S&P 500 CFO Turnover Persists, Gaining Momentum After Sluggish Start

Russell Reynolds Associates' latest analysis of CFO turnover in the S&P 500 finds that CFOs continue to be flight risks. At the end of 2023, CFO turnover ticked slightly above 2022's departure rate, after an unseasonably active latter half of the year. Analyzing the CFOs of S&P 500 organizations from 2019 to end of 2023 (N=500), we learned:

1. After a slow start to the year, S&P 500 CFO turnover increased to slightly above 2022 levels
2. The majority of newly appointed CFOs (66%) are in the role for the first time
3. More women CFOs are coming from outside the organization, as internal talent is scarce
4. Increased CEO turnover continues to result in CFOs taking the top seat

After a slow start to the year, S&P 500 CFO turnover begins to trend upwards

After a sluggish start, followed by turnover in the latter half of the year, **CFO turnover has reached 17.4%**, slightly below a record high in 2021 (Figure 1a. and b.), with significant activity in the financial services and industrial and natural resources sectors (Figure 2).

As the S&P 500 market slowed from its 2021 high, Fortune 1000 turnover simultaneously increased from 17% to 19% in 2023, driven by increases in S&P MID CAP 400 and SMALL CAP 600 turnover. This may provide opportunities to next-generation S&P 500 finance talent; as these leaders eye their next move, a first-time CFO opportunity at a smaller organization might be enough to lure them away.

