HVS

MARKET REPORT

Riding the CFO Roundabout: Securing Hospitality's Financial Leadership Future

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Since 2022, hospitality has seen a 30% increase in CFO turnover and a significant demand for financial executives. This trend, driven by post-COVID-19 burnout, remote work popularity and high inflation, reflects broader economic phenomena. High CFO turnover disrupts strategic initiatives, even while introducing fresh outlooks and innovation. Companies must balance retaining experienced leadership with embracing new ideas and fostering an adaptable culture to ensure resilience and sustainability.

CFOs are on the move. Since 2022, the hospitality sector has witnessed a dramatic shift in its financial leadership environment. Data shows that during the first six months of 2023, 103 CFO (Chief Financial Officer) changes occurred in Fortune 1000 companies.[1] This number represents a 30% increase from the 79 changes in the same period in 2022. From a hospitality perspective, this CFO “carousel” and the high demand in 2023 for CFOs and other finance executives is unlike anything the industry has ever experienced. The demand for top talent has risen across all disciplines, but 2023 was definitely the year of the CFO. Surprisingly, we didn’t see as much movement in marketing, which usually shows very high turnover.





Exploring the Causes of Rising CFO Turnover

CFOs are key to the success of large hospitality corporations. They do much more than provide financial oversight. These executives guide their organizations through periods of uncertainty, making strategic decisions that ensure long-term growth and stability.

Factors driving the current CFO turnover rate include:

- The aftermath of COVID-19 impacted the industry significantly. Many sitting CFOs faced burnout and exhaustion as a result of the tumultuous pandemic years and retired early. Others took up a passion project, such as writing a book or sailing around the world. The popularity of remote work and the trend towards entrepreneurship are additional drains on the talent pool.
- The US is experiencing high inflation for the first time since 1982 – a 40-year period! Many CEOs and CFOs have never experienced it. Companies are realizing their current CFO doesn't have the experience to deal with rapidly rising inflation and its effects on business.

While CEO and CMO positions also experience their share of volatility, CFOs must provide the financial acumen and strategic foresight needed to steer companies through the current economic recovery.

Broadening Perspective: An Economy-Wide Phenomenon

The high CFO turnover trend is not an isolated phenomenon in hospitality, but one that reflects a broader movement across multiple industries. Analysis shows that economic, technological, and social factors impact C-suite dynamics universally, even though they produce unique challenges and opportunities for each sector.

In hospitality, for example, there's a significant push towards environmental sustainability and technological adoption, such as the Internet of Things (IoT), to enhance operational efficiency and customer satisfaction.[2] These initiatives, while pivotal for future growth, also add layers of complexity to the CFO's role, driving a need to blend traditional financial oversight with innovative management leadership.

The Ripple Effect on Operations and Planning

High CFO turnover profoundly impacts company performance, strategy formulation, and execution. Leadership continuity is critical to maintaining strategic momentum and financial stability within a hospitality organization. Frequent changes can disrupt strategic initiatives, delay decision-making processes, and lead to inconsistency in financial reporting and compliance. This discontinuity can erode investor confidence, affect company valuation, and complicate stakeholder relationships.

Conversely, introducing fresh perspectives via financial leadership can invigorate a company's strategic direction. New

CFOs can bring diverse experiences and insights that lead to innovative strategies, improved efficiency, and enhanced risk management practices.[3] They can also introduce new technologies and processes that streamline operations and contribute to long-term growth objectives.

Achieving a Delicate Balance

Finding the right balance between retaining steady leadership and bringing in new ideas is crucial for companies dealing with frequent CFO changes. They need to handle the challenges that come with these changes, while also making the most of the new perspectives they offer. Key steps like planning for future leaders, giving new CFOs a strong start with effective onboarding, and keeping up with ongoing training can help reduce the negative impacts of CFO changes.[4]

While specific statistics on the direct impact of CFO turnover on company performance are not readily available, it's clear that these changes present both risks and benefits. Companies that manage the transitions well can keep their strategies on track and gain from the fresh ideas and innovations new CFOs bring. This way, they can keep moving forward smoothly, blending the best of what's tried and true with exciting new approaches.

Strategies to Ensure Future Leadership

The future of hospitality CFOs and other executives is headed for significant changes. This situation highlights the importance of adapting. To improve retention and ensure ongoing success, companies must focus on leadership incentive programs tailored to attract the next generation of financial leaders.

Fostering an adaptable corporate culture is also paramount. An environment that values continuous learning, innovation, and diversity can attract and retain top talent. By encouraging a culture that adapts to change, companies can better navigate the uncertainties of the future, ensuring resilience and sustainability.

[1] Fortune Magazine. CFO turnover at Fortune 1000 companies has spiked 30% since last year. Accessed March 8, 2024.
[2] BeHotelier. Why sustainability matters to hotel guests, staff and the environment. Accessed March 8, 2024.
[3] McKinsey Startegy and Corporate Finance. Mastering change: The new CFO mandate. Accessed March 8, 2024.
[4] Gartner. New CFOs: A Roadmap to Success. Accessed March 8, 2024.