home > reports > sarbanes-oxley jobs

Thanks to Sarbanes-Oxley, Finance-Chief Turnover Is Rising

From The Wall Street Journal Online

Increased pressure for regulatory compliance is driving more chief financial officers out the door, a new study suggests.

Total turnover among the CFOs of Fortune 500 companies rose 23% during 2004 from a year earlier, concludes the study by Russell Reynolds Associates Inc., a New York executive-search firm. The analysis covered change in the ranks of CFOs, controllers and treasurers.

In 2004, 16% of surveyed concerns changed CFOs -- compared with 13% in 2003. Last year, 22.2% of those changes were due to resignations while resignations claimed 18.2% the prior year.

Many CFOs are simply burned out and deflated, executive recruiters report. Two of the biggest culprits: demanding requirements of Sarbanes-Oxley legislation, the corporate-reform law, and ever-increasing pressure to meet investors' short-term expectations.

"I just think the position has lost a lot of its fun," reports Eric Rehmann, a senior member of Russell Reynolds' financial officers practice in Washington, D.C. "The majority [of CFOs] would tell you the pendulum has swung too far and the position is not what it used to be. They spend this inordinate amount of time on the compliance."

Now, Mr. Rehmann adds, the most pressing issues for CFOs include " 'How are we going to comply with Sarbanes-Oxley? How are we going to have the best internal controls?' These are not sexy issues."

Chief financial officers today have less time to focus on overall corporate strategy, recruiters report. That troubles many CFOs because strategic duties were what drew them to the job in the first place. They sought the opportunity to be the chief executive's consigliere rather than just a numbers cruncher, says Stephen Mader, a vice chairman of Christian & Timbers, a New York search firm.

"CEOs have had to back away from the intimacy of some of those relationships because there's not time," Mr. Mader continues. "You can't afford to spread the CFO as widely, so you don't burden him or her as much with some of the other running-of-the-business issues where you want that seven o'clock at night informal adviser."

As a result, some CFOs have sought more operations-focused or general management jobs. This means certain finance chiefs are switching to a more operational role with their current employer or running a newly acquired business, says Mr. Rehmann. Either way, they're unwilling to regress in their careers. "What we don't see is those folks saying, 'I'll go two rungs down in the organization,' " he adds.

Others opt out of the public-company grind entirely by accepting a financial post at a closely held enterprise. Still others choose a middle ground, working for a publicly traded company controlled by an individual or family. Mr. Mader says such businesses often focus less on managing quarterly earnings expectations, allowing CFOs to focus on the bigger picture.

Of course, some turnover stems from CFOs being promoted rather than burned out, because there is greater demand for financial expertise in the corner office. In the Russell Reynolds study, 29.6% of the CFO changes reflected promotions during 2004, compared with 27.3% in 2003.

The study found the ranks of controllers experienced higher turnover in 2004 as well, largely because of promotions. Controllers' accounting expertise has become valued more as compliance demands grow more rigorous. In 2004, 15% of the surveyed concerns switched controllers compared with 12% in 2003. About 45% of the changes were due to promotion in 2004, compared with 35% in 2003.

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-- April 07, 2005

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