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THE RISE AND RISE OF OVERSEAS EXPERIENCE FOR TODAY'S CEO

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Introduction

Overseas experience has become an increasingly common requirement in searches for new CEOs of international companies. Without it, potential CEOs may be holding their career back.

To check how far this trend has come we looked at the career histories of the Chief Executives of the 100 largest European companies by sector, and leading French, German and British listed companies.

Our findings confirm that a CEO who has experience of moving to a new market as a senior executive, before taking the role of a CEO, is increasingly valued in businesses across Europe. Therefore, the implications for individuals considering whether they should add that international perspective to their biography are obvious.

Our research also looked at whether the CEOs of the European companies are, themselves becoming more international. Are the biggest French, German, Swiss, Italian and British companies making more use of CEOs from outside of the company's homebase?

Executive Summary

Our findings show:

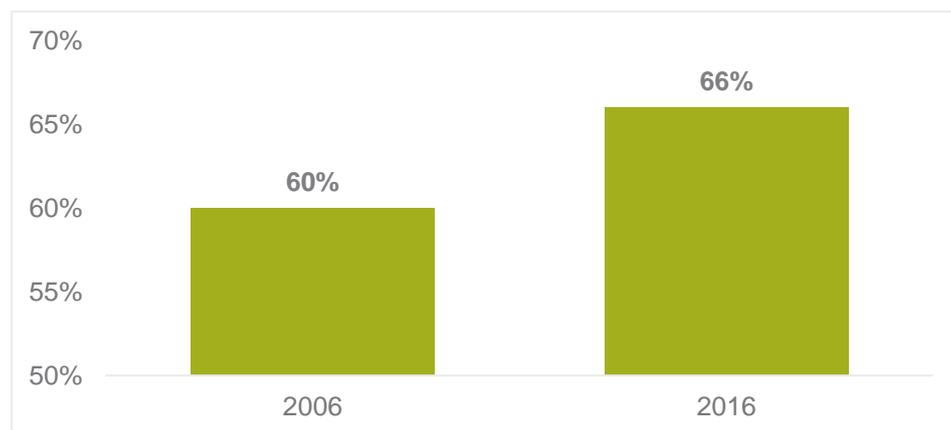
- The percentage of CEOs in the top 100 largest European companies by turnover, with overseas experience, has risen from 60% to 66% in the last 10 years.
- Amongst Germany's DAX 30, 87% of CEOs have overseas experience versus 77% 10 years ago.
- Amongst France's CAC 40, 63% of CEOs have overseas experience versus 53% 10 years ago.
- The number of CEOs with international experience in the Netherlands has increased to 9 out of 10, as opposed to 8 out of 10 in 2006.
- Businesses in France and Germany tend to prefer home grown CEOs. The percentage of French CEOs in French companies has risen from 85% to 90% in the CAC 40 last 10 years. In Germany the percentage of German CEOs in the DAX 30 figure has risen from 77% to 80%.
- The number of British CEOs within the FTSE 100 has reduced over the last 10 years, from 71% to 60%.
- Cultural variations in business practice can influence CEO selection. In Germany, the geographical distribution of stakeholders means that a deep local knowledge is more highly valued. Similarly, French governmental involvement in businesses and shareholder distribution means that domestic knowledge is highly prized.
- Across Europe, whilst the need for international experience is increasingly key the use of non-domestic CEOs is more mixed.

The Importance of overseas experience in the CEO role

Two thirds (66%) of the CEOs studied had some form of overseas experience in their careers. This figure has risen from just 60% in 2006.

For European companies the fastest-growing markets are rarely going to be within the businesses' home markets. An increasing acceptance of the cultural and structural differences between these critical overseas market has made hiring CEOs with experience entering and working within new markets more important, avoiding the expense of poorly executed international expansion.

Proportion of CEOs that have overseas experience in European companies has risen over the last 10 years



European corporates open to foreign-born CEOs

One way to ensure that a CEO candidate has an international perspective is to hire from overseas, although this does not always guarantee international experience at a senior executive level.

