The Evolving Academy Finance Landscape

Academy companies—defined as organizations with extraordinary reputations for developing top talent—have evolved significantly over the past 10 years when it comes to finance talent. To better understand these shifts in top finance talent development, Russell Reynolds Associates analyzed the experiences and backgrounds of S&P 2000 CFOs from 2012 to 2022 (N = 4000).

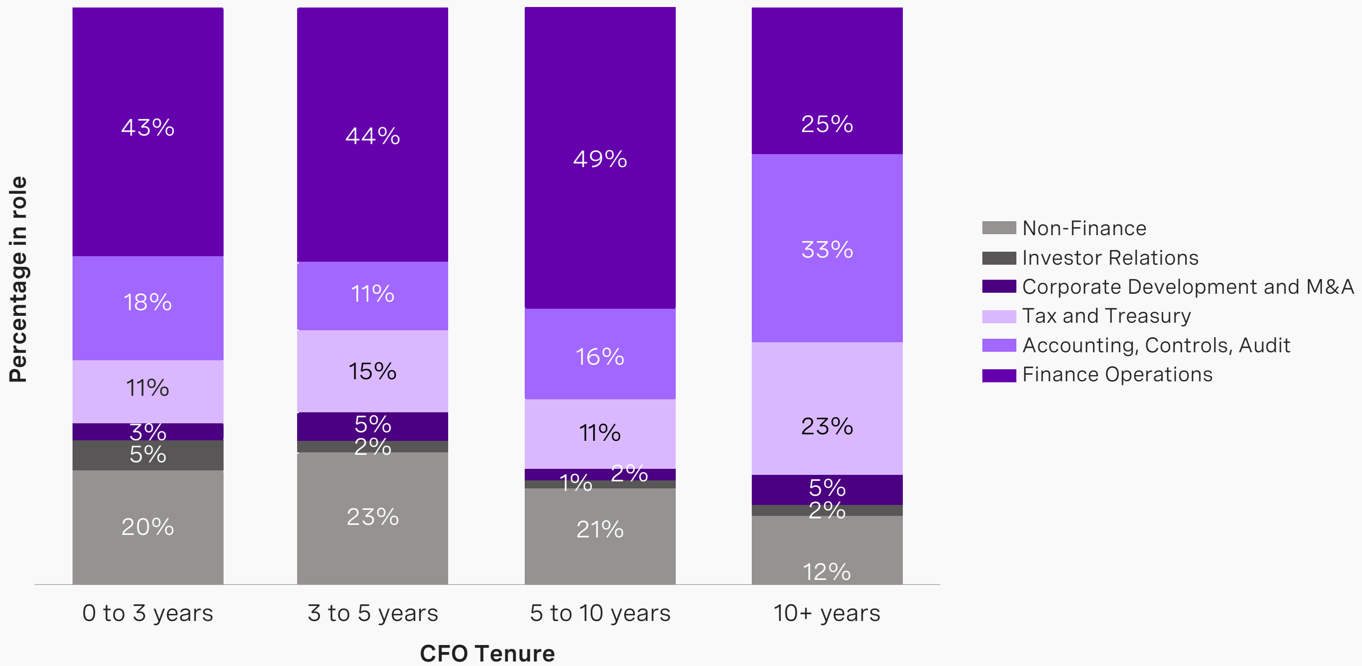
Via our analysis, we found that:

- As the CFO remit broadens, there has been a dramatic shift from the CPA CFO to the strategic and operationally savvy CFO archetype
- Investment banking experience has grown significantly more common over the past 10 years
- The MBA is going out of style
- The academy conglomerate pipeline has lost its luster

Defining the strategic CFO

Over the past ten years, the CFO role and remit have broadened,[1] requiring CFOs to have both business acumen and an operational orientation. This has been a dramatic shift from CFO's historical training in accounting, controls, and audit.

