



ambition

CFO Recruitment
Market Trends & Salaries Report

ambition

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Introduction



The role of CFO has, of late, grown in profile within organisations, where the need is for more prudent financial management in light of changes in the corporate governance landscape. It has also become a more desirable role, despite the increase in potential liability that CFOs now carry.

However, it is an increasingly difficult role to recruit for, as most organisations have a long wish-list of requirements, which is further evidence of the importance they place on the job. To compound the issue there is a distinct shortage of highly qualified CFO candidates local to Asia, especially at the Regional and Group CFO level. This has seen many companies looking within the international ranks of their organisation and appointing someone who is well known to the company.

The good news for CFOs, is that the rise in profile has led to a rise in remuneration, notably in the variable component of packages. These higher salaries attest to employers' determination to retain their CFO, not only because of the critical nature of the role, but the difficulty in replacing it.

Whilst Ambition hasn't seen a flurry of activity in CFO recruitment, there has been some turnover in 2007. This is the result of new positions created, or organisations establishing or increasing their presence in Hong Kong or Singapore.

This report sets out the general market trends in CFO recruitment and gives an overview on salaries. However, financial rewards can vary wildly between organisations and roles, so we strongly encourage you to speak to us in confidence should you wish to receive more tailored information.

The best CFOs are always going to be in demand, even though it can take some time to find a role that is the ideal fit. Those managing their career carefully have an extremely bright future ahead of them.

Guy Day
Managing Director - Asia

Market Overview

2007 has been another busy year for recruiters in the Asian region, as economies continue to thrive and companies demonstrate their confidence in the markets by increasing their headcount, as well as building new teams from scratch.

Hong Kong and Singapore are particularly busy from a recruitment perspective as they are convenient locations for international businesses to set up their Asian headquarters. These world class cities offer international companies an infrastructure and regulatory environment that make them feel secure, as well as a pool of potential staff that help them to penetrate the developing Asian markets. These staff speak English fluently and understand the workings of multinational companies, as well as the culture and language of the local market, forming an invaluable bridge between the two.

The arrival and expansion of new and existing companies in response to the economic boom in Asia has created noticeable trends in the recruitment market, specifically rising turnover and a shortage of skilled staff. Recruiters are struggling to overcome the difficulties created by low supply and high demand.

The market for CFOs has seen some new opportunities arising this year, particularly as a result of the growth in private equity and fund management companies in the region, but recruitment in these sectors is predominantly slow and steady, as opportunities are few and far between. Generally, demand for CFOs is not subject to the status of the economy as the CFO plays a vital role in an organisation in a buoyant market, where a firm hand is needed to maximise growth without overstretching the business, and in an economic downturn, where companies need expert guidance to weather the storm.

Although the volume of recruitment in this area is not significant, it is an extremely important market for recruiters. These are critical hires that are difficult to source and recruitment companies who can find these highly skilled individuals and match them to the right company are invaluable to local and international companies alike.



Market Overview

Skills Shortage



CFOs are challenging to recruit, regardless of whether the market is buoyant or depressed, or whether recruitment levels are high or low.

The difficulties are in part due to the importance of the role: it is critical that companies recruit the right person. But to find this perfect person is extremely complex. They need to have all the boxes ticked on their CV in terms of education, qualifications and experience, as well as the personality to fit the job, which must include a combination of skills that is not easy to find. The process is also contingent upon the chemistry between the managing director/ CEO and the CFO candidate, which to a certain extent is dependent upon good fortune.

CFO candidates are invariably male, and quite often expatriates particularly in multinational firms. International companies opt for the sleep-easy factor, employing CFOs for their offices in Asia who are a known quantity from within the organisation. They are increasingly conscious of the responsibilities of this position, in light of the global financial and accounting scandals of recent years, and they want their own person in place. Often this means promoting someone to the role internally who has already proven themselves elsewhere in the world. This works well in a position where unpopular decisions sometimes have to be made and strong internal relationships are relied upon for support.

When international companies recruit externally they look for candidates who fit with the culture and mindset, who have international business exposure and first class language skills. Often this can exclude local candidates, because while it is desirable to hire a Chinese speaker, the diverse experience offered by an international candidate sometimes outweighs their lack of local exposure. This kind of candidate is particularly attractive when an organisation already has a Chinese speaking financial controller as a strong number two.

Locally listed companies have also shown that they are willing to hire expatriate CFOs. And so it seems that the localisation drive of 2002-2005 has been put on ice in favour of recruiting the best person for the job, of recruiting for experience across multiple markets at the top level of international business, regardless of nationality.

Salaries

As the business world has rebounded from corporate governance scandals, prudent financial and risk management has made its way into the core of corporate culture the world over.

