

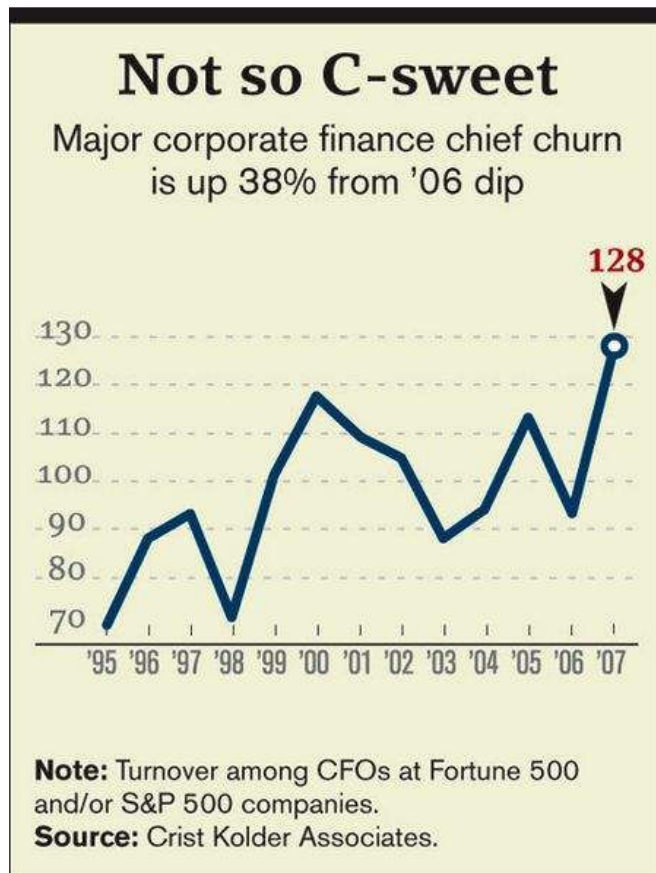
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CFO turnover hits a record high

Average tenure for half of big-company finance chiefs? Less than three years

By [Hilary Johnson](#)

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Finance chiefs of large U.S. public companies now last about as long in their jobs as NFL running backs.

According to a study to be released next month by executive recruiter Crist Kolder Associates, roughly half of the CFOs at Fortune 500 and S&P 500 companies stay in their posts for less than three years. The average career of a pro football running back is a tad over three years.

“It’s pretty astounding,” said Tom Kolder, president of Crist Kolder. “That tells you that there’s a real churn going on there.”

CFO volatility—a measure of how often an executive leaves his or her finance post—reached its highest level in 13 years in 2007, with 128 CFOs departing their jobs, up 38% from 93 in 2006.

Meanwhile, the study found the average tenure for CFOs at all big companies slipped to under five years, about a year less than in 2006. Most CEOs also remain in their jobs for fewer than five years, the same as in 2006.

Maintaining a company's earnings and share price was challenging last year, what with the onset of the credit crunch, the housing downturn and the slowdown in consumer spending. With the economic picture still uncertain, high turnover in the C-suite is likely to continue, Mr. Kolder said, "not only for 2008, but through the foreseeable future."

Crist Kolder did not provide any 2008 estimates in its study this year, but said an updated study will be released in early 2009.

Just last week, Office Depot tapped Mike Newman, a former CFO at RadioShack and Intimate Brands, to replace Charles Brown, the company's interim finance chief. Also last week, Oracle snagged former Oberon Media CFO Jeff Epstein to replace Safra Catz as its CFO. Ms. Catz, who had held the position since 2005, will continue to serve as co-president. And Fannie Mae announced that chief financial officer Stephen Swad, who came on board about a year ago, will be replaced by controller David Hisey (see the Fannie Mae story on this page).

Adding to the volatility is the fact that there are only so many CFOs available to fill these open positions, explained Mr. Kolder. Many have gone into private equity jobs recently, lured by higher pay and less regulation than public company gigs, he noted.

Moreover, shareholders and activist directors "aren't as patient" as they once were. When a company is doing well, the CFO may get better offers, and when earnings slump, he or she is often the first to go. Indeed, since 1995, CFO and CEO volatility have correlated to fluctuations in the S&P 500 index, Crist Kolder found.

"It's either that the CFO is increasingly being sought after, in the event the company has gone through a positive period, or he's got a bull's-eye on him, because things aren't going so well," Mr. Kolder said. In this environment, he added, "the reality is it's probably more the latter."

Take, for example, Tom Wurtz, CFO at embattled Wachovia, who said in July he will resign when a successor is found. Mr. Wurtz had been in the top finance post for two and a half years, but before that served as Wachovia's treasurer for seven years. Marsh & McLennan CFO Matthew Bartley resigned in June, after about two years on the job.

CFO churn last year jumped most in the retail sector, corresponding with an 18% average drop in the share prices of S&P 500 retailers. Mr. Kolder said his firm did a fair bit of work with retailers over that period, consulting with companies such as Walgreens, Michaels, Office Depot and Circuit City. "These are companies that are going through a great deal of change, and as a result you see the volatility increase," he said.

Chief executive officers, of course, are also often ousted by the board when things aren't going well, but volatility for the CEO position increased only slightly in 2007, when 87 CEOs were replaced, compared with 80 in 2006, the study showed. Still, turnover in the financial and technology sectors more than doubled.

When new CEOs come on board, they will often bring in a new CFO, Mr. Kolder noted, as Wachovia CEO Robert Steel prepared to do by ousting Mr. Wurtz. “[The two executives] are truly tied at the hip in today's business environment,” he said. “It is very common for a CEO who's brought in to want to have their own confidant, their own partner, as opposed to a “forced marriage.””

Another trend that has affected CFO volatility is a fundamental change in the structure of the C-suite. Fewer companies are hiring or replacing chief operating officers, which leaves the CFO to handle not only oversight of financials and compliance, but strategic and operating concerns as well.

Last year, the number of chief operating officers at large public companies remained unchanged from 2006, at 211, according to the study. But that total has slid quite a bit since 1999, when it peaked at 246. Crist Kolder's data go back to 1995.

With COOs gone, CFOs have to think more broadly about the company. On the plus side, they are now also often considered for the CEO position.

“More CFOs are going to be competing and going to be in the mix for CEO opportunities as they take on more of these operational and strategic responsibilities in the organization,” Mr. Kolder said.

Being considered for the CEO post, of course, requires a broader range of skills than just the traditional bean-counting expertise once required of CFOs.

“What clients are looking for goes beyond financial expertise,” Mr. Kolder said. “It's someone with much broader business acumen, who can act as alter ego to the CEO. The war for that talent is only getting more intense.”

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