

Strategies to Reach a CFO Position

Adopting a strategic mindset and taking on the tough assignments to build diverse functional experience are among the ways to land a CFO position.

BY AL RICKARD, CAE



What does it take for IR professionals to rise to chief financial officer (CFO) positions?

CFOs and executive recruiters say success can emerge from several paths, all of which require gaining a broad range of experience and making the most of a strategic mindset.

“Ask for the tough assignments and be the ‘go-to’ person for those challenges,” says Lee Ahlstrom, IRC, who began his career as an engineer and went on to become SVP & CFO at RigNet, Inc.

“Be willing to step out of IR and do something else. Spend time in the field. Know the business at an operational level, not just a financial or theoretical level. Deliver value every day.”

Lorin Crenshaw, CFO at Orion Engineered Carbons, advises, “Understanding IR and how to manage that constituency is a critical skill set. However, for IROs who aspire to become CFOs, there is a point of diminishing returns in that role.

“Once you have a few years of experience, if you want to ultimately become CFO, you must leave IR and ideally transition into a business finance or financial planning and analysis role. This allows you to understand firsthand the commercial aspects of how to create value, the tradeoffs commercial leaders face, strategic planning, building a budget, managing contingencies, risks and opportunities, etc.”

Executive recruiters have seen changes in CFO qualifications evolving for more than a decade.

“During the past 13 years the CFO role has changed from being a back-office operation to that of a business partner,” observes Barry Toren, Senior Client Partner, North America Leader, Financial Officer Practice at Korn Ferry.

“CFOs used to be CPAs and public accounting people. Today, having CFOs more embedded in the business has opened up other areas and qualifications. Having different functional experience will add diversity of thought for a CFO.”

Smooch Reynolds, Managing Partner, IRO & CCO Practice Group at ZRG Partners, says, “I see companies hiring CFOs who have been general managers of operating groups or companies. They understand the business and how to plan

strategically.”

Each CFO takes a unique path, but successfully handling diverse high-level management roles is a common denominator.

Engineering a Rise to CFO

“As an engineer I developed a pretty good understanding of day-to-day operations,” Ahlstrom explains. “I also spent some time at McKinsey & Company where I gained experience in strategy and finance. Then I went back into industry and worked in planning before being asked to take on an IR role. I worked on several mergers and acquisitions, so was able to add that to the resume. In other words, I became a good utility player – not necessarily an expert at anything, but a well-rounded executive with good business judgement and perspective.

“For me, building relationships for more than 10 years on the equity and debt sides was key, not for the knowledge of the markets, but for the credibility I established. Being someone investors can trust to shoot straight is one less thing to worry about when you step into the role.

“Right before I became CFO, we were in the midst of restructuring and I was the SVP of Investor Relations and Strategic Planning. We had presented two reorganization plans which were contested by one of the creditors and unfortunately, we lost those fights in court. The Board decided to change leadership and asked me to step in as CFO to put a plan together to get us out of bankruptcy.”

Leveraging Street Experience

“I started my career as a buy-side equity research analyst for five years with Smith Barney Asset Management’s Large Cap Value mutual fund, which provided in depth, practitioner level perspective on how institutional portfolio managers and analysts evaluate securities, think, and make decisions,” Crenshaw says. “It also allowed me to observe numerous management teams and develop a point of view on how management teams build credibility with investors or not.

“I then spent five years as a commercial lender providing debt financing to mid-market compa-

nies, which helped me understand how debt investors think and how to evaluate leverage, balance sheet matters and cash flow. Between the two roles I then understood both equity and debt stakeholders.

“Not wanting to just ‘chase deals’ for the rest of my career, I reached out to Ed Liebert, Treasurer at Rohm & Haas, and advised him that I desired to move ‘to the other side of the table’ – shifting from being a lender to being a corporate finance practitioner on a path to Treasurer and then CFO. He needed an International Treasury Manager, so I joined the company, which was later acquired by Dow. It gave me an entrée into corporate finance, international treasury, subsidiary financing strategies, and foreign exchange risk management.

“Rather than wait for the Dow/Rohm & Haas deal to close, I joined Albe-marle, where I advanced from Assistant Treasurer to Director, Investor Relations; to VP, Treasurer & Investor Relations; to CFO of the Lithium Division.”

Internal Succession

Both Crenshaw and Ahlstrom rose through the ranks at their companies to their CFO positions, reflecting what is increasingly a preferred pathway for CEOs looking to groom top executives from within.

While diverse management experience is important, investor relations can be a critical piece.

