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CFO turnover subsides

Despite strains on companies, the number of finance chiefs leaving jobs declined 6% in first nine months of '08. Not for long, some say.

By [Matthew Scott](#)
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The pace of turnover among chief financial officers decreased through the first three quarters of 2008, even as weakening economic conditions slowed revenue growth, eroded stock values and forced layoffs at many companies. And despite some recent high-profile firings, CEO turnover has fallen in the same time period.

According to recent data from researcher Liberum, the number of CFOs who left their post during the first nine months of 2008 totaled 1,582, down 6% from the year-earlier period. CFO turnover had fallen 14% from 2006 to 2007.

CEO turnover dropped 13%, to 1,874, from 2007 to 2008, following a 5% decline from 2006 to 2007.

"This trend is sort of counterintuitive to what's been going on in the general employment figures," said Liberum senior vice president Richard Jacovitz, who headed up the research. "You would expect that as the economy gets worse and there's more pressure on companies, some of the top executives might take it on the chin. That hasn't been the case."

Of course, there have been some headline-grabbing CFO changes this year. At Google, Patrick Pichette replaced George Reyes as finance chief in June. At Oracle, Jeff Epstein took over from Safra Catz in August, while United Technologies promoted Gregory Hayes to the CFO post in September.

High-profile CEO changes included Edward Liddy's appointment to lead American International Group after its government bailout, Ellen Kullman's promotion last month to head DuPont, and Alan McNally's

replacing retiring Walgreen CEO Jeffrey Rein earlier this month.

One reason CFO turnover may be down, Mr. Jacovitz explained, is the heavy churn related to Sarbanes-Oxley regulations in 2005 and 2006, when many companies replaced their finance chiefs with executives who had more accounting experience. When the current financial crisis struck, he argued, many companies decided not to replace their CFOs because they've so far been taking other steps to keep earnings respectable, such as reining in their budgets and inventory and cutting jobs.

Tom Kolder, president of executive recruiting firm Crist Kolder Associates, said CFO turnover is also down because many finance chiefs have been taking on more operational responsibilities as "the key right hand" to the CEO, making them even more critical to the company's survival during these tough times. As a result, "there continues to be supply lagging demand in the marketplace today."

But Mr. Jacovitz predicts CFO and CEO turnover will soon increase significantly: "There is going to be so much pressure, and profits are down and they've already cut their budgets, so there's going to be a lot more executive turnover in C-level management—CFO and CEO."

Mr. Kolder agrees. He added that there will likely be more changes among CFOs because the skill set needed to deal with the current economic crisis is different from what was needed for SarbOx. "My guess might be the pendulum swings back a bit so that the treasury and financing and some of the corporate finance skill sets become more in vogue."

And as more CEOs lose jobs because of poor company performance, Mr. Kolder expects that CFOs will also take a hit. "Anytime you see a CEO change, we see a very high correlation with a change-out of the CFO chair within 18 months."

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