Figure 1a: Trending CFO Turnover

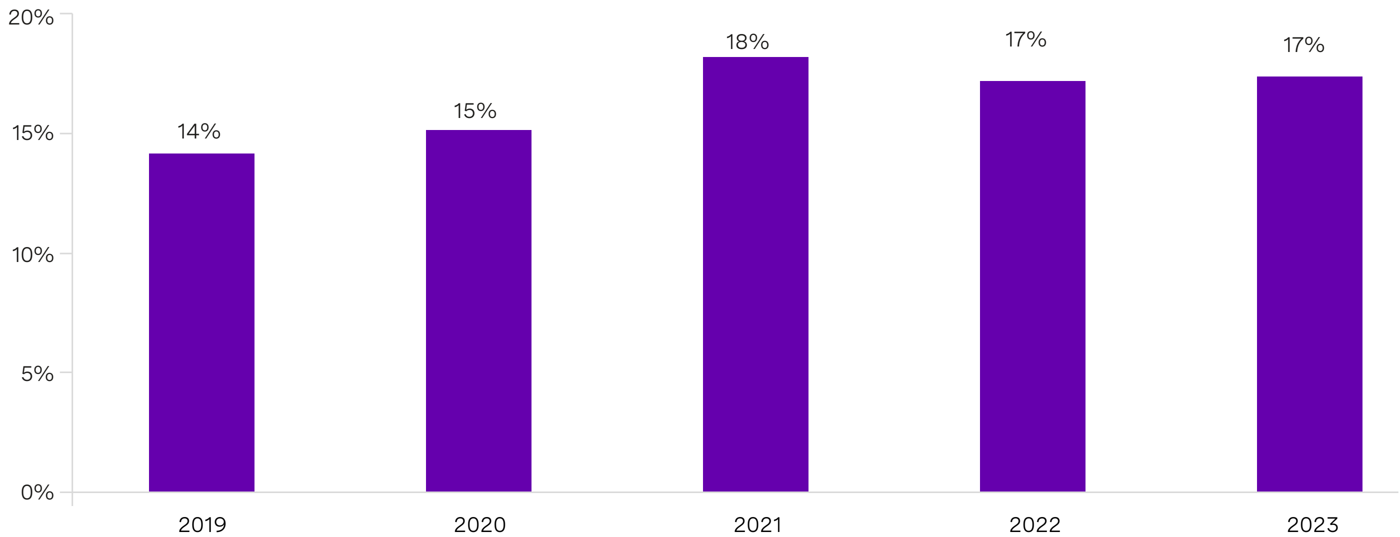
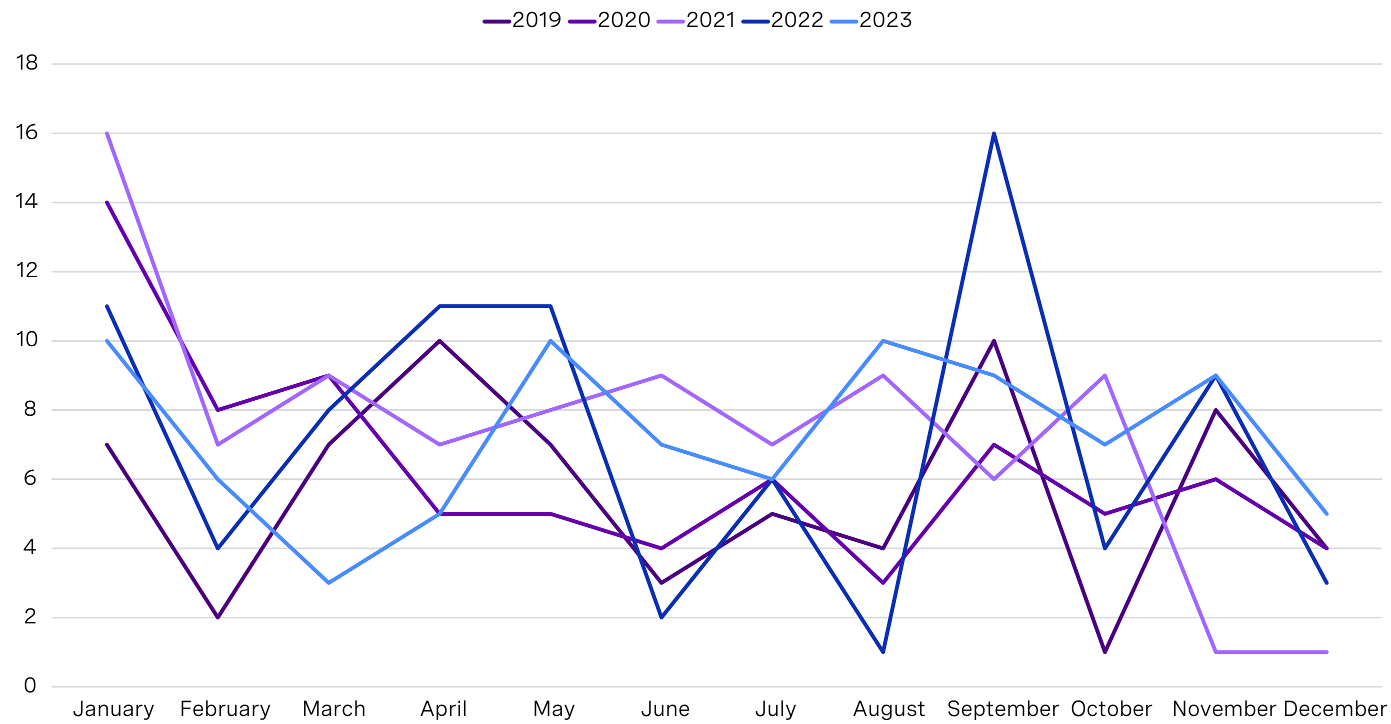


