



CEO talent: Where do Australia's CEOs come from?

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Observers frequently suggest that Australian companies operate in a global market for CEO talent. The Australian Financial Review pointed to evidence that “more than a third of chief executives of ASX 100 companies are foreign-born.”¹ This idea came to the fore when the government overhauled the visa program for skilled workers in 2017. GrainCorp’s chairman, Graham Bradley, argued that these changes would “push CEO pay higher” and “potentially force businesses to move their operations offshore”.² Global search firms in Australia also posit that CEO search will be “harder” and “could increase the cost of local talent”.³

We dig deeper and try to answer a number of questions. Where do Australia’s largest companies find their CEOs? How often do Australia’s biggest public companies recruit CEOs from overseas? The answers to these questions have important implications. If Australian firms recruit CEOs from abroad, then CEO compensation will likely need to be commensurate with international standards. Furthermore, if Australian firms are highly dependent upon foreign sources for CEO talent, there may be a need to boost education and training, much of which is inevitably on the job, to increase the supply of corporate leaders for Australian companies.

To provide insights into these questions, we studied the backgrounds of the current CEOs of ASX 100 companies, which represent the 100 largest public companies in Australia. Using executive biographies, LinkedIn profiles, and financial news websites, we developed employment profiles to better understand who becomes a CEO in Australia. We excluded companies that are headquartered overseas and cross-listed in Australia, such as James Hardie, The a2 Milk Company, and CYBG. We removed an additional 5 CEOs who are company founders, leaving us with a final sample of 92 CEOs.

Our investigation reveals that most of Australia’s biggest companies (54 of 92) source their CEOs directly from within their organisations—including 9 out of the 10 largest firms.⁴ The recent internal promotions of Matthew Comyn at Commonwealth Bank and Rob Scott at Wesfarmers are prime examples; each possessed significant upper-level management experience within his company prior to appointment.⁵

We also find that Australian-born CEOs represent a large majority (24 of 38) of those sourced from outside of the firm. A number of these managers were recruited from overseas, but are Australians returning after significant global experience. For instance, prior to joining Vicinity Centres, Grant Kelley was CEO of a large public firm in Singapore and, before that, was a Hong Kong-based executive for

more than ten years. Peter Coleman, CEO of Woodside Petroleum, returned to Australia after a 27-year career at Houston-based ExxonMobil, where he was vice president for development.

Contrary to suggestions that Australian companies are reliant upon overseas CEO talent, we find just six cases of CEOs being recruited directly from overseas (see Exhibit 1).⁶ These cases include AGL Energy Limited’s American-born CEO, Andrew Vesey, who ran Melbourne-based Citipower in the late 1990s, and Swedish-born Magnus Nicolin, who runs Ansell Limited’s operations from the firm’s European headquarters in Brussels.

In fact, of the 27 CEOs we identified as being foreign-born, 21 were either appointed internally (13) or recruited directly from another Australian company (8). In terms of background, these CEOs typically have extensive management experience obtained within Australia. For example, QBE Insurance CEO, Vivek Bhatia, held positions at PricewaterhouseCoopers (Sydney), Wesfarmers Insurance (Sydney), McKinsey & Company (Sydney), and iCare NSW. In total, Bhatia’s CV includes at least 18 years of consecutive employment in Australia prior to his current appointment.⁷

Finally, the average foreign-born, internally appointed CEO has about 11 years of experience in Australia prior to becoming CEO; while those recruited outside the firm (but within Australia) have almost 15 years. This group of foreign-born, Australian-trained CEOs includes Andrew Penn (UK) of Telstra, Brad Banducci (South Africa) of Woolworths Group, Jake Klein (South Africa) of Evolution Mining, and Tracey Fellows (Canada) of REA Group, who together have a combined 100 years of work experience in Australia prior to being named CEO of their current firms (see Exhibit 2).

In aggregate, our data suggest that Australia’s largest companies prefer their future CEOs to possess Australian-based upper-management experience. This seems especially true if the firm’s operations are primarily domestic. Of the few firms that do source CEO talent directly from abroad, the hiring decision appears to be consistent with a global strategy. For example, GrainCorp (and its American-born CEO, Mark Palmquist) has a stated vision to be a “leading international agriculture business”. Treasury Wine Estates’ South African-born CEO, Michael Clarke, recently relocated to the United States to oversee its international expansion.

While there are many factors influencing CEO selection, our findings suggest that most large Australian public companies are not competing in a market for global CEO talent. This conclusion appears to be consistent with the results from a parallel *Insights Series* study

on CEO compensation in Australia.