Figure 1. S&P 500 role prior to first CFO role by tenure



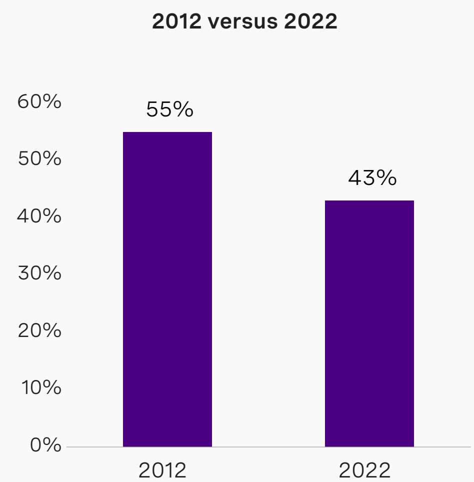
Source: RRA analysis of CFOs at S&P 500 companies as of 02/01/2023, N = 500
*Finance operations includes VP/SVP/EVP Finance, Deputy/Divisional CFO, and FP&A roles

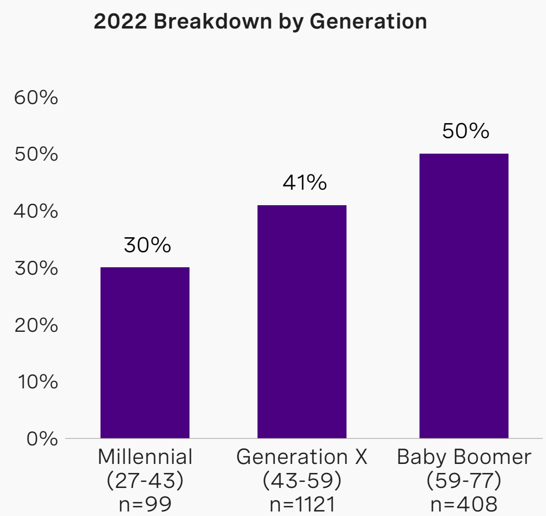
The operationally savvy CFO rises through finance operations, FP&A or divisional CFO track and is an expert at partnering with the business. The strategic CFO brings a big picture, investor/stakeholder value mindset, having risen through the banking, consulting, and/or corporate development track. This leading CFO archetype has implications for financial officer designation requirements (MBA, CPA) and the relevance of traditional academy finance companies.

Big Four experience remains a staple – but is steadily declining

While the Big Four remain the top academy organizations for S&P 2000 CFOs, there has been a steady decline in the number of CFOs who start their careers there (see Appendix Table 1). Similarly, there has been a notable decline of less tenured CFOs who hold CPAs (Figure 2).