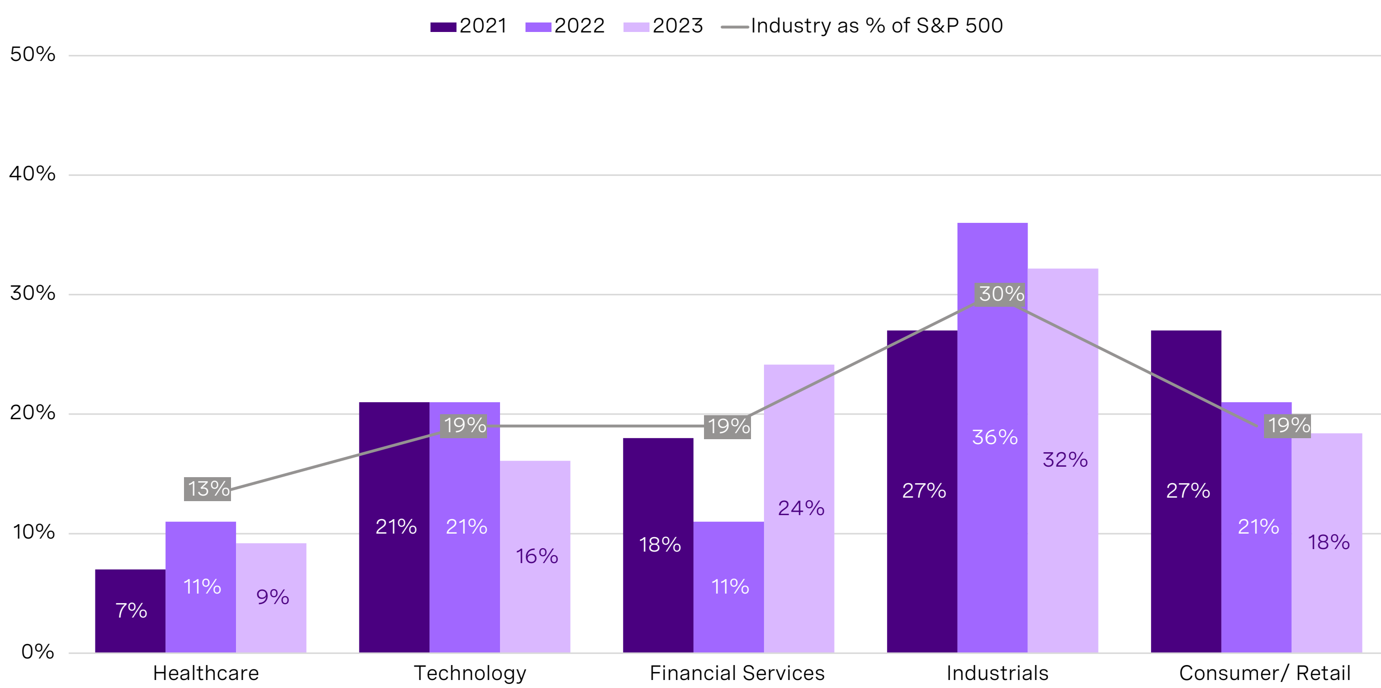
Figure 1b. Number of S&P 500 Newly Appointed CFOs



