DIFFERENT STROKES

More Australian companies are recruiting executives from other industries in their bid for a competitive edge.

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In a fast-changing world, companies are increasingly in search of fresh thinking and fresh approaches to give them the edge over competitors. In a duopolistic market such as Australia, a key way to achieve this can be recruiting executives from different industries. Anecdotal evidence from executive search firms suggests that more and more companies are doing just that.

"Companies are trying to give themselves the edge with people who look at a problem from a different angle," says Robert Webster, a senior client partner at executive search firm Korn Ferry. "It has really taken off over the past 10 years with the digital revolution. People are more inclined to look for new thinking."

Guy Farrow, managing partner of search firm Heidrick & Struggles in Sydney, adds: "There's a recognition that you're better off thinking more laterally. If you look globally, one of the things that has changed dramatically over the past 10 or 20 years has been the portability of talent. That is across countries, but it's also between industries."

Gregory Robinson, managing partner at executive search and board advisory firm Blenheim Partners, says: "Some organisations have come to the conclusion [that employing] everyone from the same industry is not an answer against new entrants or offshore players and have deliberately avoided their sector as an executive hunting ground."

Webster notes that the banks have been successful in recruiting executives from other industries, partly because they have a huge appetite for IT and digital skills. One of the most high-profile shifts was Maile Carnegie, who in early 2016 quit as managing director of Google in Australia to become group executive of digital banking at ANZ Banking Group.

Rob Coombe says he couldn't have gone into a more dissimilar industry when he switched from banking to fast food.

"Part of Maile's role will also be to shift our thinking and champion a group-wide innovation culture at ANZ based on developing and attracting service-focused, technology-literate, innovative and experimental people and teams," chief executive Shayne Elliott said at the time.

Robinson points to other notable examples: Greg Barnes, who in 2016 moved from chief financial officer at building products company CSR to Nine Entertainment; Andy Penn, who switched from insurance group AXA to Telstra, where he is now chief executive; Christine Holgate, who went from health supplements company Blackmores to Australia Post; and Gordon Ballantyne, CEO of Healthscope who was previously at Telstra.

Changing industries at the CEO level is the exception rather than the rule. Analysis of the 50 biggest companies in Australia by Heidrick

& Struggles shows only one chief executive, Sydney Airports boss Geoff Culbert, moved industries. Culbert was formerly CEO of GE Australia, an industrial solutions company.

NOTABLE EXCEPTIONS

Outside the ASX 50, other notable exceptions include Alison Watkins, who took up the reins at Coca-Cola Amatil from GrainCorp, and Jayne Hrdlicka, who moved from running discount airline Jetstar to head A2 Milk.

But further down the corporate tree, it is far more common. Of the 34 chief executives of ASX 50 companies who were internal appointments, 30 per cent changed industry when they originally joined the company, analysis by Heidrick & Struggles shows.

Financial services is a popular hunting ground, with the chiefs of telecoms behemoth Telstra (Andy Penn), property group Scentre (Peter Allen), conglomerate Wesfarmers (Rob Scott) and property developer Lendlease (Steve McCann) all switching out of that sector.

Farrow says the opportunity to inject external talent is in the senior leadership team, or "CEO minus one" level.

The quid pro quo is that the new employer invests appropriately in the outsider. As another senior executive recruitment expert says: "There has to be an investment of time by both the company and its clients."

There is reason to be sceptical that bringing in talent from a different industry will solve a company's problems. More than one expert in the field points to Andy Hornby, a British food retailer who went on to run HBOS, one of Britain's biggest banks, which nearly collapsed during the financial crisis.

"It can be a very positive experience to have a fresh set of eyes," says Carol Lewis, director of global executive search firm Stanton Chase. "But it can be a minefield. The question is whether an organisation's culture allows it to be successful."

She says management needs to back the new recruit into the role, and the appointment needs to be explained to team members, because it can lead to resentment. The executive needs to have a solid 90-day and 180-day plan to track his or her performance and measure success.

"Until they have earned their stripes, there is often scepticism about what they can do and what they can deliver."

NUMBERS GAME

16
Number of externally appointed CEOs in ASX 50

34
Number of internally appointed CEOs in ASX 50

9
Number of internally appointed CEOs in ASX 50 who changed industry when they joined the company

3.5
Average number of years spent by internal candidates in the role immediately before being appointed CEO

Source: Heidrick & Struggles

ROB COOMBE

Switching from banking to fast food initially felt like biting off more than he could chew.

Rob Coombe winces when he thinks back to his first few months running fast-food chains. In mid-2013, Coombe was appointed chief executive of Craveable Brands, a private-equity-backed business that operates 600 fast-food restaurants, including the Red Rooster hamburger and Oporto chicken chains. Coombe's previous job was running Westpac's retail bank, and before that he spent six years running Westpac's wealth arm.

"I was quite taken aback, actually. It was quite a difficult transition for me," Coombe says from his Sydney city office. "You couldn't think of two businesses more dissimilar. Even though structurally they had similar functions, the nature of the work is completely different."

Jumping sectors also meant Coombe was leaving behind a network of colleagues and contacts built up over 30 years, which made hiring talent more difficult, as well as a dearth of people off whom he could bounce ideas.

From the outset two key differences between the industries struck Coombe, who now chairs Craveable Brands. The first was the calibre of the employees. Whereas high pay packets tended to attract talented people to the financial services industry, the same could not be said of the fast-food business.

"In this industry, the stores are basically run by kids. The average age in a store is about 17 and people aren't doing it for a career either," Coombe says. "The difference between motivating someone and leading someone who's well educated and trying to build a career, as opposed to kids that are doing it part-time, is quite big."

POSITIVE FEEDBACK

Coombe set about improving communication by setting up a closed Facebook page and moving all staff training and learning and development onto mobile phones. He also found that Millennials appreciated acknowledgment. Coombe started sending cards to staff members who had been the subject of positive feedback over the group's online channels.

"When I'd go around the stores, I found – much to my delight – that the kids were all posting them up on the noticeboards in the store," he says. "They were really proud of it."

The second key contrast was the importance of marketing. Back in the banking world, Coombe had all the names and contact details of his clients, who provided the business with a steady revenue stream in the form of mortgage payments, loan repayments, insurance premiums and superannuation fees. In the food business there was no luxury of long-term, sticky customers.

"The importance of marketing was of a quantum difference than it was in banking," Coombe says. "The calibre of marketing is infinitely better than anything I've ever seen in financial services.

"[In financial services] the desire to attract new customers is actually not that strong. Whereas, in the food business, you live and die by transactions that are happening on a daily basis."

The former banker says the key skills he acquired were digital marketing, the importance of location, the science of building good-looking stores on a limited budget and running effective supply chains.

SOUNDING BOARD

So, what advice would Coombe give others considering a big switch?

"I think the thing that helped me unequivocally more than anything else was [finding someone] I could use as a sounding board. If you're going to do it, try to find out who those people are that you can go to. I think having access to those individuals fast-tracked my development. What took me six months to get up to speed could have taken me eight, nine months and that's too long."

Coombe found three people he could confide in: Gordon Cairns, Woolworths chairman and former Craveable Brands chair, and Bob Mansfield and Peter Bush, both former CEOs of McDonald's Australia.

"I think the only other thing would be, if it is a new industry, just take at least three months before you tell people what you're going to do. My instinct was to try and get that out earlier than that [but] you don't really know what needs to be done until you've fully immersed yourself into a new industry.

"So, make sure you buy yourself the 100 days. People want you to come in with a 100-day plan. If it's a new industry, you can't have that 100-day plan until you've done 100 days."