2021: The Year of CFO Turnover and Strides in Gender Diversity

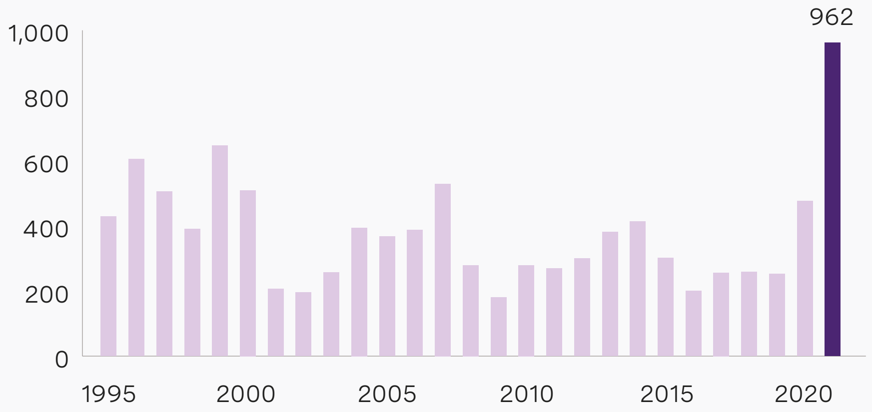
Snapshot of S&P 500 CFO Turnover

Financial Officers

CFO turnover is running high, with 2021 surpassing 2020 and 2019 churn rates, Russell Reynolds Associates' recent analysis of the S&P 500 revealed. In 2021, there were 89 CFO transitions in the S&P 500, bringing CFO turnover to 18% — the highest its been in the past few years.

This high churn rate is the result of a combination of factors, including a frothy IPO market that has significantly increased the number of public company CFO opportunities, as well as overall strong equity performance that puts retirement in closer reach for some.

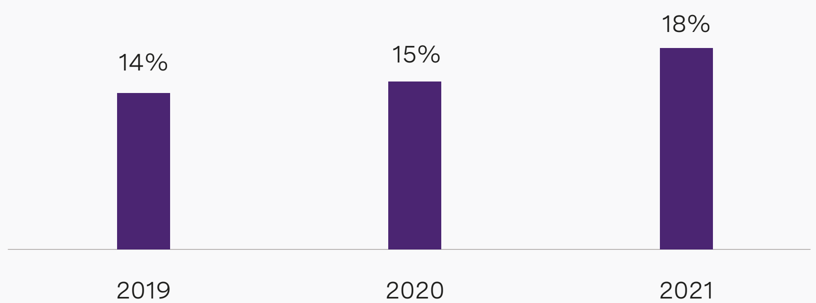
Number of U.S. IPOs per year



Russell Reynolds Associates Pitchbook analysis 1995 to 2021

At the same time, we see a considerable number of CFOs moving into operational roles within their current organizations, opening up the top finance spot. As turnover becomes a more pressing issue, companies will need to be more intentional than ever about understanding their CFO's career aspirations and investing in internal succession planning to get ahead in a competitive talent market.

CFO Turnover Among S&P 500 Companies



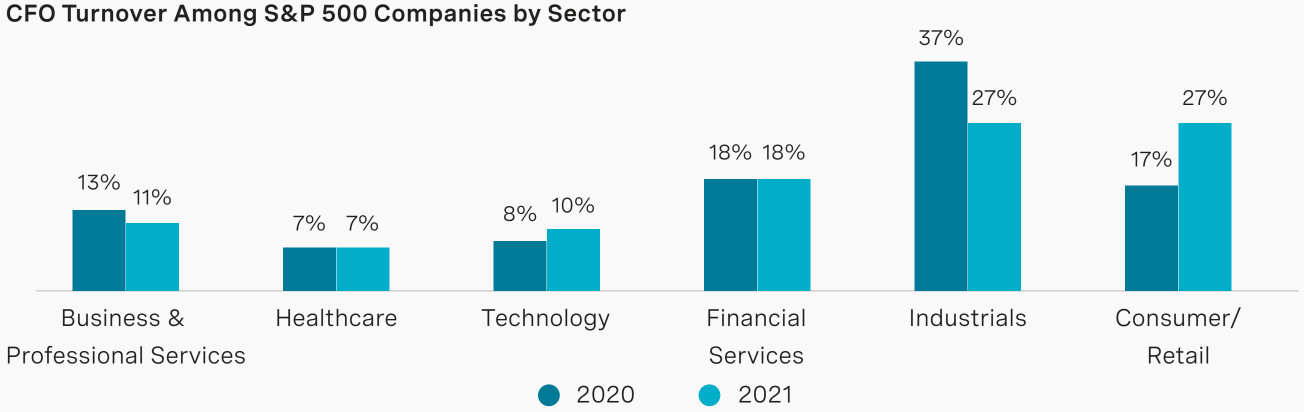
Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