Source: RRA analysis of S&P500 CFOs from 2019 to the end of 2023, N= 500

Note: 15 of the first time CFOs are interim

Figure 2. Trending Turnover by Sector



Source: RRA analysis of S&P500 CFOs from 2019 to the end of 2023, N= 500

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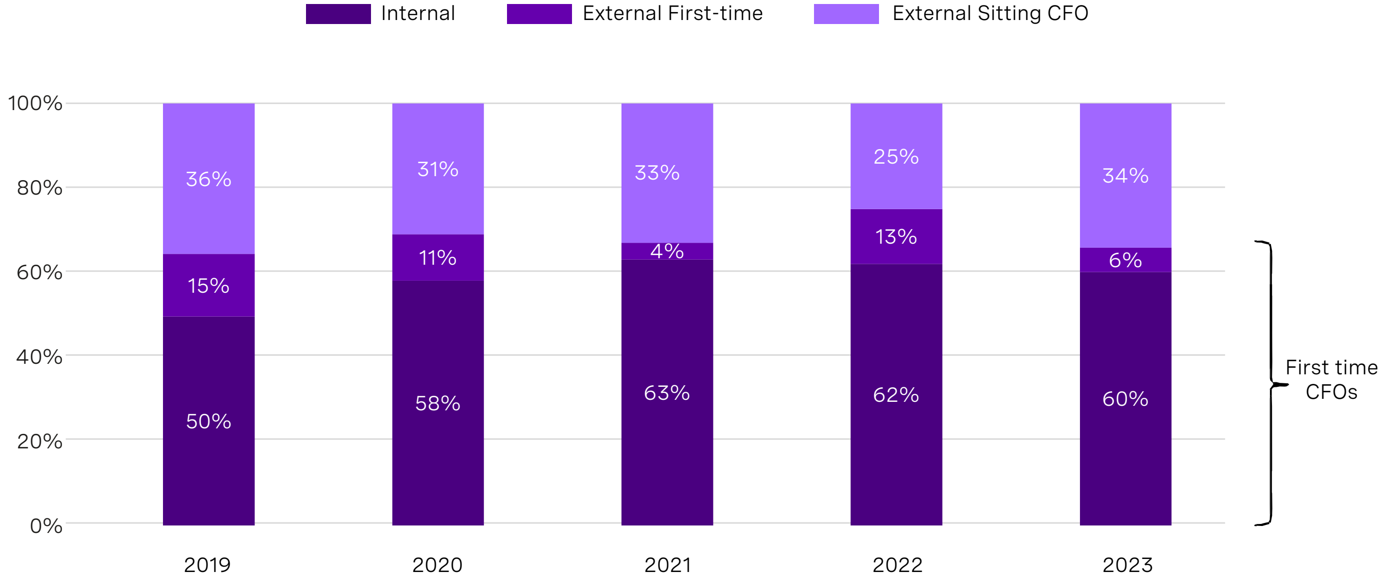
The majority of newly appointed CFOs are in the role for the first time

This year, **66% of new CFOs were in the role for the first time**, largely due to internal succession plans coming to fruition (Figure 3). While many organizations are open to embracing people with different tenures and experiences, those hiring externally in our difficult market are increasingly looking for proven experience as exhibited by the increase in external sitting CFO hires (900 basis points YoY).

Figure 3. Internal versus External Appointments



Source: RRA analysis of S&P500 CFOs from 2019 to the end of 2023, N= 500

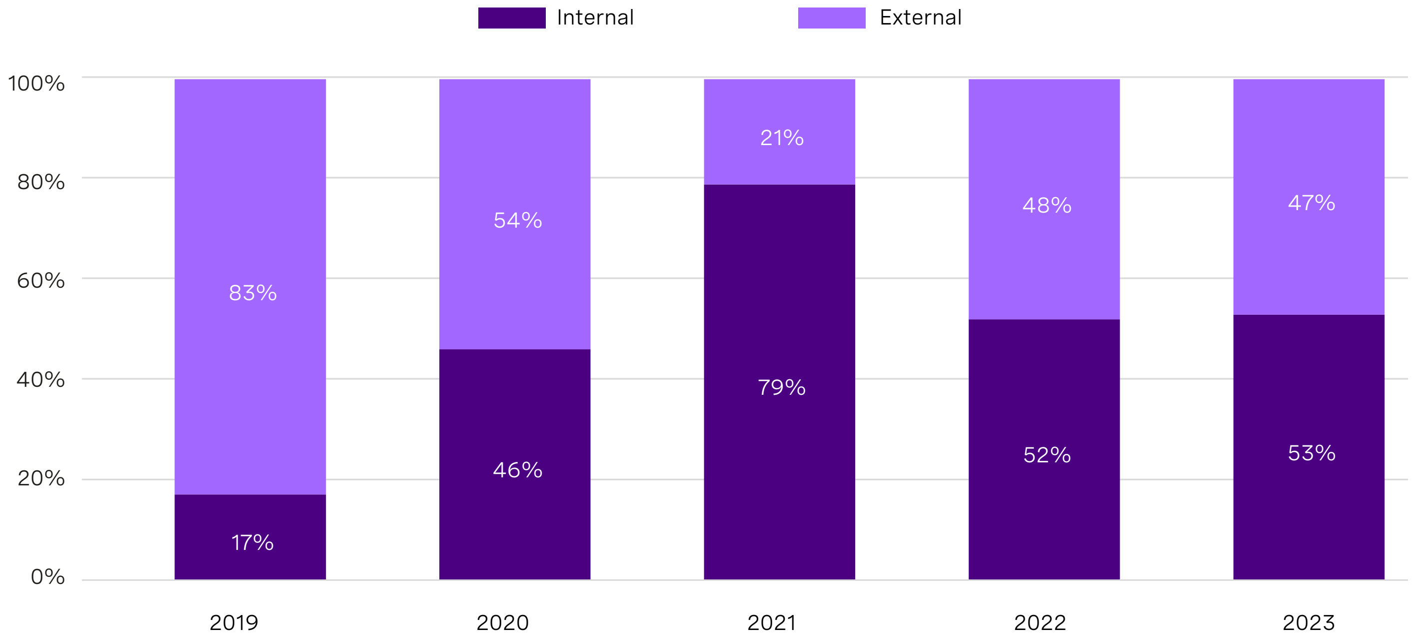
Note: 15 of the first-time CFOs are interim

