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MEDIA RELEASE

Bucking international trend, Australian CEO turnover declines in 2004, falling below global average for first time in Booz Allen study

Yet CEO turnover in Australia still stubbornly high, and underlying CEO tenure short, rise in external appointments highlights succession risks

Sydney, Wednesday, 23 November 2005 – Defying an international trend, the turnover of Australian CEOs declined narrowly in 2004 according to the annual Booz Allen Hamilton CEO Turnover Study, falling below the global average for the first time since the study commenced in 1998.

But the 'revolving door' for Australian CEOs continues to move at a stubbornly high rate, with Booz Allen's study showing overall CEO turnover – for reasons of performance, merger activity or regular transition - at 13% in 2004, down marginally from 14% the previous year.

Globally, CEO turnover increased from 9.8% in 2003 to 14.2% in 2004.

Average Australian CEO tenure – up from 5.6 years in 2003 to 7.5 years in 2004 – also surpassed the average global tenure (6.6 years in 2004) for the first time. But when the impact of the departure of four long-serving CEOs is stripped out of the result, average tenure falls to 4.9 years, considerably shorter than the global average.

Booz Allen's Australian CEO Study is an adjunct to the respected management consultancy's annual global CEO Turnover Study, which looks at CEO departure events at the world's top 2500 companies. The Australian study examines CEO departures among ASX 200 companies.

Among other significant findings in the 2004 Australian study:

- The biggest contributor to the decline in turnover is the reduced number of departures attributed to poor performance, down to 2.5% from 4.1% the previous year. Globally, 4.4% of CEO departures were attributed to poor performance in 2004, up from 3.1% in 2003.

- 'Outsider' CEO appointments are on the up, with 68% of all CEO appointments last year drawn from candidates outside the company, up from 57% in 2003.

- In contrast to global trends, outsider CEOs in Australia performed better than their insider counterparts, when measured against shareholder returns delivered over their full tenure (19.2% for outsiders versus 8.4% for insiders).

- The rise in average tenure of departing CEOs was boosted this year by the retirement of four long-serving CEOs: Brian Blyth (Spotless, 26 years), Harry Boon (Ansell, 15 years), John Ingram (Crane Group, 13 years) and Bob Hamilton (Mirvac, 32 years). The generally short tenure of Australian business chiefs is attributed partly to the separation of the Chairman and CEO roles in Australia.

- Lowest CEO turnover is in the financial services sector, in line with global trends.

Booz Allen Hamilton Australia Director and study co-ordinator, Marion Skulley, said the 2004 study reinforced once again the need for Australian companies to pay closer attention to succession planning and development of leadership talent within their ranks.

“The trend toward external CEO appointments is increasing, and while outsider CEOs appear to be performing better, this may leave companies vulnerable. Australia’s executive talent pool is relatively small and global competition for proven, tested CEOs is intensifying. By nurturing and developing leadership talent within, companies widen their strategic options for an orderly CEO succession,” Ms Skulley said.

“It is significant to note that Australian CEOs were given something of a respite last year, with the turnover rate falling below the global average as increased merger activity was offset by stronger declines in performance-related departures and regular transitions,” she said.

“Generally, however, CEO turnover in Australia remains relatively high, and underlying CEO tenure worryingly short.

“Clearly the Australian market - characterised by its small size, intense public scrutiny, low tolerance for failure and limited options for domestic growth - is a relatively tough one for CEOs. New CEOs must manage and execute their change and growth agendas in a short timeframe, and ensure their companies are agile enough to adapt to rapid structural shifts.

“These are conditions ripe for an undue focus on short-term results. Boards therefore need to think carefully about how they respond to shareholder activism and public pressure. Perhaps it is time for Boards to embark on a new partnership or dialogue with CEOs in better managing the public perceptions of the performance of the company.”

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