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Turnover high in the CEO office

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Turnover among the nation's CEOs peaked in a four-month high in September, especially in the high standard growth areas of finance, healthcare, technology and energy.

According to a recent report by the Stamford office of Challenger, Gray & Christmas, 111 CEO departures were announced nationally during September. The report shows the increase comes just two months after the number of CEO changes dropped to its lowest level since April 2009.

"It is difficult to pinpoint an overriding trend when it comes to CEO turnover this year, said John Challenger, CEO of Challenger, Gray and Christmas, a research analytics company and outplacement consultancy. "Several factors are converging, including a volatile economy, an aging CEO population, a brighter spotlight on the CEO position and calls for more accountability on the part of corporate leadership."

Christmas said September CEO departures were up 17 percent over August, when 95 exits were announced. This is the second consecutive increase and represents the highest monthly total since 125 departures were recorded in May.

"More and more attention is being given to the expanding gulf between what CEOs earn versus what the rest of the work force earns," said Christmas. "Corporate chiefs and their boards are under increasing pressure to justify the enormous pay differential that often exists, even at companies enacting severe cost-cutting initiatives including job cuts."

Health care continues to be the area with the highest CEO turnover. Another 23 health care chiefs announced their departures in September. For the year, this sector has seen 165 CEO changes, nearly 10 percent more than the 151 announced by these organizations through September 2009.

The government and non-profit sector has seen the second largest number of CEO changes this year, with 132 to date, including 13 in September. The next closest sector is financial, which has 88 CEO changes this year.

David Lewis, president of Operations Inc., a staffing company in Stamford, said the job of a CEO has changed over the past four to five years.

"The rules and conditions are completely different than what you now have," said Lewis. "The question is would they have risen to this position had they had these challenging conditions then. And I think what we're finding in this cases is that no they would not have."

Lewis said the key industries that are showing up as having the most turnover are also industries that have continued to be described as growth areas.

"If they really are growth industries the bar is that much higher," said Lewis. "The rest of the world is able to point back at the economy, with a bit of legitimacy, but here these are the industries that are supposed to be recession proof and they are getting the most support and the most attention. Every financier wants their company to do more and be successful, that's a given. Throughout business there are people who can adapt and change and some that can't. The turnover at the C-level is the result of a shift, albeit radical, and these executives inability to be successful under those new rules."

Lewis said in some cases a business climbing to a certain level of success under a single leader can become stalled. In these cases what were sideline board of directors step in and make a leadership change.

"It's 'What have you done for me lately?'" said Lewis. "It's the standard they're being held to, not because of a bad performance."

Scott Witkin, founder and president of Elevation Search in Norwalk, said CEO turnover can be broken down to a personal pursuit, a board investor pushing the individual out or an under performance in relation to peers.

"In the growth industry a CEO is many times the person who had the idea to get the company off the ground," said Witkin.

"What ends up happening is you have a sharp entrepreneurial spirit that doesn't translate to a corporate leader position."

Though the economy has seemed to stabilize, the Challenger, Gray & Christmas information showed the September total was 5.7 percent higher than the 105 departures announced the same month a year ago.

"Under this heightened level of scrutiny, CEOs do not have long to prove themselves," said Christmas.