More women CFOs are coming from outside the organization, as internal talent is scarce

More women have been appointed to the top financial job than ever before, as **women now hold 18% of CFO roles in the S&P 500.** Organizations without a gender-diverse bench are looking externally for more talent, typically recruiting experienced women CFOs. In fact, in 2023, 47% of women's CFO appointments were externally promoted, versus only 30% of men (Figure 4). These increases in external appointments indicate that, while we're slowly closing the CFO gender parity gap, efforts to increase gender diversity at organizations are still in their nascent phase. While diverse internal pipelines are becoming more robust, they haven't yet been developed to the senior level.

As of the end of 2023, we are still 45 years from a representation CFO landscape—doubling down on developing women in finance within organizations will be key to achieving gender parity.

Figure 4. Internal versus External Women CFO Appointments



Source: RRA analysis of S&P500 CFOs from 2019 to the end of 2023, N= 500

Note: 15 of the first-time CFOs are interim

Increased CEO turnover continues to result in CFOs taking the top seat

CFOs are increasingly being considered as succession candidates for the CEO role. Similarly to 2022's record numbers, CFOs were 3x more likely to transition into the top seat this year than they were in 2021. If these leaders don't move directly into the top seat, they often do a stint as a division CEO or as COO to get familiar with operations before assuming the CEO position. Luckily, the majority are doing so in their own organization (Figure 5).

