

## CFOs on the move

*As their job becomes more complex, top-quality CFOs are in demand and the urge to seek greener pastures becomes more compelling.*

CFOs worldwide are migrating between firms, occupying their position for shorter periods, and switching jobs at an unprecedented rate. The reasons vary, but collectively reflect the challenges associated with a role that is increasing in complexity, gaining in strategic significance, and often commanding higher compensation. Technology is a factor in reshaping the position, contributing to the rise of fractional CFOs who divide their time among several companies.

The role is also increasingly stressful, especially when a company is undergoing corporate restructuring or the CFO's perspective does not align with that of other executives.

High interest rates and debt dependency have added to the stress in recent years.

"The main reason for fewer and smaller bankruptcies or 'distressed situations' is the fact that a significant portion of the debt behind private equity-owned companies was provided by nonbank lenders, which are more willing than traditional banks to amend, extend, or refinance with other forms of capital, e.g., preferred equity," says Joseph Esteves, head of private equity at consultancy SGS Maine Pointe. "This 'kick the can down the road' type of financing activity raises the level of financial burden and complexity for financial officers."

Then there is the stress and uncertainty of dealmaking, as when Elon Musk was taking Twitter private and remaking it as X. "The past six months have pulled on every mental muscle I've developed in 48 years," Ned Segal, CFO of what was then Twitter, commented on the platform after Musk took the company private and promptly fired him along with a handful of other executives.



**Gutzeit, FTI Consulting: There should be more awareness and preparedness around succession.**

But success can also be a factor pushing a CFO into a new role, whether more prominent, or at a larger company, or for increased compensation. A recent example is energy company BP's promotion of Murray Auchincloss from CFO to CEO in mid-January.

One common denominator in these scenarios is greater complexity for the CFO, a trend that has been apparent for several years. "When I started years ago, if you were a CFO, you were primarily focused on accounting and debt structure," says Gina Gutzeit, senior managing director at FTI Consulting's Office of the CFO Solutions practice. "Now, CFOs have a broader and more prominent role within the C-suite, carrying significantly more responsibilities."

## EMEA Leads The Trend

In its 2024 Global CFO Report released in January, FTI finds 61% of CFOs agreeing that the average tenure for a CFO at a single company is less than five years; this is down from 66% a year earlier. Company size plays a noticeable role in influencing CFO tenure, FTI finds, since the complexity of the CFO role becomes more pronounced as companies grow. Among respondents from companies with revenue exceeding \$1 billion, 68% say that CFO tenure is under five years, whereas only 44% of respondents from companies under \$100 million in revenue agree.

The FTI survey—which gathered 377 responses in total from North America; Europe, the Middle East, and Africa (EMEA); the Asia-Pacific (APAC) region; and Australia—found roughly the same trend worldwide. In EMEA, three-quarters of CFOs agreed that CFO tenure at a single employer is under five years. This perspective is shared by 63% of CFOs in APAC and 60% of those in North America, the study finds, a clear majority across regions.

Proximity to power makes a difference as well. Randall Peterson, professor of organizational behavior at London Business School, notes that the CFO and CEO are frequently the only two executives on the company board. He says this contributes to the swift transfer of power to the CFO when a CEO departs, a trend particularly notable in the EMEA regions.

“I did a study on how the FTSE 350 Index boards changed over the last 20 years in terms of composition,” says Peterson. “The UK changed its rules in favor of having more nonexecutive voices and giving boards more independence. Of course, they still needed the CFO and obviously the CEO. And this principle was adopted little by little by the other countries, so that the CFO is the best-known executive within the board besides the CEO.”

The CFO also has the shortest average tenure among C-suite executives at about 3.5 years, according to a 2023 study of 2,056 US companies by software development firm Datarails. In comparison, the CEO averages about 3.9 years, the chief technology officer (CTO) 4.6 years, chief marketing officer 4.6 years, and general counsel 4.5 years. Despite the shorter tenure, the CFO is well paid, with an average overall compensation in Datarails’ sample of \$3.5 million, behind only the CEO (\$10.4 million) and CTO (\$3.8 million), in 2021—flagged by the study as the worst year for CFO attrition during the period analyzed, from 2016 to 2021.

“We engage in transformation projects with C-suite executives, and approximately 80% of our projects involve a CFO transition, with either a new CFO, an interim CFO or a change in CFO,” says Esteves. “We witness this evolution firsthand, noting a frequent shift in the responsibilities and dynamics of the CFO role.”

## Prescience

Because their role gives them an early view of trouble on the horizon, CFOs are often first to jump ship when a company faces problems—such as a debt burden becoming unmanageable. “CFOs possess comprehensive insight into the

debt structure, capital arrangement and overall financial well-being of the companies they oversee,” Esteves notes. “They personally grasp the implications of these factors on the company’s financial health. Until the debt structure is rectified, they find it challenging to envision a favorable outlook. These individuals, known for their savvy intelligence, are opting for departures.”



**Esteves, SGS Maine Pointe: The CFO of today has to be a strategic enabler of value creation.**

Esteves also sees the growing demands of the role creating a new skills shortage. “The CFO position has evolved into a strategic enabler of value creation, with changing responsibilities,” says Esteves, adding there is a “notable skill gap in the industry’s current landscape” in this regard.

With competition for top-quality candidates fierce, the best can command premium. “CFOs are in a good spot right now, and they have been for some years,” says Alan Numsuwan, executive vice president in FTI’s CFO Solutions practice. “And when you’re in high demand, you generally can leverage that demand to find something that meets your criteria.”

Companies should have a plan for when the CFO moves on: “If the turnover is less than five years, then a board or a company should be considering what their succession plan is,” Gutzeit advises. “What is the talent that sits around the CFO? What does the organization that reports to the CFO look like? There should be more awareness and preparedness.”

These plans should encompass the entire CFO team, not just the CFO specifically, says Numsuwan: “The company should have an eye toward making sure there are plans in place across the finance function so that in the event of a departure, there is a plan in place that goes with looking at one or two levels down.”

## Fractional CFOs

For small or startup companies, a fractional CFO can be a great solution, says Sunny Khosla, founder of business-development firm Coin Masters, who serves as fractional CFO for three different companies. In the end, he argues, CFOs “are supporting the company, and our expense line item is one of the first things to look at.”

A technology shift in recent years has provided easier access to talent, making the fractional CFO a more feasible proposition, he notes. “It has given access to a much larger talent pool, and AI [artificial intelligence] and automation tools made this possible. I have seen a lot of outsourcing of local bookkeepers and the implementation of AI to get bookkeeping with automation.”