

Corporate Financing Week

December 7, 2003

CFO Turnover High Compared to CEOs

The lack of job security for chief financial executives exemplified by the recent ousters of Bill Chiasson at Levi Strauss and Mike Sears at Boeing is not an aberration, according to a new survey from executive search firm Crist Associates. Companies are 44% more likely to change their chief financial officers than their chief executive officers and corporate boards are two to three times more likely to appoint an individual outside the company for the cfo position, according to Crist's seven-year survey of Fortune 500 and S&P 500 companies.

Of the 659 companies that were tracked from 1995 through August 2003, the average annual turnover for cfos has been 17% compared to only 12% for ceos. Only 14% the 659 cfos have held their position for at least the past eight years, compared to 25% of the ceos. And when companies seek new cfos, they hire individuals from outside the firm an average of 44% compared to only 21% for ceos.

The higher volatility for cfos is most likely attributed to the expansion of the cfo role coupled with risk-averse corporate boards which are still more reluctant to replace chief executives, said Peter Crist, president of Crist. Over the past 10-15 years, cfos have changed from the "public accounting, green eyeshade players" to highly sophisticated individuals who are often required to take on additional strategic and operating responsibilities, he explained. These increasing demands, and the fact that cfos are often succession candidates to the chief executive position, increase the frequency of cfo movement.

But despite the increased importance of the cfo position, boards still consider finance to be a more fungible role, which can be filled with external talent. Boards are less willing to risk changing the ceo and more apt to look inside their organization for potential candidates when they need to, Crist added.

Crist expects that future surveys will show an increasing volatility of cfos given the recent additional pressures associated with Sarbanes-Oxley legislation. As the job becomes increasingly more difficult, there will be a much shorter 'in the chair timeframe', he said. The average tenure for cfos is five years and probably decreasing quickly, he added.