Figure 5a. 2023 CFO Exits

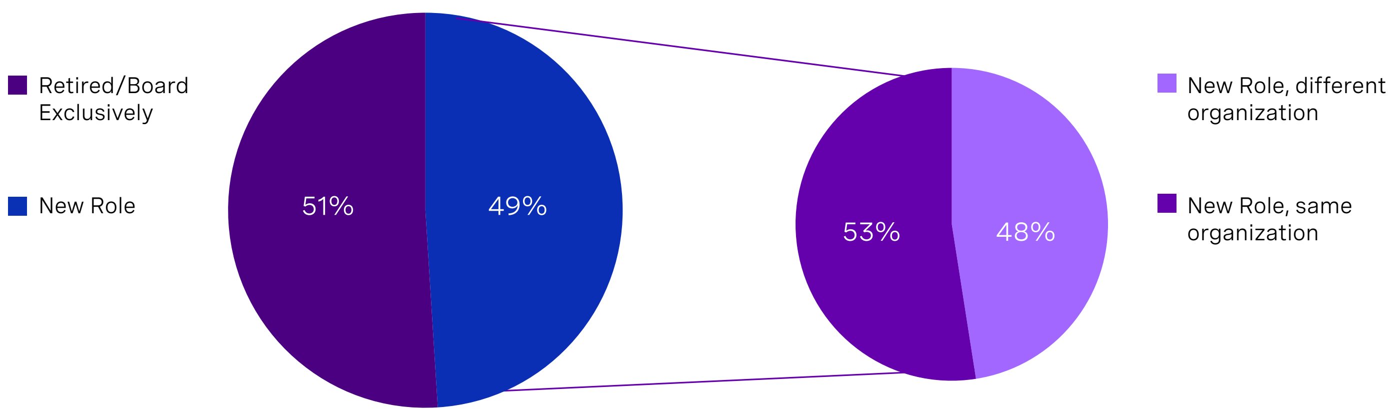
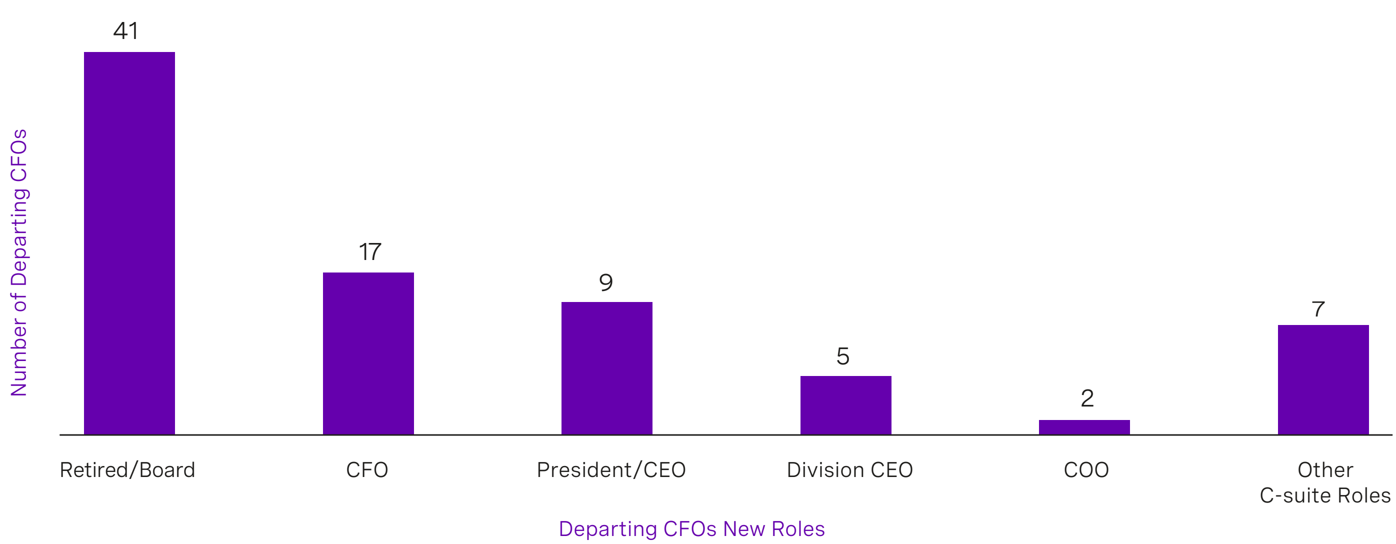


Figure 5b. Number of departing CFOs per new role

Of the CFOs transitioning beyond finance, they are more likely to transition to CEO/President or Division CEO roles