Significant turnover in 2021

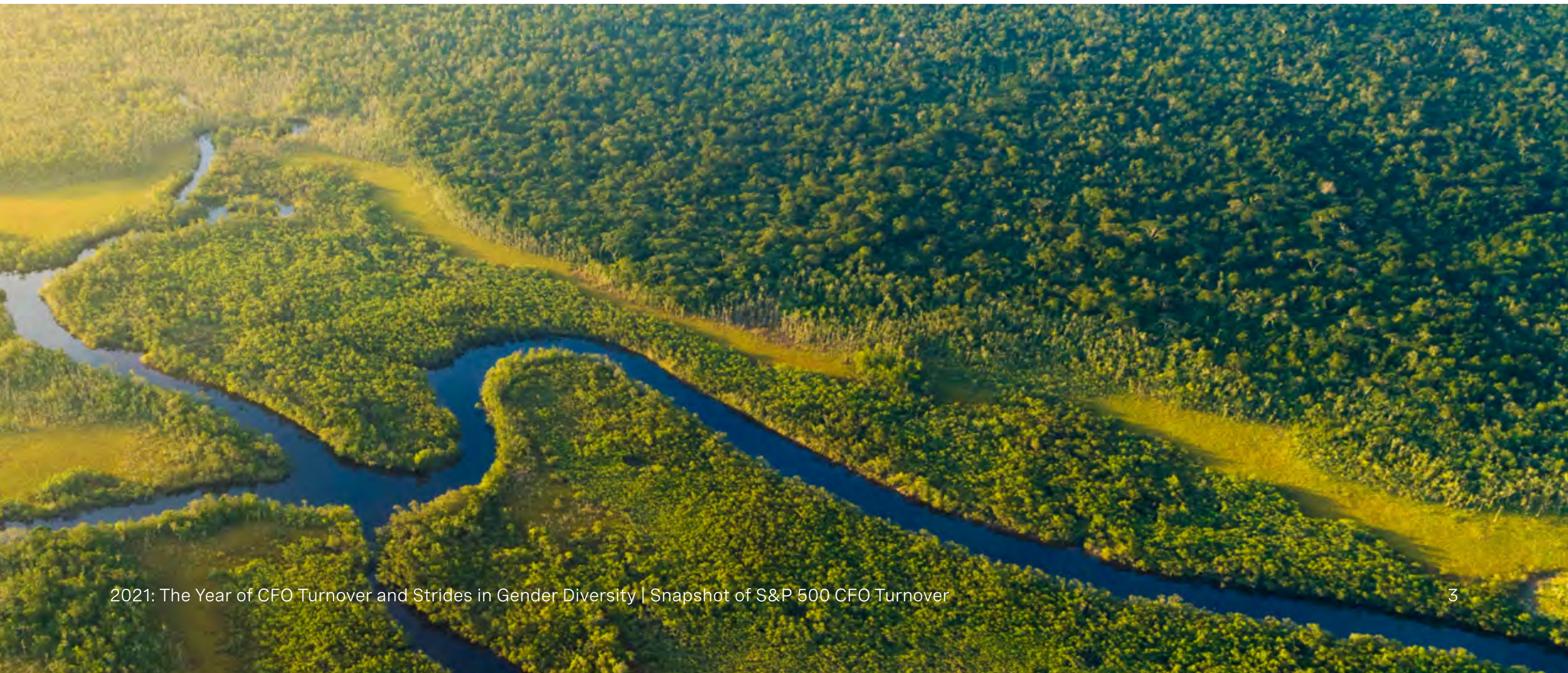
Coming out of the pandemic, business needs are shifting, contributing to the CFO role continuing to evolve and expand in almost every organization. Yet some sectors are more affected than others by these trends.

