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## **FINANCIAL OFFICER TURNOVER STUDY BY RUSSELL REYNOLDS ASSOCIATES SHOWS HIGHER CFO CHURN AND CONTROLLER RESIGNATIONS AMONG FORTUNE 500 COMPANIES IN 2004 vs. 2003**

### ***Sarbanes-Oxley and relentless drive to beat investor expectations drive turnover***

**New York, NY, March 29, 2005** - Russell Reynolds Associates, the global executive recruiting and assessment firm, conducted a study in the first quarter of 2005 that analyzed the rate of change in 2004 from 2003 in the ranks of three principal financial officers of Fortune 500 companies, namely Chief Financial Officer, Controller and Treasurer.

The study revealed that there was a 23% increase in overall turnover among Chief Financial Officers of Fortune 500 companies in 2004, with a 21% increase in the rate of resignations.

Mirroring the CFO trend, there was a 25% increase in overall turnover of Fortune 500 Controllers and a marked 400% increase in the rate of resignations. A major contributor to Controller turnover is a 29% increase in the rate of promotions.

Of the three financial officers studied, only one, Treasurer, showed no increase in the rate of turnover in 2004. Twelve percent of the Fortune 500 companies studied changed their Treasurers in 2004, the same percentage as 2003. There was a 42% decline in the rate of resignations among Treasurers year-over-year.

Lorraine Hack, a member of Russell Reynolds Associates' Financial Officers Practice, said, "The increased and relentless pressures of Sarbanes-Oxley compliance and the competitive drive to beat the numbers every quarter are two factors driving rising turnover among financial officers. Many CFOs and Controllers rise to the occasion; but some decide to opt out of public company top roles too. Being a financial officer of a publicly-traded company has become more challenging and less attractive with compliance demands so companies must keep scouting new talent."

Eric Rehmann, also a member of the Russell Reynolds Associates' Financial Officers Practice, added, "There was a time in the 1990s when firms cut costs in their financial officer corps, but the pendulum has swung and, particularly for Controllers, this is their moment to shine. The best and the brightest of this group are in such high demand they're like top athletes that teams really want to sign."

### **Outside Candidates versus Inside Candidates**

In 2004, 61.7% of Fortune 500 companies chose to select an inside executive vs. 35.8% who opted for an outside candidate. This was a slight increase in the preference for inside candidates from 2003.

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With regard to Controllers, there was a noticeable decrease in the desire for inside candidates during the same time period. In 2004, 53.4% of the companies who changed Controllers opted for insiders, down from 55% in 2003.

### **Additional Facts and Statistics\***

- **Chief Financial Officer (CFO) changes:**
  - In 2004, 16% of Fortune 500 companies changed CFO's compared to 13% in 2003.
  - In 2004, 82.7% of changes were due to: promotion (29.6%), resigning (22.2%), retiring (23.5%), and change in responsibility (7.4%).
  - In 2003, 80.4% of changes were due to: promotion 27.3%), resigning (18.2%), retiring (28.8%), and change in responsibility (6.1%).
  - Rates of Selecting Insiders vs. Outsiders
    - In 2004, 61.7% of companies chose an insider vs. 35.8% an outsider.
    - In 2003, 60.6% of companies chose an insider vs. 36.4% an outsider.
  
- **Controller changes:**
  - In 2004, 15% of Fortune 500 companies had changed Controllers compared to 12% in 2003.
  - In 2004, 61.6% of changes were due to: promotion (45.2%), resigning (6.8%), retiring (5.5%), and change in responsibility (4.1%).
  - In 2003, 45% of changes were due to: promotion (35.0%), resigning (1.7%), retiring (3.3%), and change in responsibility (5.0%).
  - Rates of Selecting Insiders vs. Outsiders:
    - In 2004, 53.4% of companies chose an insider vs. 21.9% an outsider; 2.7% n/a, 21.9% not available
    - In 2003, 55.0% of companies chose an insider vs. 28.3% an outsider; 3.3% n/a, 13.3% not available
  
- **Treasurer changes:**
  - In 2004, 12% of Fortune 500 companies changed Treasurers – the same as in 2003.
  - In 2004, 59.4% of changes were due to: promotion (37.3%), resigning (5.1%), retiring (13.6%), and change in responsibility (3.4%).
  - In 2003, 62.4% of changes were due to: promotion (33.9%), resigning (8.9%), retiring (12.5%), and change in responsibility (7.1%).
  - Rates of Selecting Insiders vs. Outsiders:
    - In 2004, 59.3% of companies chose an insider vs. 18.6% an outsider; 3.4% n/a, 18.6% not available
    - In 2003, 55.4% of companies chose an insider vs. 33.9% an outsider; 1.8% n/a, 8.9% not available

\*Actual numbers, not rate of change.

### **About Russell Reynolds Associates**

Russell Reynolds Associates is the most trusted name in global executive recruiting and assessment. Through a global network of 32 wholly owned offices, the firm's more than 275 professionals conduct senior executive and Board of Director recruiting assignments and executive assessment in a range of industries for public and private organizations of all sizes. With its one-firm culture, deep knowledge of major industries and unwavering commitment to client services, Russell Reynolds is uniquely qualified to help clients find the best leaders for their future. The firm's Web site is <http://www.russellreynolds.com>.