Figure 2. % of S&P 2000 CFOs with CPA designation

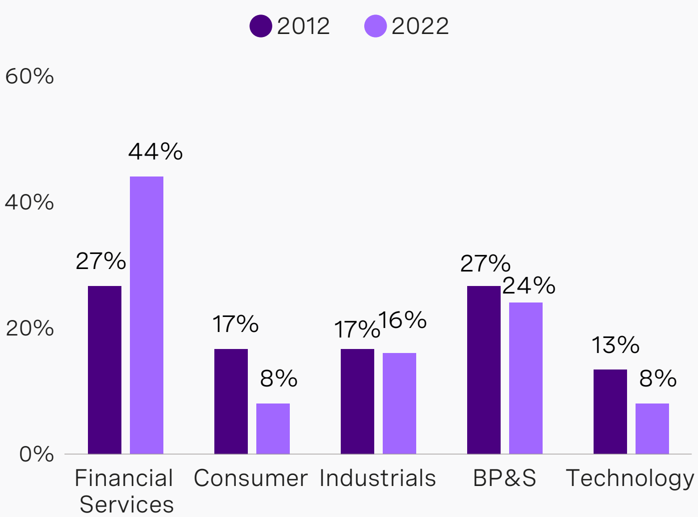




Source: RRA analysis of CFOs at S&P 2000 companies in 2012 and 2022, N = 4000

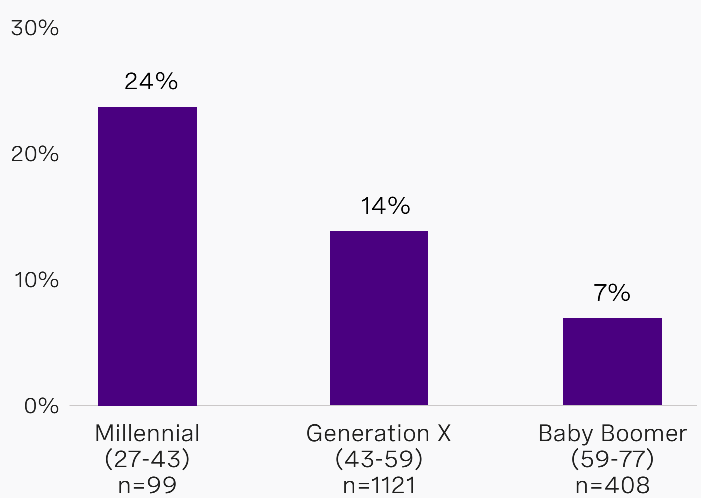
Instead, we see a rise in financial services experience, specifically at investment banks, likely due to continued pressure to focus on strategic initiatives and M&A growth. Within the top 25 academy companies, from 2012 to 2022, we see a 17 percentage point increase in financial services companies (Figure 3). The likes of Goldman Sachs (6x), Morgan Stanley (2x), and Credit Suisse (6x) see some of the larger jumps in the number of CFOs with company experience (see Appendix Table 1).

Figure 3. Top 25 S&P 2000 CFO academy companies by industry



Source: RRA analysis of CFOs at S&P 2000 companies in 2012 and 2022, N = 4000
BP&S is Business and Professional Services.

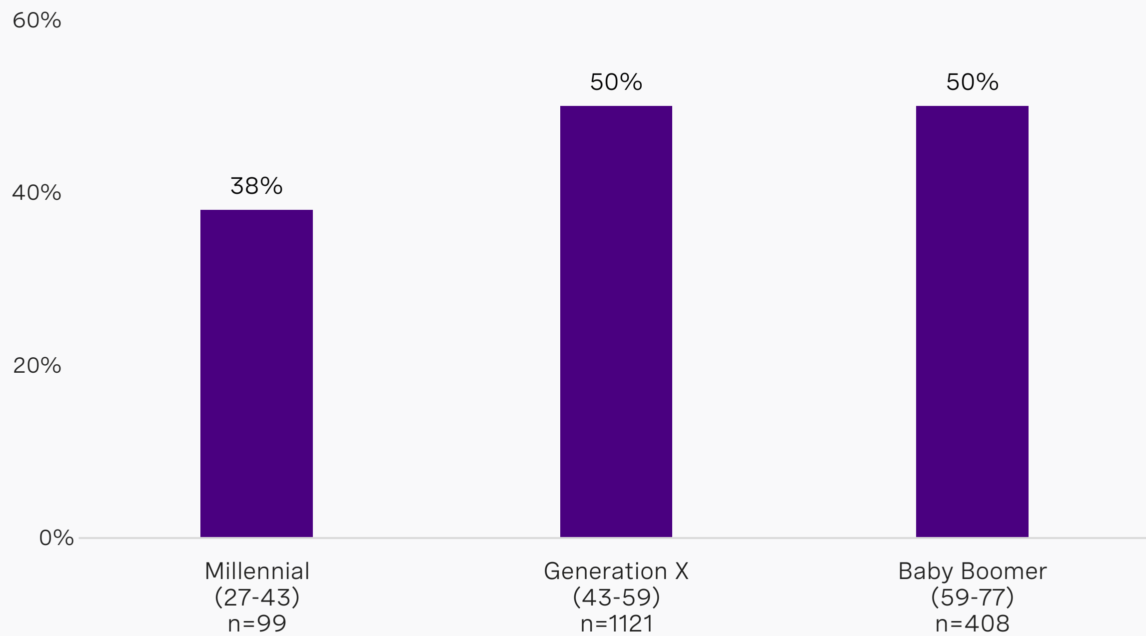
Figure 4. % of 2022 S&P 2000 CFOs with investment banking experience by generation