Nowhere is this shift felt more keenly than at CFO level. CFOs have been left in no doubt that they carry the burden of responsibility for their companies' financial operations, that they are being carefully monitored by regulators, and that if mistakes are made, they will be the ones to end up in court or even in jail. This corporate threat has increased the profile of the CFO considerably.

Naturally, this increased profile has brought with it some rewards, and salaries for top tier CFOs have risen aggressively. Of course, pay packets for CFOs vary enormously depending upon the type and size of organisation they are working for. The pay of CFOs working in the banking and financial services sector, for example, can be substantially higher than that of CFOs in the commercial sector.

In general, companies have been offering significant salary increments this year to keep or attract top CFOs. Bonuses have also been exceptional, with regional CFOs, particularly in the investment banks and fund management industry, taking home up to 100% of base salary. Those who were incentivised with stock plans when company share prices were lower are also seeing spectacular gains.

These extraordinary payouts may be slightly curtailed next year by the US credit crunch, particularly for those working in US based companies, but there is a lesser chance that Hong Kong's CFOs will be badly penalised and they can expect another very respectable year in 2008.

" CFOs who were incentivised with stock plans when company share prices were lower are also seeing spectacular gains."



Market Overview

Turnover



High turnover is the consequence of a candidate-driven market where talent is hard to come by. High demand and low supply leads to fierce competition between companies, who then offer attractive salary increments to tempt professionals away from their current employers.

We have seen turnover across all sectors of the Asian markets in recent years, but CFO recruitment has remained largely unaffected by this phenomenon. There is only one overall CFO position in every company and it is usually occupied by one person for many years. As a result, opportunities for CFOs to change jobs come up infrequently.

Companies also manage the careers of their CFOs carefully, to ensure that they will be challenged and satisfied by their position and will not want to leave. Businesses cannot afford to lose them, as filling the massive gap that a CFO leaves when he or she resigns is time-consuming, expensive and extremely difficult. Increasingly, innovative packaging is used to discourage turnover; including equity participation, housing allowances or even holding back bonuses.

Despite their best efforts, some large multinational companies are losing their CFOs to smaller organisations, because the CFO succumbs to the temptation of a role that offers more autonomy, increased opportunity for long term business planning and hands on running of the company. Sometimes CFOs are also keen to step back a little from the fast paced, pressurised environment that they have experienced in these larger environments. The hours they have worked to achieve top ranking have most likely been punishing and, as financial incentives might not be such a priority at a later stage of their career, they may make the choice to spend less time in the office, and to have a better quality of life.

Observations for CFO Candidates

The Ideal Candidate

It takes a particular type of person to become a CFO and the frustration for many hopeful candidates is that it is hard to pin down the exact qualities that companies are looking for. Sometimes candidates are passed over for reasons that are hard to quantify, which leaves them wondering why.

Clearly a first class education, professional training and blue chip company names are preferred on the candidate's CV. But these credentials do not necessarily make a CFO. In our experience, the perfect candidate for the job has a rare blend of skills that include communication, dynamism, passion, drive and energy.

Age is also a factor. The role of CFO is not typically held by a young person, as the responsibilities of the job are normally trusted to a professional with considerable knowledge and experience. However, it is also a position occupied by high flyers and it is generally understood that a candidate who has not achieved CFO status by their mid forties is unlikely to be suited to the job. Of course, particularly strong candidates are immune to concerns about age.



“ Sometimes candidates are passed over for reasons that are hard to quantify, which leaves them wondering why.”

Observations for CFO Candidates

Language



Much has been made of the growing importance of Mandarin and for many candidates, the better their language skills, the better their chance of securing their chosen job.

The more senior the position, however, the less critical language skills generally become. At CFO level, English tends to be the main medium of communication and, while Mandarin may be a useful skill, it will usually not determine whether or not a candidate is suited to a job.

We have seen repeated instances of CFOs recruited to locally listed companies who speak no Cantonese or Mandarin at all, but have outstanding industry credentials. Again, it comes down to the simple requirement of finding the best candidate for the job, regardless of language or culture.

Due Diligence

In every job search, candidates should research their prospective company carefully and find out as much as possible about their new job. For CFOs this is particularly important, as the title can be overstated by employers, who try to attract a CFO to do a finance manager's job.

In Asia, careful due diligence is also needed when a CFO joins one of the many family run businesses. It may be tempting to leave the high-pressure environment of one of the large multinationals to become a bigger fish in a smaller pond, but this is not a decision to be taken lightly. It can be difficult to return to the multinational scene once the shift has been made to a smaller, private company, and in addition, some of these firms answer only to the primary shareholder and employ CFOs in a token capacity.

Our advice is to learn about the business, to read about the family's history and to understand the dynamic between the generation currently in charge and the one poised to take over, before accepting the position.