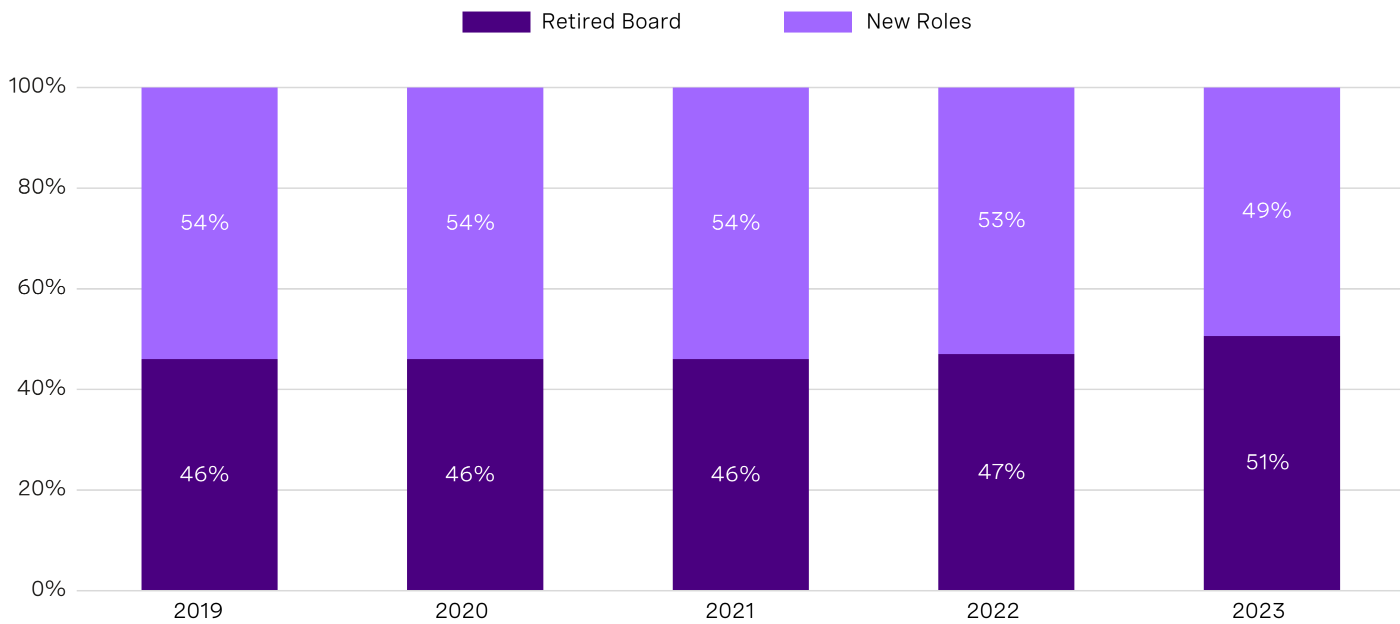


Source: RRA analysis of S&P500 CFOs from 2019 to end of year 2023, N= 500

Note: 15 of the first-time CFOs are interim

Retirement rates jumped year over year, with 51% of departing CFOs retiring — a 400 basis points increase since 2022 (Figure 6). This is the highest rate of CFO retirement we've observed in the past five years, and we expect this trend to continue (or even increase) in the next few years, as 27% of S&P 500 CFOs are currently 59 or older.

Figure 6. Trending CFO Departures



Source: RRA analysis of S&P500 CFOs from 2019 to the end of 2023, N= 500

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Do you know your CFO’s career goals?

As organizations increasingly prefer the weight of an experienced CFO and more CFOs eye the top role, do you know your CFO’s future plans? To mitigate the potential threat of turnover and poaching, RRA recommends the following strategies to retain top finance talent.

Engage in ongoing career development conversations

With CFOs increasingly eyeing the CEO role, take stock of their viability as potential CEO successors. Understand the key competencies they need to possess to move into the top seat and identify whether that includes expanding their current role or taking a brief stint as COO or a division president/CEO to develop these competencies. Beyond the CFO, engage with next-generation talent, as increasing turnover at the S&P MID CAP 400 and SMALL CAP 600 has created opportunities for next-generation CFO talent who are ready now.

Re-evaluate compensation

As experienced CFOs continue to be in demand during an economic downturn, evaluate whether your compensation package is competitive. Sourcing market intelligence on what similarly-sized companies in your industry offer can be enlightening. Don’t let a slightly more competitive package lure your CFO talent away.

