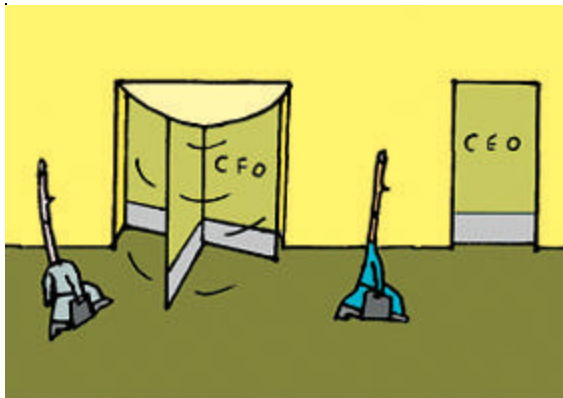


CFOs' jobs most volatile

Illustration: Mike Constable



Financial executives would be wise to keep their résumés updated and on file, according to a study of turnover rates at large US companies.

Chicago-based search firm **Crist Associates** measured the volatility of movement in the executive suites of 659 Fortune 500 and S&P 500 companies from 1995 to 2003. It found the average annual turnover of CFOs was 17%, topping out at 21% in 2000. That's considerably higher than the 12% annual average churn for CEOs over the same period.

The reason companies make changes at the CFO level more frequently than the CEO level has much to do with how boards address risk, says **Peter Crist**, president of **Crist Associates**. "It is far riskier to change your CEO than your CFO and we believe boards recognize this," he says, adding that the recent accounting scandals has put even more pressure on CFOs.

Furthermore, the volatility of the CFO position will likely increase with rigorous legislation such as the Sarbanes-Oxley Act, says **Isabel Meharry**, president and CEO of **Financial Executives International Canada**. "The CFO role has been expanding with higher demands and some won't fit the new profile," she says.

But the high turnover rate of financial executives isn't all bad — some of the churn undoubtedly comes from CFOs being pro-moted to CEO. Indeed, the **Crist study** found that when companies were hiring, they were twice as likely to promote someone from within to the CEO position than they were to choose an internal candidate for CFO. CFOs were hired from outside the company 44% of the time, compared with only 21% of CEOs.

"I'm seeing more CFOs promoted to CEO," says Meharry. "They know what the financial drivers of business are and that's becoming more and more important for CEOs."