Similar to last year, turnover is especially prevalent in the consumer/retail and industrial sectors. These organizations have had to pivot dramatically due to Covid-induced issues such as supply chain disruption, and local regulations imposing new operational restrictions. In the last year, consumer/retail turnover has almost doubled, suggesting the disruptions are far from over. A slightly brighter picture emerges in the industrial sector, where turnover has decreased year over year.

CFO Turnover Among S&P 500 Companies by Sector



Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

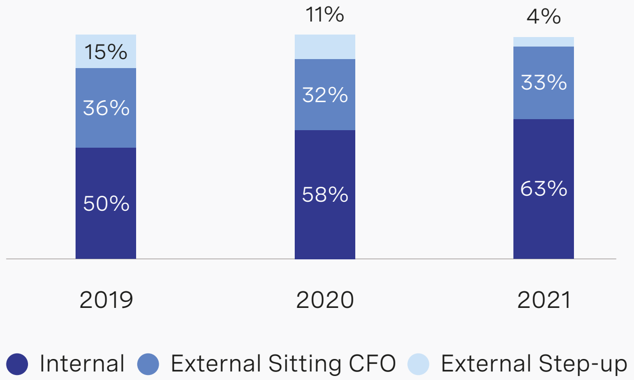


CFO succession planning is starting to pay off… for some

A clear trend in recent years is that the proportion of internal CFO appointments continues to rise, with incumbents bringing a significant amount of experience. Internally promoted CFOs in 2021 have an average tenure of 12.3 years within their organization before becoming CFO.

For companies that had succession plans in place, the benefits have started to become clear. However, for those that need to look externally for a CFO, there is an increasingly tight market driven by high levels of activity in private equity, in addition to SPACs. External appointments also reveal a high level of experience, with 88% of externally-appointed finance chiefs having previous CFO experience, up from 75% in 2020. In other words, companies are more likely to prefer a candidate who has been in the top job already versus a step-up.

Internal vs External CFO Appointments Among S&P 500 Companies

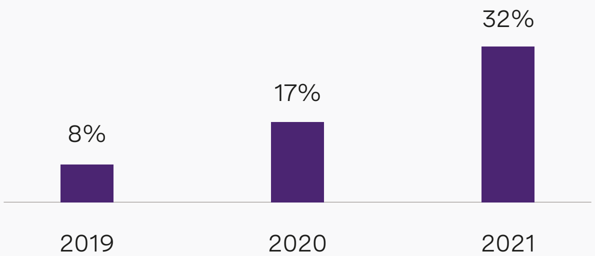


Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

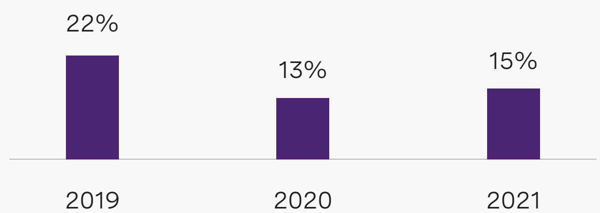
Silver lining: gender diversity

While turnover can create stress and uncertainty, one of the benefits that has come with the increase in activity this year is an influx of gender diversity. Women comprised 32% of new CFO appointments in 2021, almost double last year's rate. While the overall percentage of women S&P500 CFOs decreased in 2020, as CFO resignations reached record highs, they rose year over year, hopefully signaling the start of an upward trend.

Percentage of New Women CFO Appointments Among S&P 500 Companies



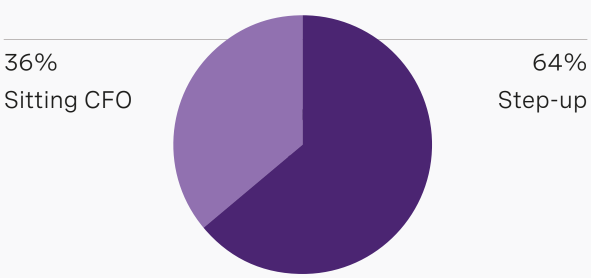
Percentage of Women CFOs Among S&P 500 Companies