The MBA is going out of style

The number of CFOs with MBAs increased slightly from 42% in 2012 to 48% in 2022. However, when we look at CFOs by generational divides in 2022, we see a decrease in the MBA's popularity for younger generations (e.g., millennials) (Figure 5). This suggests that we will continue to see a decrease in MBAs as more millennials come into the top seat.

Figure 5. % of 2022 S&P 2000 CFOs with MBA by generation



Source: RRA analysis of CFOs at S&P 2000 companies in 2012 and 2022, N = 4000

The top five MBA programs stayed consistent from 2012 to 2022 (see Appendix Table 2); however, there was a significant jump in attendance at Wall Street pipeline schools, such as Wharton, Columbia, and NYU Stern, which aligns with the increase in investment banking experience amongst CFOs. Historically, many who possessed MBAs would pursue finance roles post-graduation, but as the economy evolved, MBAs have shifted to pursuing roles in technology and other high-growth fields. Many employers no longer require MBAs for promotion to senior roles, which may also be a contributing factor to the decline of MBAs among the youngest generation of finance executives.

The academy conglomerate pipeline has lost its luster

Historically, certain large corporations were hotbeds for training top finance talent via rotational programs across a variety of business sectors and finance roles. As the result of some of these companies driving more centralized finance structures in functions such as accounting, tax and treasury, finance talent has become more specialized. With increased specialization and less vertically run companies, there are fewer academy finance opportunities to rotate from the business to corporate resulting in less CFO representation from these companies in the long term. On the other hand, companies like General Electric — which maintained its academy structure for another decade — have better CFO representation in 2022 (see Appendix Table 1).

While experience at these companies is highly regarded, we expect a continued decline in CFOs with conglomerate academy training, as the average CFO with this type of experience has over 30 years of experience. As Generation X and baby boomer CFOs age out of the role, investment banking experience, management consulting, and scrappier start-up experience will become more common among future generations.

Academy companies: a moving target

The composition of academy finance companies continues to be shaped by external market factors. Once the gold standard amongst public company CFOs, public accounting experience is being outpaced by investment banking experience. As organizations moved towards capital allocation and growth, CFOs with investment banking experience brought the strategic experience necessary to partner with CEOs through this phase. The shift towards strategic CFOs, means more CFOs have become potential CEO successors than in the past.[2]

With the rapid expansion of technology companies (e.g. Netflix, Amazon) over the past ten years, we anticipate the makeup of academy finance companies to evolve away from those with consumer and industrial backgrounds towards leaders from tech as their finance talent becomes CFO-ready.

As we look to the future, we already seeing a shift the profile of the successful CFO. Currently, we are observing less demand for investment banker-CFOs as companies focus on profitable growth given the decline in M&A transactions and IPOs particularly post the collapse of Silicon Valley Bank.[3] While investment banking backgrounds were the preferred profile of 2022, the next few years could define the preferred CFO profile and academy training grounds of tomorrow.

Assessing, developing, and hiring the CFO of tomorrow

As the board, CEO, and CFO work together to define the ideal CFO and finance team profiles, they must also keep future market challenges and opportunities in mind. The CFO of the future will look markedly different from CFOs past, and this profile will continue to evolve.