Insights

1. Conventional wisdom is that many CEOs come from abroad. We find that the CEO of a large company who is recruited from outside both the company and the country is relatively rare.
2. If few CEOs are recruited from abroad, then the need to provide globally competitive compensation is likely reduced. This is consistent with our companion *Insights Series* piece “*Cult of excess? A global perspective on CEO compensation*”, where we find little evidence that Australian CEOs are paid excessively by global standards.
3. Further work is needed to understand the implications of our finding for the CEO talent pool in Australia. One possibility is that the CEO talent bench is sufficiently deep that recruitment from abroad is unnecessary in most cases. Another possibility is that Australian firms want CEOs who have experience in Australia as they better fit their strategy and culture. Or it could be that companies would like to recruit from abroad in more cases, but that there are barriers to attracting CEO talent to Australia.

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The *Insights Series* is a collection of short studies exploring contemporary issues and best practice in corporate governance, produced by the Melbourne Centre for Corporate Governance and Regulation (MCCGR) at the University of Melbourne. For more information, visit: go.unimelb.edu.au/b9t6.

¹ Patrick Durkin, Australian Financial Review, “More than a third of ASX100 CEOs are foreign”, 23 April 2017.

² Patrick Durkin, Australian Financial Review, “457 visa limits could drive up CEO pay”, 1 May 2017.

³ Nassim Khadem, Sydney Morning Herald, “Hiring a CEO from overseas? Can’t be older than 45 under Turnbull’s visa restrictions post 457s”, 19 April 2017.

⁴ We rank firms based on market capitalisation as of 19 February 2018. Of the ten largest firms, only National Australia Bank has an externally appointed CEO (Andrew Thorburn).

⁵ Matthew Comyn has been the head of Retail Banking Services at Commonwealth Bank since 2012. Rob Scott had been CEO of Wesfarmers Insurance for 6 years, GM of Business Projects for Wesfarmers for 2 years, and most recently Managing Director of the Industrials Division and Deputy CEO.

⁶ We identify foreign-born CEOs who were employed in Australia immediately prior to their appointment as CEO.

⁷ See <https://www.linkedin.com/in/vivekhatia/>.

Exhibits

Exhibit 1: Biographical details of CEOs recruited externally from outside Australia

CEO	Company	Birth nation	Experience
Andrew Vesey	AGL Energy	USA	Left his role as COO of AES Corporation, a US-based Fortune 200 company, to join AGL. Former CEO of Melbourne-based CitiPower.
Mark Palmquist	GrainCorp	USA	Joined GrainCorp from his previous role as COO and EVP at CHS, a US-based Fortune 100 agriculture firm.
Jeanne Johns	Incitec Pivot	USA	Johns held numerous senior roles in China, US, and the UK. at British Petroleum.
Magnus Nicolin	Ansell	Sweden	Nicolin has held senior management positions at Newell Rubbermaid, Bayer, and Pitney Bowes. He leads Ansell from the firm's European-based HQ in Brussels.
Michael Clarke	Treasury Wine Estates	South Africa	Clarke's management experience includes senior roles at UK-based Premier Foods, Kraft, and 5 years as manager of Coca-Cola's Sydney-based South Pacific division.
Graham Chipchase	Brambles	UK	Joined Brambles after 13 years (6 as CEO) with UK-based consumer packaging company Rexam.

Exhibit 2: Biographical details of selected foreign-born CEOs with extensive Australian experience

CEO	Company	Birth nation	Experience*	Details
Tracey Fellows	REA Group	Canada	34	Migrated to Australia as a teenager and completed a Bachelor of Economics at Monash University. Her management experience includes 3 years as CEO of Microsoft Australia and time as an executive at Australia Post.
Andrew Penn	Telstra	UK	27	Started his career in 1990 at Melbourne-based AXA Asia Pacific, where he later was promoted to Group Chief Executive. Penn was recruited to Telstra in 2012 as the company's CFO.
Brad Banducci	Woolworths Group	South Africa	25	Completed his MBA at UNSW and then joined Sydney-based Boston Consulting Group in 1991. Since then, he has held several upper-level management roles in Australia. Prior to his promotion to CEO, Banducci was a managing director at Woolworths for 6 years.
Jake Klein	Evolution Mining	South Africa	14	Began his Australian career at Macquarie Bank and PricewaterhouseCoopers in early 1990s before becoming founding Sino Gold. Prior to joining Evolution Mining, he was executive chairman at Conquest Mining.

* Approximate years of experience in Australia prior to becoming CEO of their current company.