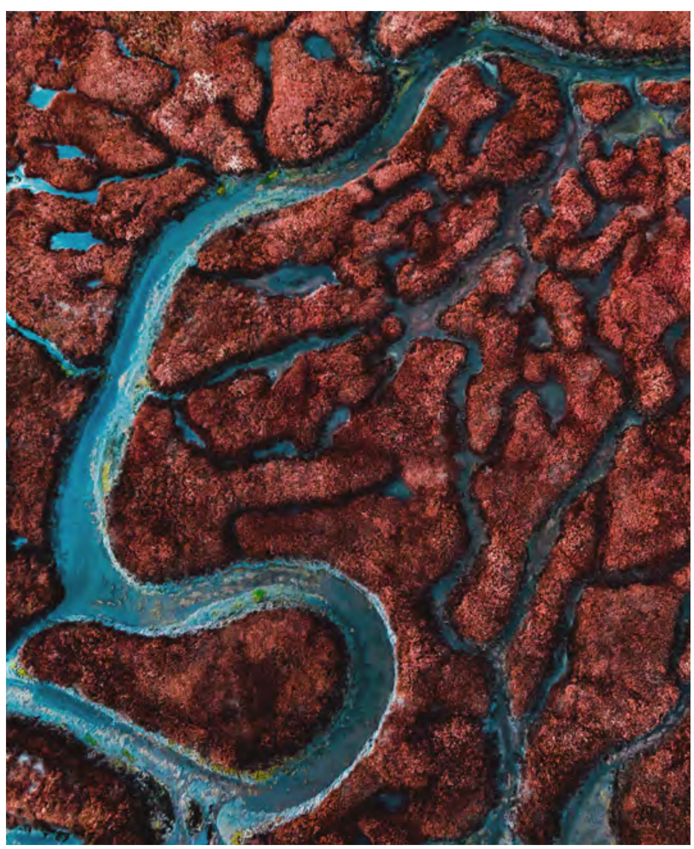
Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

Of the newly-appointed women CFOs in 2021, the majority are first-time CFOs, signaling that next generation is now.

New Women CFO Experience Among S&P 500 Companies

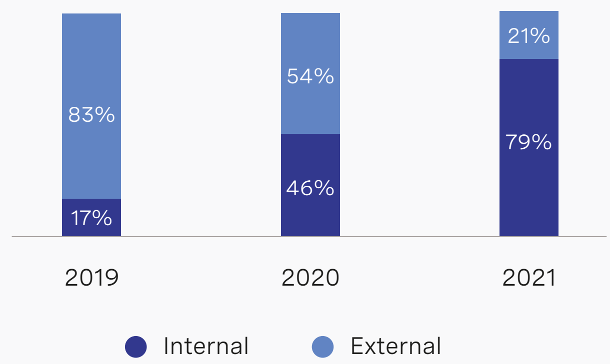


Russell Reynolds Associates analysis of S&P 500 CFOs, 2021



So where are women CFOs coming from? Their rise points to the benefit of succession planning. Almost 80% of newly-minted women CFOs were internal appointments, as many companies have turned inwards to develop and promote women in finance. As a result, newly-appointed women CFOs bring on average 11 years of experience in their companies. Of the 28 internally promoted women CFOs, only 1 had less than 3 years experience at the company.

Internal vs External CFO Appointments of New Women CFOs Among S&P 500 Companies



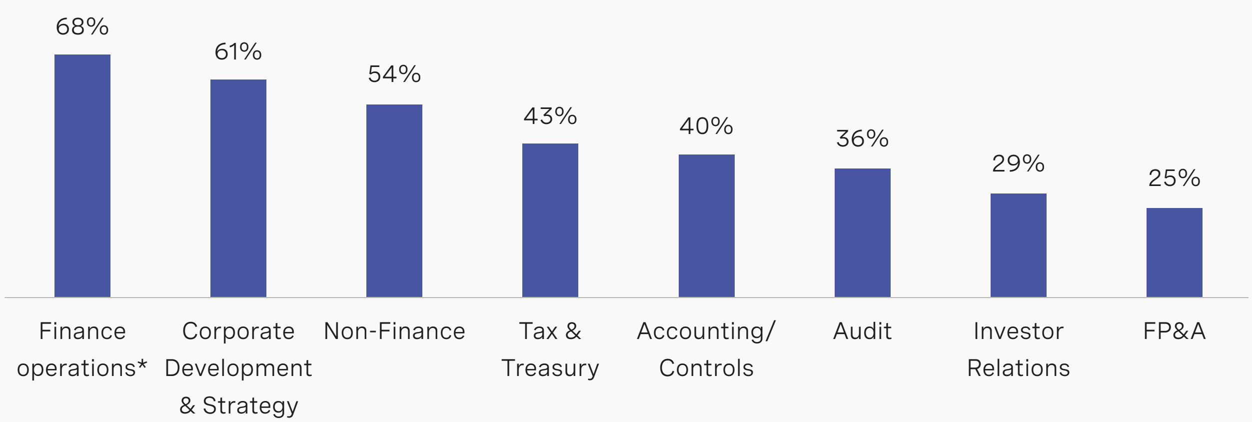
Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