DHR's research suggests that Europe's largest companies are now more open to the idea of hiring foreign-born CEOs with the proportion of home-grown CEOs falling from 78% in 2006, to 63% this year. This drop highlights that generally across Europe, companies are opting for candidates with knowledge of overseas markets.

Further research into the FTSE 100 found that the proportion of UK companies with home-grown CEOs dropped from 71% in 2006 to just 60% in 2016. This trend mirrors that of Europe as a whole, as UK companies also look to ensure they have people with greater international experience at the helm.

Examples of Foreign born CEOs in the UK:

- Jes Staley is the CEO of Barclays since December 2015 and an American national. He worked in J.P. Morgan Asset Management's Latin America division from 1980 to 1989, where he served as the Head of Corporate Finance and General Manager for Brazil for eight years. In 2013, Staley left J.P. Morgan after more than 30 years to join BlueMountain Capital in London as a managing partner. In May 2015, he was elected to the board of directors of the Swiss global financial services company UBS as a new member of the Human Resources and Compensation Committee and of the Risk Committee.

- Bill Winters is the American CEO of Standard Chartered. He has had a distinguished career in banking, having spent 26 years with investment bank JP Morgan in diverse leadership roles, becoming co-Chief Executive Officer of the investment bank in 2004 until he stepped down in 2009. Bill was invited to be a committee member of the Independent Commission on Banking, established by the UK government in 2010 to recommend ways to improve competition and financial stability in banking. Subsequently, he served as advisor to the Parliamentary Commission on Banking Standards and was asked by the Court of the Bank of England to complete an independent review of the bank's liquidity operations.

Bucking the Trend- France and Germany

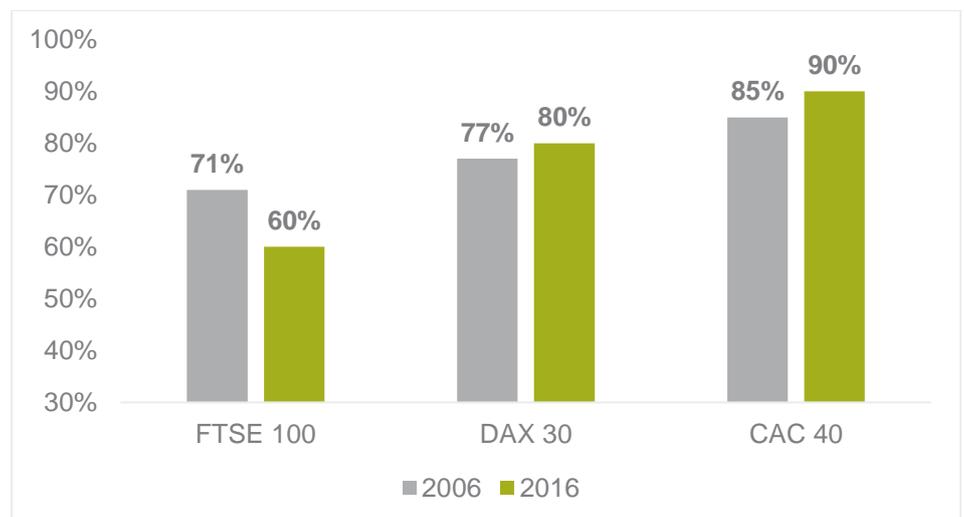
Unlike most other European companies, those based in either France or Germany have a tendency to opt for domestic CEO candidates with greater local knowledge, however, experience abroad still comes highly valued.

In France, 90% of CEOs in the CAC 40, the French stock exchange, are French nationals. This figure is up from 85% 10 years ago. These figures highlight that the focus on hiring home-grown CEOs has risen rather than dissipated, despite the trends that exist elsewhere in Europe.

Analysis of the German stock exchange, the DAX 30, found similar results. In the same period, the number of German-born CEOs operating in German organisations has risen from 77% to 80%.