Plan for retirement

Over the past five years, the average age of CFOs who retired or exclusively took board roles was 59. Don’t be afraid to open a dialogue around their plans for retirement based on career conversations.

Continue to invest in succession planning

After engaging in career planning conversations with your CFO, re-assess your finance talent succession plan to ensure both timelines align. Given the lack of a gender-diverse pipeline, pay specific attention to developing and retaining women finance talent. There’s always room to improve: consider whether you are looking deep enough into your organization, the soundness of your assessment and development methodologies, and your overall transition plan.

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Additional RRA Reading

1. Is the CFO the Right Next CEO?, Russell Reynolds Associates, 2022

2. Global Leadership Monitor, Russell Reynolds Associates, 2023

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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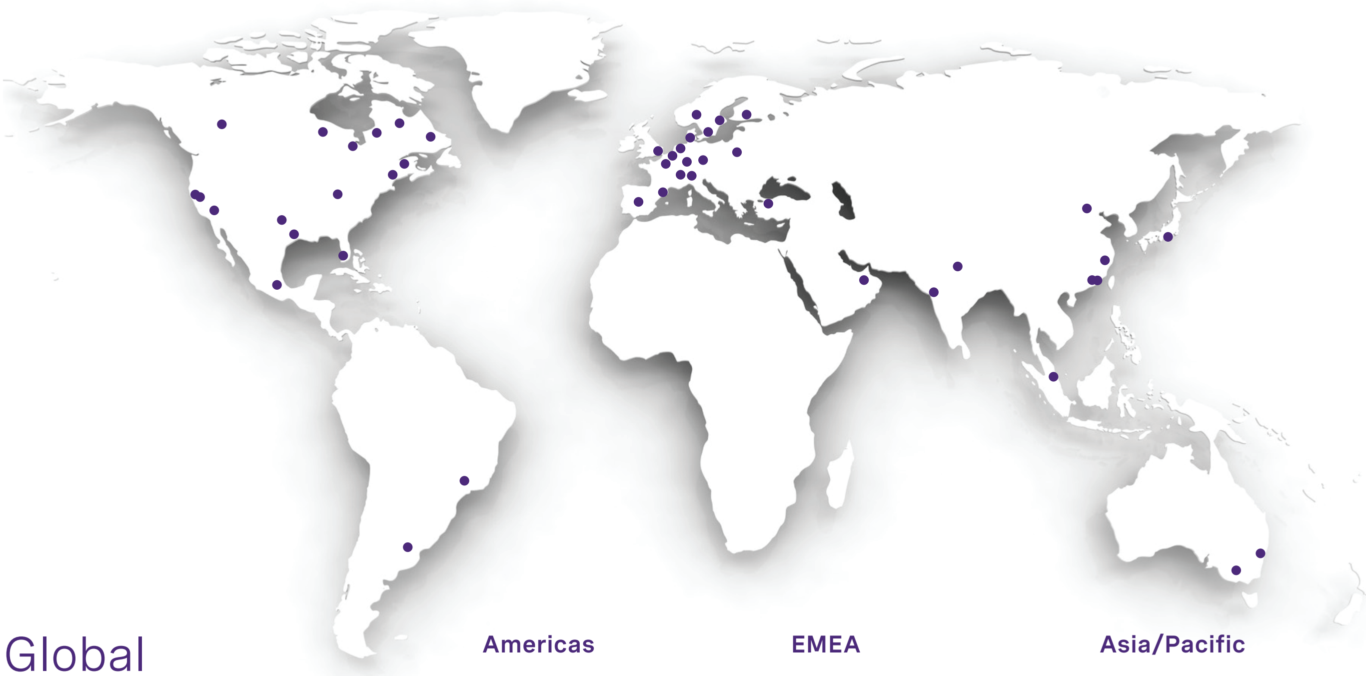

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