Not only do newly-appointed women CFOs bring deep experience within their companies; however, they also have:

- 96% have same-industry experience
- 54% have an MBA
- 68% have Finance Operations experience (including divisional/regional CFO experience)

To get more women promoted into the CFO seat, companies should provide more operational finance opportunities (e.g. divisional/regional CFO roles) throughout their finance tenures to prepare them for the C-suite role, as it is a significant common factor among people who make it to the top.

New S&P 500 Women CFO Experiences

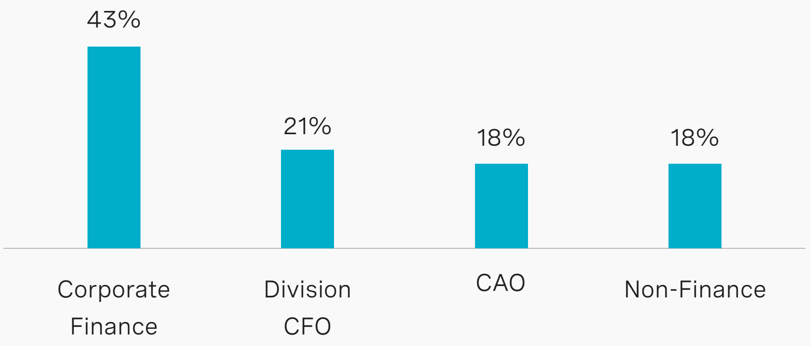


*Including divisional/regional CFO experience
Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

The last mile

Immediately prior to their first CFO role, these women are most likely to come from a corporate finance background. Unlike men, almost 20% of these women held non-finance roles just before becoming CFO, showcasing their diverse and well-rounded experience.

New S&P 500 Women CFO's Function Prior to First-Time CFO Role

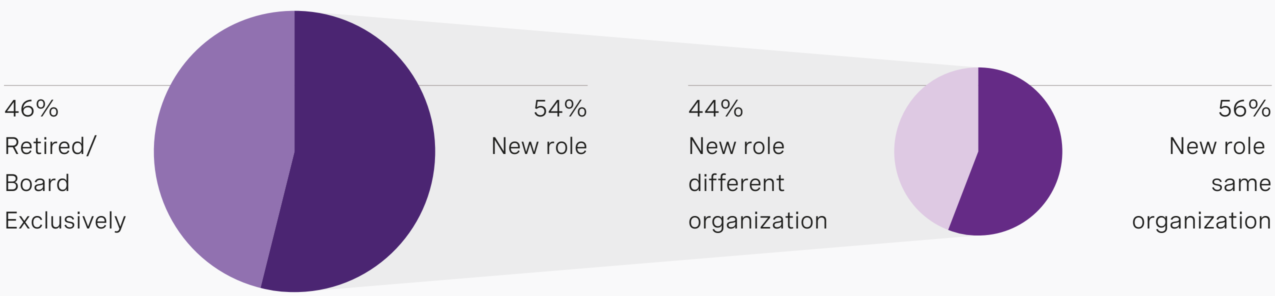


Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

Departing CFOs are looking for new opportunities...but remain loyal

Departing CFOs are more likely to move to a new role than retire. Of those moving to new roles, over half are moving to a new role within their company, typically becoming CEO, chief operating officer (COO), or chief administrative officer (CAO).