- Define the CFO success profile: To know where you need to go, you first need to understand where you are. Create and align stakeholders on a job description and target profile and assess internal talent against it before looking externally. Remember that this profile should be reassessed annually and updated as trends continue to shift.
- Create actionable development and succession plans: Once the CFO and finance team have been assessed, focus on creating development plans based on current gaps. Activate development plans and support with mentoring and CFO-specific programs. Building a successful finance talent pipeline isn't a one-off event; organizations need to remain prepared for C-suite succession and transition.
- Remain flexible and informed: If CFO change is needed within a shorter time horizon, seek to understand the current market and be open to the evolving finance academy companies, designations, and educational degrees. What was once the gold standard for one generation may not be the same for the next.

Authors

Callie Bennett is a member of the Russell Reynolds Associates' Global Financial Officers Practice. She is based in San Francisco.

Jim Lawson co-leads Russell Reynolds Associates' Global Financial Officers Practice. He is based in New York.

David Norton is a member of the Russell Reynolds Associates' Global Financial Officers Practice. He is based in Chicago.

Catherine Schroeder leads Knowledge for Russell Reynolds Associates' Financial Officers Practice. She is based in Toronto

Lauren Wachsman is a member of the Russell Reynolds Associates' Global Financial Officers Practice. She is based in San Francisco.

Maggie Walsh is a member of the Russell Reynolds Associates' Global Financial Officers Practice. She is based in Chicago.

External References

1. Wall Street Journal, 'Companies Broaden CFOs' Responsibilities to Retain Them In Strong Job Market', 2022
2. Is the CFO the Right Next CEO? | Russell Reynolds Associates
3. SVB Collapse Spurs Finance Executives to Re-Evaluate Cash Strategies - WSJ

Appendix

Table 1: Top Companies Feeding CFOs to the S&P 2000 - 2012 vs. 2022

2012 Top 25 Companies	
Company	# of CFOs
Price Waterhouse Coopers	190
Ernst & Young	131
Arthur Andersen	126
Deloitte & Touche	119
KPMG	115
Honeywell	30
PepsiCo	29
Bank of America Merrill Lynch	29
General Electric	28
Ford Motor	18
US Army	17
IBM	17
Citigroup	15
JP Morgan Chase	15
HP	15
General Motors	14
Morgan Stanley	13
Raytheon Technologies/UTC	15
Government	12
Grant Thornton	11
McKinsey & Co	11
Mondelez/Kraft	11
Goldman Sachs	9
Deutsche Bank	9
Amazon	9
Walt Disney, Coca-Cola, American Airlines	9

2022 Top 25 Companies		
Company	# of CFOs	% Change
Price Waterhouse Coopers	189	-0.5%
Ernst & Young	140	7%
Deloitte & Touche	104	-13%
KPMG	89	-23%
Arthur Andersen	78	-38%
General Electric	68	143%
Goldman Sachs	61	578%
Morgan Stanley	44	238%
JP Morgan Chase	42	180%
Bank of America Merrill Lynch	34	17%
Citigroup	31	107%
Honeywell	28	-7%
Credit Suisse	27	575%
Deutsche Bank	25	178%
PepsiCo	24	-17%
McKinsey & Co	23	109%
Raytheon Technologies/UTC	23	53%
UBS Securities	20	186%
Lehman Brothers	19	171%
General Motors	17	21%
Procter & Gamble	16	100%
HP	15	0%
Mondelez/Kraft	15	36%
Amazon	14	56%
Wells Fargo	14	75%
Ford Motor, IBM, US Army, Government, Grant Thornton, Walt Disney, Coca-Cola and American Airlines fell off the top 25 companies that feed CFOs to the S&P 2000 in 2022.		