Timing

Candidates wishing to make a move in this field need to carefully consider their timing, as cautious career planning is the key to achieving and maintaining this top ranking position.

As a general rule it is wise not to remain in one company longer than ten years, to avoid being perceived as institutionalised. However, there are clear exceptions with large global organisations offering geographic diversity and career enrichment. Many CFOs can point to the merits of this path.

Conversely, it can also be ill-advised to leave a company too quickly, in case this might be read as lacking in commitment, or even as disloyalty.

Candidates looking to move also need to be aware that finding a new and exciting opportunity may take months, if not years, as CFO positions are not readily available. Finding a suitable job that is open and then managing to connect with the hiring manager, is as much a matter of luck and timing as it is of skill and good judgment.

For this reason, we strongly advise all CFOs to keep in constant contact with the CFO network, as well as a trusted recruiter. Top jobs are not generally advertised and it is important to be aware of the market, in case an outstanding opportunity presents itself.

“ As a general rule it is wise not to remain in one company longer than ten years, to avoid being perceived as institutionalised.”



Observations for CFO Candidates

Job Distribution



In a buoyant economy, the rewards for CFOs escalate significantly, but the number of positions available remains largely the same.

In 2006 we reported an exception to this rule as new hedge funds and asset management companies in the region were recruiting new CFOs. As their businesses grew and their financial structures evolved, they outgrew the capabilities of their financial controllers and turned to CFOs to lead them to the next stage of their development.

This trend has continued in 2007, and we have also seen continued demand for CFOs in China, to guide organisations through their listings on foreign exchanges. Internationally groomed CFOs with IPO experience are highly sought after on the Mainland.

On the commercial side, no one sector has shown particularly high recruitment levels for CFOs in Hong Kong. We have seen good opportunities for the very best candidates across the board this year.

" In a buoyant economy, the rewards for CFOs escalate significantly, but the number of positions available remains largely the same. "

The State of the Market

Country CFOs

A country CFO usually has a minimum of 10 or 12 years experience and typically has oversight for a relatively small revenue base.

Their company will generally be a subsidiary of a larger international organisation or perhaps a younger or smaller company operating in one market.

In some instances, a Country CFO may physically sit in the same office as the Regional CFO and report to him or her.

Salaries for Country CFOs have not changed considerably in recent years, but bonuses are significantly larger and companies are increasingly likely to link performance to profitability.



Regional CFOs

A regional CFO positioned in Hong Kong or Singapore will have responsibility for the Asia Pacific market.

As this is a more senior position than Country CFO, it carries with it a higher salary and greater potential for bonuses and perks, which often include long-term incentives, such as share plans. Regional CFOs who have been awarded these plans in recent years have enjoyed exceptional returns.

As well as high salaries and bonuses, Regional CFOs can expect housing benefits and education allowances, particularly if they have transferred to Asia from another part of the world.

In Hong Kong, these housing allowances can easily reach US\$8,000-10,000 a month, a figure that has risen on the back of the city's booming residential housing market.

In Singapore, rental allowances can be significantly less, but will afford a CFO larger accommodation. Rentals in Singapore have been increasing alarmingly, however.

Some international banks and organisations are cutting these allowances and giving a fixed cash package instead. This allows the employee to choose how they will spend the money, living in a smaller apartment if they wish and using the money they save for something else.

The State of the Market

Group CFOs

Group CFOs are the CFOs of sizeable Hong Kong and Singapore listed companies. They are main or regional board level professionals who are genuine partners to the CEO. Heavyweight Regional CFOs of the very largest financial institutions may also fall into this category.

Group CFOs have reached the pinnacle of their career and their salary will match the importance of their position. Total packages of US\$1 million and more are not uncommon as base salaries are usually accompanied by hefty bonuses and attractive share plans.

These positions do not become available frequently and when they do they are filled by an extensive global search, or more usually by a promotion from within.

CFO Compensation Table				
	HONG KONG		SINGAPORE	
	Banking & Financial Services HK\$ (millions)	Commercial Sector HK\$ (millions)	Banking & Financial Services SGD 000's	Commercial Sector SGD 000's
Country CFO	1.2 - 2.0	1.2 - 1.8	200 - 350	200 - 300
Regional CFO	1.8 - 3.0+	1.8 - 2.5	300 - 500	300 - 400
Group CFO	3.5+	3.0+	600+	500+

Notes to salary table:

- 1 Base salaries quoted are cash only.
- 2 Housing: Cost of housing rentals can vary enormously, typically US \$6,000 – 10,000 in Hong Kong and Singapore.
- 3 2007 bonuses: Financial Services : est. 60 – 100 per cent of base salaries quoted. Commerce and Industry: est. 30 – 50 per cent of base salaries quoted.
- 4 Long Term Incentives (LTI) plans typically apply for Regional CFO roles and above.
- 5 Pension/ retirement benefits tend to be statutory at Country CFO level, increasing 10 – 20 per cent of base for Regional and Group CFO.