2021 CFO Exits

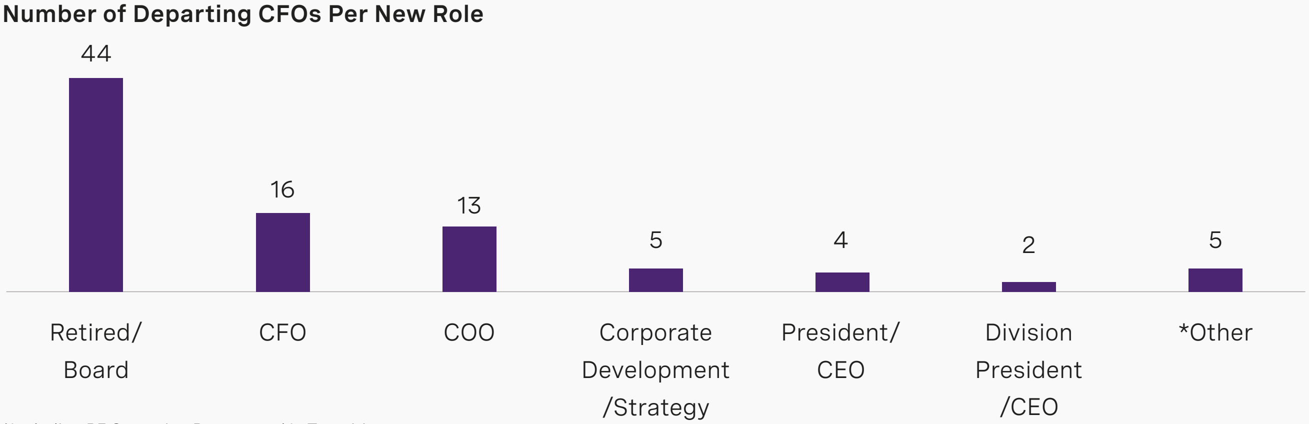


Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

The majority of departing CFOs who did not retire took non-CFO roles (e.g. CEO or COO) at their current organization. Of those starting a role at a different organization, nearly all moved to another CFO role, with the majority staying within the same industry. Many are moving to smaller companies as measured by revenue, underscoring the wealth of opportunities with newly-public or soon-to-IPO companies.

When it comes to CFO turnover, companies have two options: either create new and more challenging opportunities for the current CFO (e.g. dual CFO and COO role) or risk losing them.

Number of Departing CFOs Per New Role

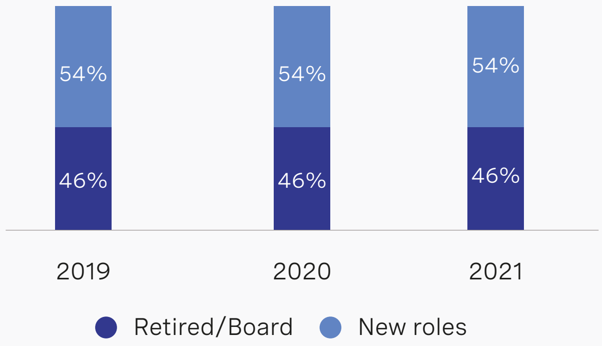


*Including PE Operating Partner and In Transition
Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

CFO retirement: Keep a watchful eye

While CFO retirement rates remained flat in 2021, the average age of retiring CFOs was 55, only slightly higher than those who moved to other roles (53) and newly appointed CFOs (52). We may see CFO retirement rates start to increase over the next three to four years, as the last of the Baby Boomer generation retires or moves exclusively to board roles, thereby adding another driver to currently overheated CFO turnover rates.

Trending CFO Departures



Russell Reynolds Associates analysis of S&P 500 CFOs, 2021

As CFO turnover continues to rise, companies will need to take a three-pronged approach to retaining and engaging their CFO and broader finance talent.

- **Engage in career development conversations with your CFO:** What are their long-term career aspirations? How can you create new opportunities to enable their development and keep the CFO role interesting? This may be key to retaining valued and tenured executives who have outgrown their current role.
- **Strengthen near-term succession planning:** Retirement is inevitable, so don't be caught off guard. For those who haven't already, it is important to clarify the succession plan, looking at what will be required of the next CFO as well as which internal candidates are viable contenders for the role within the expected timeframe. Ideally a succession plan should be in place at least 3 years before the CFO is expected to change.
- **Invest in career development for the broader finance group:** To prepare for the next CFO succession as well as the one after that, invest in mid-level and junior finance talent, ensuring that women and those from diverse backgrounds have ample opportunity to participate. Create job rotations and special projects to allow them to gain a variety of experiences - including operational roles as well as classic finance ones - to prepare them for the C-suite.

Authors

Jenna Fisher co-leads Russell Reynolds Associates' Financial Officers practice. She is based in Palo Alto.

