

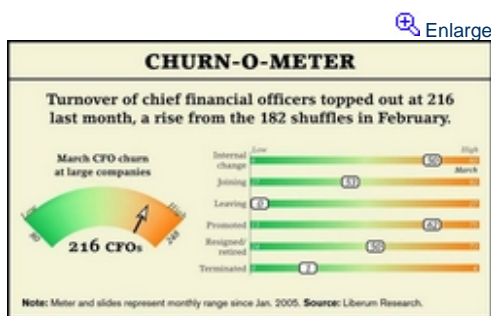
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Changing times mean changing who's CFO

As performance suffers more, finance chiefs 'take it on the chin'

By Mark Bruno

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The CFO post has become the hot seat in the C-suite, with turnover of financial chiefs up more than 20% for the second straight quarter, handily outpacing changes in other C-level positions.

For the first three months of this year, there were 593 changes of chief financial officers at publicly traded U.S. companies, an uptick of 21% compared with the same period last year, according to research firm Liberum Research. At the same time, Liberum found that overall turnover in C-level positions grew by only 5% compared with the first quarter of 2007.

"If performance is suffering, as it has been for many companies lately, oftentimes the CFO will take it on the chin before anyone else," said

Richard Jacovitz, senior vice president of research at Liberum, adding that CFO turnover was particularly heated in March, with 216 changes taking place, up 41% over March 2007.

This accelerated rate of CFO turnover picks up exactly where 2007 left off, when there were 574 changes in the fourth quarter—up 23% compared with the year before. "The subprime crisis really ignited the shake-out in the middle of last year," Mr. Jacovitz said. "And the markets have become increasingly unstable; it's a completely different environment now."

With a number of companies shifting out of a growth phase and into cost-cutting mode over the past year, the role of the CFO at many organizations has changed. And with CFOs, "different economic times can call for a different CFO skill set," said Lorraine Hack, partner in the financial officers' practice at executive search firm Heidrick & Struggles. She also noted that the first quarter is typically peak season for departures, as bonuses are dished up and the books on the previous year are closed. "It's a good chance to make a clean break."

While the turnover was spread widely across industries, drug and biotech companies led the way, with 52 CFO changes during the first quarter, and 21 changes in March. With many companies in the industry faced with declining sales, new CFOs are being asked to come in and cut costs to offset dwindling revenue (see "Pharma Finance Execs Turn to Age-Old Cure: Cut Costs," *FW*, April 7). Perhaps the most notable example of this was Bristol-Myers Squibb's hiring of Royal Numico's Jean-Marc Huet as its new CFO in early March, replacing Andrew Bonfield.

Large corporations in other industries also made high-profile changes in the CFO slot during the quarter, with General Motors, for one, promoting Ray Young to CFO in March, when former CFO Fritz Henderson was appointed president and chief operating officer of the automaker. Also of note, the Hartford Financial Services Group revealed during the quarter that CFO David Johnson will leave the Fortune 100 company, but it quickly tapped another senior executive—Lizabeth Zlatkus—to take over as his replacement.

Yet such in-house shuffling was not just limited to large corporations during the quarter, as internal changes and promotions accounted for more than 40% of the total CFO moves tracked by Liberum. "Sometimes your company just needs a CFO with a new perspective, and the safest bet is almost always going to be with an internal candidate," said Scott Simmons, vice president and co-founder of executive recruiting firm Crist Associates. "They can bring a fresh point

of view to the job, and they already know the company inside and out.”

However, other corporations still have vacancies to fill after their CFOs announced during this past quarter that they plan to move on. These companies include Allstate, Heidrick & Struggles, Office Depot and Computer Sciences, each of which recently disclosed that its CFO would be departing.

Separately, Liberum noted that CEO churn was also on the rise during the first quarter, although it grew at a slightly slower rate than the CFO turnover. There were 745 CEO changes during the quarter, a 19% jump over last year, with drugs and biotech companies responsible for 205, or 27%, of the total chief executive turnover. Right behind drugs and biotech was the banking industry, which recorded 172 changes in CEOs, followed by energy companies, which posted 166 such changes. **FW**

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