CFOs in Singapore

The past few years have seen unprecedented growth in the banking sector in Singapore, with many financial institutions either significantly expanding their presence in the country, or setting up regional offices from scratch. Some offshore banks have as many as 4,000 employees in place already, with many others talking about significant expansion in the next two to three years.

Singapore benefits from its reputation as a centre for safe wealth management solutions for developing countries in Asia. Investors and high net worth individuals from countries such as India, Indonesia, the Philippines and Malaysia often look to Singapore from an investment and banking point of view and growth in these regions will continue to impact it favourably.

Dramatic growth in Singapore has led to increased demand for CFOs who can guide businesses through their expansions safely and in accordance with global standards of corporate governance.

These CFOs are often recruited internationally, as the sudden growth in the banking sector has meant that local candidates do not yet have the skills sets to take on senior roles. Expatriate CFOs have experience in the industry as well as a good cultural fit with large multinational companies.

In many ways Singapore is an attractive proposition for expatriate CFOs. It has a low tax rate, compared to Europe, Australia, the UK and the US, a strong infrastructure and regulatory environment, a good quality of life and a relatively low cost of living, although this has certainly escalated in the last 12 months.

In particular, Singapore vies with Hong Kong for the badge of 'regional business centre of choice' and for CFOs it is certainly an attractive alternative to Hong Kong.

Although CFOs are not paid more in Singapore than in Hong Kong, and taxes are higher, these factors are outweighed for some by the better quality of living. Much has been made of the spiraling costs of housing in Singapore, but there is still some way to go before they reach the levels seen in Hong Kong. CFOs can afford more space to live in and of course have unlimited access to cleaner air. Those with young families are increasingly likely to accept positions in Singapore rather than expose their children to Hong Kong's worsening pollution.



Prospects for 2008



Despite concern in global markets driven by the US subprime credit crisis, positive sentiment in Asia has remained, although 'uncertainty' and 'caution' have been words on most people's lips for quarter four in 2007.

It is hard to imagine the economic growth of China and India brought to a halt by recent events and most likely next year will see companies continuing to arrive in the region, anxious to play their part in Asia's emergence. Businesses that are not seeing growth in the US or in Europe, may look to Asia, one of the few growing markets in the world, to increase its impact on their global revenue.

There is little doubt that these companies will be recruiting CFOs and that they will continue to be challenged to find the perfect candidate among a shallow talent pool.

Candidates with first class technical skills, a winning personality, wise career management and good timing will be awarded the top positions. For this they will be challenged by ever more stringent reporting requirements and have an increased need to be flexible about where they live and work. However, they will undoubtedly continue to enjoy the status and financial rewards commensurate with reaching the top of their field.

In general, the market for CFOs remains low in volume and turnover. It is a specialised field, where the very biggest roles are often filled internally. However, the relatively small pool of outstanding CFO candidates simply have to bide their time, wait for the right opportunity to arise and can be safe in the knowledge that when it does, they will be in an extremely strong position.

Our Areas of Specialisation

Ambition Finance

- Accounting and finance – financial reporting, management reporting, planning and analysis, tax, treasury, internal audit and CFO
- Banking and financial services – all areas of accounting, audit, risk and compliance within the financial services sector
- Professional and executive positions from junior manager to board level
- China – all areas of accounting and audit

Ambition Human Resources

- HR management, compensation and benefits, recruitment, learning and development
- From Manager to Director level
- All industry sectors

Ambition Sales and Marketing

- Sales, marketing and communications appointments
- From Manager to Head of Function and Managing Director
- All industry sectors

Ambition Technology

- From IT Manager to Chief Information Officer/Chief Technology Officer
- ERP/CRM specialists, Systems/Business Analyst
- E-Commerce, Project Managers/Directors, Security Consultants
- Developers/Software/Telecommunications Engineers



About Ambition



Ambition is an Australian-listed recruitment firm specialising in a select number of disciplines, including accounting and finance, sales and marketing, information technology and human resources. Our coverage includes Hong Kong, China, Singapore and Australia.

Did you know?

- Our Hong Kong business has been in operation since 2001 and we employ around 40 people.
- We are not obsessed with being the biggest recruitment company but we are determined to be the best.
- We have carefully built a team who believe in our values: Passion, Respect, Integrity, Teamwork and Excellence.
- A significant proportion of our clients and candidates are introduced to us via personal recommendation.
- We believe it is our job to select a short-list and our client's job to select the candidate. To this end, we always focus on quality not quantity.
- Our senior management team believes in being visible with clients and candidates.

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