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

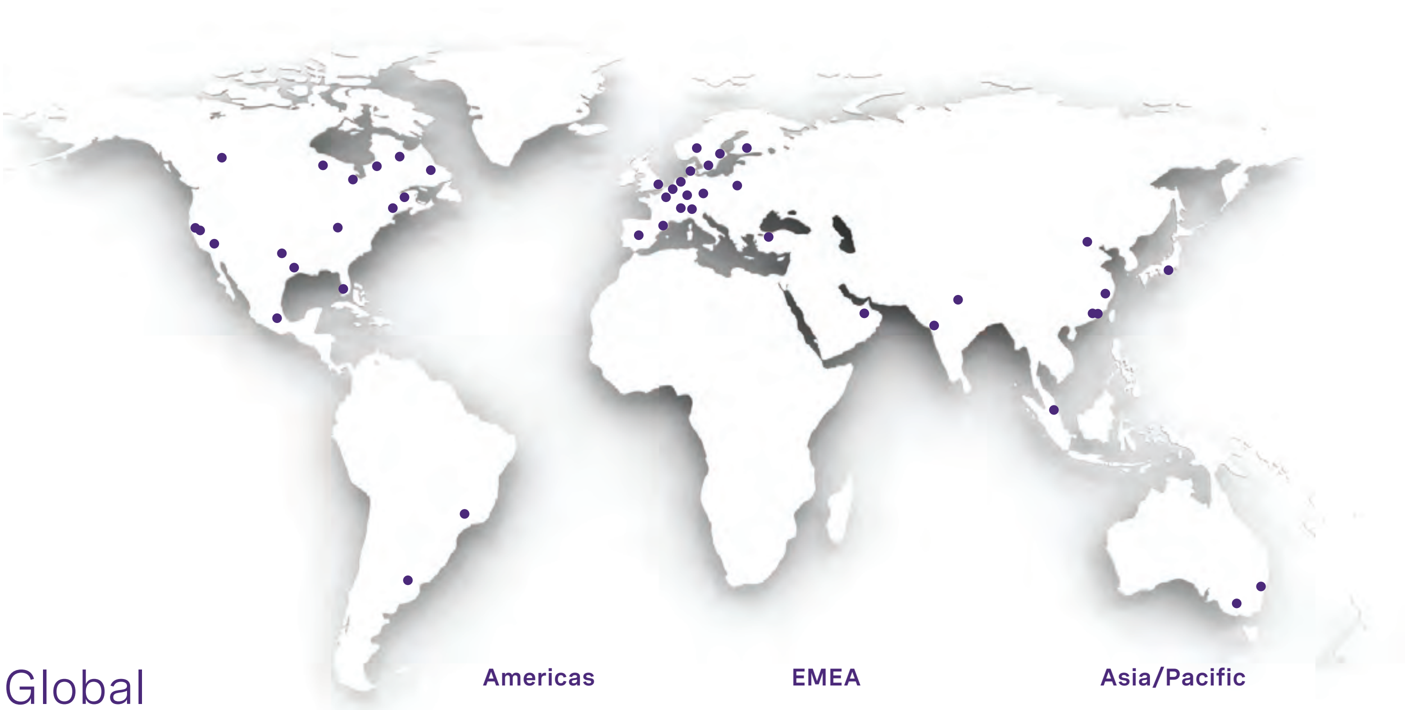
Rose Mistri Somers is a member of Russell Reynolds Associates' Financial Officers practice. She is based in New York.

Catherine Schroeder is a member of Knowledge for Russell Reynolds Associates' Corporate Officers practice. She is based in Toronto.

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ 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 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.

www.russellreynolds.com



Global offices

Americas

- Atlanta
- Boston
- Buenos Aires
- Calgary
- Chicago
- Dallas
- Houston
- Los Angeles
- Mexico City
- Miami
- Minneapolis/St.Paul
- Montreal
- New York
- Palo Alto
- San Francisco
- São Paulo
- Stamford
- Toronto
- Washington, D.C.

EMEA

- Amsterdam
- Barcelona
- Brussels
- Copenhagen
- Dubai
- Frankfurt
- Hamburg
- Helsinki
- Istanbul
- London
- Madrid
- Milan
- Munich
- Oslo
- Paris
- Stockholm
- Warsaw
- Zürich

Asia/Pacific

- Beijing
- Hong Kong
- Melbourne
- Mumbai
- New Delhi
- Shanghai
- Shenzhen
- Singapore
- Sydney
- Tokyo

© Copyright 2021, Russell Reynolds Associates. All rights reserved. This material may not be copied, reproduced or redistributed, in whole or in part, without the prior express written consent of Russell Reynolds Associates.