



DO YOU LIE AWAKE AT NIGHT

TOOLS AND RESOURCES FOR FINANCIAL EXECUTIVES

Hello, I Must Be Going

Only 25 percent of the current *Fortune* 500 CFOs have stayed longer than 5 years at one company. Why is that?

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At a time when a few down quarters can lead to a forced resignation, Paul Coghlan, 57, is an anomaly. He's been sitting at the same Formica-topped desk as CFO of Milpitas, California-based Linear Technology Corp. for 17 years, as revenues have gone from \$22 million to \$1 billion and back down to \$600 million. Even with the stock at 1991 levels, he has no plans to move on any time soon.

"People might say I've missed out by not moving around more," says Coghlan, who spent 5 years as a controller and general manager for GenRad Inc. (now part of Teradyne Inc.) and 12 years in public accounting before joining Linear. "I don't put a lot of weight in that, though," he adds, "as long as the challenge to grow the company profitably keeps renewing itself."

Most of Coghlan's peers spend less than half that long at any one company. "My hat is off to the CFO of any large, publicly traded company who has been able to make it more than 10 years," says Peter Crist, president of executive recruiter Crist Associates, in Hillside, Illinois. In fact, only about 40, or 8 percent, of the current Fortune 500 CFOs have stayed longer than 10 years at one company, with just under 25 percent lasting past the 5-year mark, according to data compiled for *CFO* by executive-recruiting firm Spencer Stuart. Thirteen have been in the same seat for more than 15 years, as of press time (see the chart at the end of this article).

So, what does it take to go the distance? Coghlan thinks long tenure is directly related to the success of the company. He points to 64 straight quarters of positive cash flow and a 39 percent profit margin (which dropped only about 5 percentage points as the company's revenues were cut in half last year) as the keys to keeping his seat for so long. An impressive history of meeting Wall Street forecasts — 45 quarters in a row — has also contributed to his longevity.

At least one analyst agrees. "I think one of the reasons Coghlan has stayed a long time is that the company has had very consistent results and hasn't changed strategy," says Jack Geraghty, an analyst with New York-based Gerard Klauer Mattison who has been following Linear for more than five years. "If you like the people you're working with and the results are good, why would you leave?"

The correlation between financial performance and CFO tenure, however, is weak. Of the 13 longest-serving CFOs in the Fortune 500, only 2 can boast double-digit profit margins. Dillard's and Winn-Dixie, both in notoriously low-margin industries, have actually returned negative profits during the long tenures of their CFOs.

Experts say the intangibles — in particular the immeasurably crucial CEO relationship — largely determine how long a CFO endures. "Skill set and contribution are important," says E. Peter McLean, vice chairman and head of Spencer Stuart's CFO recruitment practice, "but there's also got to be chemistry between the two key players." While it isn't impossible to keep the job when a new CEO is brought in — Hewlett-Packard's Bob Wayman and Newell Rubbermaid's Bill Alldredge have both done it — most CFOs who have survived beyond 15 years have worked either with only one CEO or with new bosses who moved up from inside the company.

Keeping a high profile doesn't seem to be one of those intangibles, though. Coghlan says he rarely networks with other finance executives, and doesn't even socialize with people at his own company very much. Twelve longtimers declined to be interviewed for this article, many on the grounds that it went against their nature. Aon's Harvey Medvin, for example, is "notoriously press-shy," according to the company's public relations director.

When to Go

Longevity is not always a boon, however, particularly if a company is relatively small or has not changed or grown much. "In general, when you get past 5 years, it's probably time to start looking at other options," says McLean. His recent survey of 50 global company CFOs yielded a consensus that more than 8 years is too long in the same job. Crist concurs. "Unless you're at a place like General Electric, where you've got hundreds of dynamic enterprises to move around to, 10 years is too long — you get stale."

Coghlan says he is well aware of the possibility of stagnation, but has found that such challenges as expanding the business internationally, keeping up with technological changes, and managing through different economic circumstances have kept him intellectually engaged. Hiring smart people has also helped. "You have to keep learning, because you don't want the people who work for you to know more than you," he says.

Of course, moving to one company after a decade at another isn't always easy. Just ask Thomas Schoewe, who became Wal-Mart's CFO 3 years ago after investing a total of 13 years at Black & Decker as CFO and controller. "That decision to leave Black & Decker was the toughest I'd ever faced," says Schoewe, who says he expected to retire at the \$4.5 billion appliance maker before an executive recruiter persuaded him to give Wal-Mart a chance. Six months into the new assignment, he says, he was still going through a transition period, but he knew he'd made the right choice.

For Schoewe, however, the challenge of a new opportunity makes it all the more worthwhile to stay with a company for the long haul. "For any large company, I cannot see a situation where you would just spend two or three years as a CFO— there's just so much you need to learn," he says. "Having been here for three years, I feel like I'm just hitting my stride."

Longest-Serving CFOs in the *Fortune* 500

And how their companies have fared in their tenures. "Compound growth rate of net income" includes extraordinary and discontinued items. "NC" indicates that a figure is not calculable because either the first or last year was negative. An asterisk (*) indicates that at least one new CEO was a company outsider.

Sources: Spencer Stuart, S&P Compustat, company filings

CFO	Since	Company	Compound Growth Rate of Revenue	Compound Growth Rate of Net Income	Number of CEOs
Harvey Medvin	'82	Aon	11.1	3.1	1
William Alldredge	'83	Newell Rubbermaid	19.4	NC	4*
Richard McCook	'84	Winn-Dixie	3.0	(1.6)	2*
Bob Wayman	'84	Hewlett-Packard	13.2	NC	3*
William Aylesworth	'85	Texas Instruments	3.2	NC	2
Richard Abshire	'86	Adams Resources	33.1	NC	1
Michael Rose	'86	Anadarko Petroleum	28.0	NC	2
Doug Schmalz	'86	Archer Daniel Midland	9.7	5.1	2
Barry Sharp	'87	AES	42.5	29.8	3*
Roger Boeve	'88	Performance Food Group	29.1	37.9	2
James Freeman	'88	Dillard's	9.3	(3.5)	1
Michael Hiemstra	'88	Parker Hannafin	7.4	1.4	3
Michael Chalifoux	'88	Circuit City	16.7	9.2	2

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