Table 2: Top MBA Programs Feeding CFOs to the S&P 2000 - 2012 vs. 2022

Top MBA Schools				
2012	# of CFOs	2022	# of CFOs	% increase
University of Chicago Booth School of Business	65	University of Chicago Booth School of Business	62	-5%
Harvard Business School	49	Kellogg School of Management Northwestern University	46	31%
Kellogg School of Management Northwestern University	35	Harvard Business School	45	-8%
Wharton School University of Pennsylvania	20	Wharton School University of Pennsylvania	41	105%
Columbia Business School	20	Columbia Business School	40	100%
Stephen M Ross School of Business University of Michigan	19	Stanford Graduate School of Business	23	53%
UCLA John E Anderson Graduate School of Management	16	Leonard N Stern School of Business New York University	23	130%
McCombs School of Business University of Texas at Austin	16	Stephen M Ross School of Business University of Michigan	19	0%
Stanford Graduate School of Business	15	Indiana University Kelley School of Business	17	240%
State University of New Jersey Rutgers	14	Darden School of Business University of Virginia	15	36%

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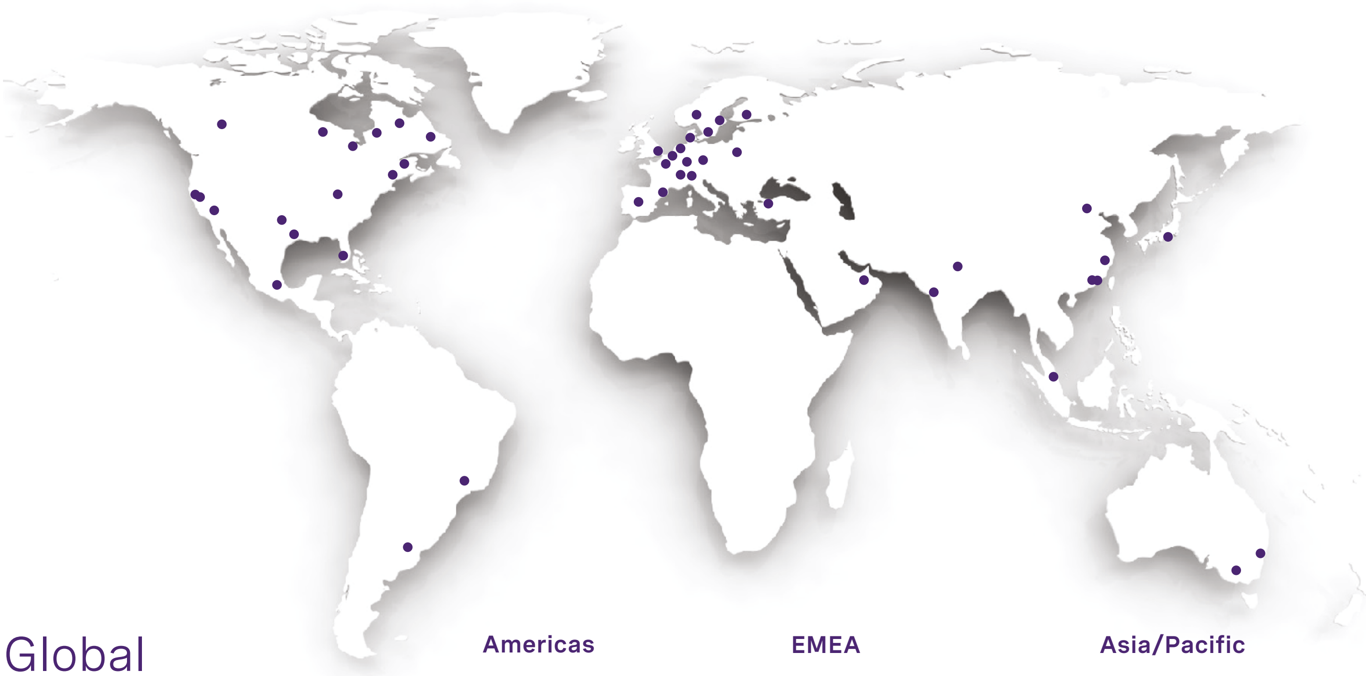

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