Similar trends have been found in other European countries. In the Netherlands, the number of CEOs with overseas experience has remained high, increasing slightly, with 9 out of the 10 biggest Dutch companies employing CEOs with international experience in 2016, as opposed to 8 in 2006. Despite this level, the number of foreign born CEOs has decreased. Out of the 10 of biggest Dutch companies, 7 of them had CEOs from the Netherlands in 2016 compared to 3 in 2006.

Proportion of home born CEOs in listed companies



How can culture variations in business practice impact the choice of CEO

According to the latest figures from the Office of National Statistics, only 46.2% UK company shares are owned by domestic investors, down from 56.6% in 2010. These figures go some way into explaining why, in the UK, the decision of a company to have a foreign-born or overseas experienced CEO has risen.

Due to the growing proportion of international shareholders, CEOs of UK companies, in particular, need to possess experience in overseas market. It is important that CEOs not only understand the markets they operate within, it is important for them to have a strong understanding of the desires and differences between their international investors as well.

According to Banque de France, the latest figures show that 54.7% of French company shares are owned by domestic investors. With less shareholders coming from overseas, the necessity to hire CEOs from overseas will be reduced. The same is true for other countries that have high levels of local stakeholders in their businesses.

Similarly, in France, cultural traditions have had a massive influence on day-to-day business operations. The French Government exerts more influence over local businesses than many other Governments. This governmental involvement is much higher than is the case for the UK. CEOs in France may therefore need to be more adept at communicating and dealing with their own Government than their UK counterparts.

In Germany, corporate structures are very different to that of the UK. There are two boards of directors, the management board or the Vorstand, and the supervisory board known as the Aufsichtsrat. The members of the Aufsichtsrat are drawn from the regional economy, which may include representatives from regional government, union groups and regional banks, and their role is to act as a monitor for the management board.

The ability of a CEO to deal with and communicate successfully with such representatives is extremely important in this instance, and therefore favour would be given to those candidates with local knowledge of the system. Such a system does not exist in the UK, therefore the same value is not necessarily placed on local knowledge.

Examples of CEOs with overseas experience in France, Germany and the Netherlands:

- Herbert Hanier, the German born CEO of Adidas, joined Adidas Germany in 1987 and has held numerous management positions within the Group across several global markets, including Managing Director Germany and Senior Vice President for Sales and Logistics in Europe, Africa and the Middle East.
- In France, L'Oréal CEO, French national Jean-Paul Agon graduated from HEC international business school, joining L'Oréal in 1978. He has spent his entire career in prominent sales and marketing positions across several growth markets with the company, including Greece and Asia.

- John Cryan, is the British born CEO of Deutsche Bank. He was President for Europe at Temasek Holdings Pte. Ltd., the Singaporean investment company from 2012 to 2014. Previously he was Group Chief Financial Officer at UBS AG from 2008-2011, having worked in corporate finance and client advisory roles at UBS and SG Warburg in London, Munich and Zurich from 1987.
- Carlos Tavares is the Portuguese CEO of French car manufacturer Peugeot. He held a number of different positions with the Renault Group from 1981 to 2004 before joining Nissan. In 2009, he was appointed Executive Vice President, Chairman of the Management Committee Americas and President of Nissan North America.
- Jean-Francois van Boxmeer is the Belgian CEO of Dutch brewer Heineken. He joined the company in 1984 and held various management positions across the world, including in Rwanda as Sales & Marketing Manager, in the Democratic Republic of Congo as General Manager, in Poland as Managing Director, and Italy, also as Managing Director.

Conclusion

Across Europe a similar trend exists that suggests gaining overseas experience, although not mandatory, is likely to aid in future senior executive career progression.

Those looking to take on non-executive roles in the future may also look to develop and enhance their CVs by gaining overseas experience in order to set them apart from other candidates.

To find out more about how DHR International can help candidates achieve their next strategic career move or support and advise global businesses in their search for talent, visit www.dhrinternational.com.



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