge of the backgrounds of individual CFOs. This has enabled us to examine specific roles that CFOs have undertaken inside and outside the finance function, identify patterns and consider the range of experience that may be required of CFOs in the future. The data is based on an analysis of the JSE Top 40 companies incorporated in South Africa as at 1 March, 2018. In the case of CFOs who were promoted from interim or acting CFO roles, we consider their start date when they began their interim role.

AUTHORS

Ryno Matthee (Johannesburg)
rmathee@spencerstuart.com

Lisa Mariano (Johannesburg)
lmariano@spencerstuart.com

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 57 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.

For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.



© 2018 Spencer Stuart. All rights reserved.
For information about copying, distributing and displaying this work,
contact: permissions@spencerstuart.com.

Amsterdam
Atlanta
Bangalore
Barcelona
Beijing
Bogotá
Boston
Brussels
Buenos Aires
Calgary
Chicago
Copenhagen
Dallas
Dubai
Düsseldorf
Frankfurt
Geneva
Hong Kong
Houston
Istanbul
Johannesburg
Lima
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Moscow
Mumbai
Munich
New Delhi
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
Santiago
São Paulo
Seattle
Shanghai
Silicon Valley
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zürich