

New Business

SAME OLD FACES IN THE C-SUITE; CEO turnover has slowed as risk-averse boards hang on to their corporate chiefs

By Jena McGregor

416 words

7 September 2009

BusinessWeek

When Abraham Lincoln and Franklin D. Roosevelt campaigned for reelection during wartime, they told voters it was a bad idea to switch leaders midstream. Today, CEOs seem to be convincing their boards of the same thing.

Despite heavy layoffs in the lower ranks this year, job stability has been higher in the C-suite, creating yet another disparity between executives and their workers. Of course, there have been notable exits, such as Rick Wagoner at General Motors and Jerry Yang at Yahoo! But executive search firm Spencer Stuart reports that turnover has slowed to just 26 CEO changes among the Standard & Poor's 500 companies during the first half of 2009, compared with 36 for the same period last year.

Broaden the universe to some 13,000 public companies and there are double-digit declines in CEO job shifts, according to Liberum Research, which tracks management changes for hedge funds. "That's kind of counterintuitive" for a recession, says Richard Jacovitz, Liberum's director of research. "As companies cut back, you would think that top executives would get impacted, too."

One reason is that leaders have fewer places to go. With private equity firms licking their wounds, few executives are being poached to run portfolio companies. The volatile environment has also made directors skittish. When the economy soured, notes Korn/Ferry International Vice-Chairman Joe Griesedieck, "A lot of boards pulled in their horns and said, 'let's stick with our guy through the tough times.'"

MASKING MEDIOCRITY

But that means middling performers may get cut more slack. Matthew V. McGreal, a principal at search firm Crist/**Kolder Associates**, says: "It's perceived that the greater risk is to make the move" unless performance is "atrocious." And tough times tend to mask mediocrity. Says Nell Minow, co-founder of the Corporate Library, which researches governance: "Just as the rising tide lifts all boats, the ebbing tide makes everyone look equally bad."

Boards aren't the only ones taking fewer risks. Recruiters say CEOs are less inclined to seek out new positions—at least now. Minow believes that may be because of moves to increase retention bonuses and stock grants. "As long as everyone's fat and happy, why should they leave?" she asks. "If we're taking the downside out of the pay package, gee, I'd stay too."

[McGregor](#) is *BusinessWeek's* management editor.