“Experience working directly with capital markets gives an IRO an advantage to become CFO and even CEO,” Reynolds believes. “Some CEOs told me they were forced to be IROs and they did it kicking and screaming, but later they said the 4-5 years they spent doing it was the best training they could have had.”

“We will see more CFOs promoted internally,” predicts Peter McDermott, Senior Client Partner, Global Corporate Affairs and Investor Relations at Korn Ferry. “It is a more intentional process to bring in people and prepare them to be the CFO.

“There is a reason that many organizations use the IR function as long-term developmental rotations for succession planning. As we are seeing this pattern, IR could be a promising pipeline to add much-needed ethnic, gender, and LGBTQ diversity to the C-suite.”

“Companies now appreciate how hard it is to recruit great talent,” Jenna Fisher of Russell Reynolds told *The Wall Street Journal* in an article earlier this year. She reports that three-quarters of the Fortune 500 CFO searches she works on have at least one internal candidate, while three years ago it was less than half.

“If a company has done a good job creating a ‘corporate athlete’ with the requisite range of experience, drive, and strategic skills, then someone can step into a CFO position,” Reynolds believes. “It is always better to promote from within if you have the right people. Boards and CEOs have become sharper in their critical thinking about who gets these jobs. They have raised the bar and are increasingly looking to create pathways to provide the training needed.”

Expanded Responsibilities

“The rewards of being a CFO are great,” Ahlstrom declares. “The ability to shape the present and future of a company and make decisions with broad-reaching implications enables you to have great impact. But the pressure is enormous. Finding effective ways to cope with the stress of managing through industry downturns, pandemics, restructurings, etc. is critical for your professional and personal health.

“Another challenge for me was transitioning from having a small local team of 1-3 people to managing an organization of more than 70 people around the world. I also have human resources reporting to me, so I handle personnel issues across the company and probably spend 50 percent of my time on HR matters. Don’t underestimate the amount of time it takes to manage and develop people and to set good policy. These are critical to building a sustainable workplace.”

Toren adds, “CFOs are really important in a crisis. They must have the ability to understand finance, tell the company story, and have intellectual curiosity about what analysts are looking for. Board exposure is also important – CFOs need a direct line of sight into how the Board thinks.”

Rolling With the Punches

“Against the backdrop of COVID-19, the biggest challenges I face relate to uncertainty,” Crenshaw observes. “In the current environment we must embrace uncertainty, accept that it is here to stay, and place it front and center in the business planning process.

“In the aftermath of COVID-19 we must break the classic business planning cycle – getting away from developing a singular budget with a narrow range of outcomes around a central tendency. Instead, it is now essential to develop multiple scenarios reflecting a greater breadth of potential outcomes than usual, with signposts that indicate which one is unfolding and contingency plans to be prepared for whatever transpires.”

Ahlstrom observes, “I’ve always worked in and around cyclical industries. It is great on the upswing and miserable in a downturn. Think

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cycles are getting shorter and peaks/valleys are higher/lower, so it is more important than ever to be flexible. You must roll with the punches and capitalize on the opportunities.”

Advice for IROs

“There are a lot of advantages for someone to use IR as a transition to another role within the company,” Toren believes. “It is a tremendous gateway for someone who has analytical skills. The IR profession is a potential pipeline for diversifying the C-suite. We don’t see as much diversity in finance as there is in other areas of most companies.”

“Understanding market dynamics – equity and debt – is an important skillset,” Crenshaw suggests. “It gives IROs an advantage on the equity side. However, you can be an IRO and never need to understand the nuances of how to design a capital structure, raise debt capital, assess the adequacy of foreign exchange risk management, etc. Therefore, it’s good to spend time in treasury if possible, not just IR.”

Ahlstrom recommends, “Take risks with your career – you can always go back to what you were doing before. And be curious – one of the best things about the IR role is that it’s an open door to just about any topic in any part

of your business. Don’t let that go to waste.

“Don’t get stuck at headquarters or going back and forth to see investors or bankers in New York (when we can travel again!). Get out of the office and go see the people who make the business run, from your technicians to your customers. Build those relationships the same way you built your IR relationships. I have long believed that the higher you get in an organization, the less ability you have to see what’s happening down in that organization, so it takes a concerted effort to gain those valuable insights so you can make better decisions.”

McDermott notes, “Every investor relations leader has different DNA in their background, and we find that those who have grown into a strategic role and earned a ‘seat at the table’ are best positioned to become a CFO.”

Reynolds says, “I advise company executives to look forward to the next chapter of their business and lean into those needs. They must take a critical look at the talent in their pipeline to see if those candidates support where the company is headed. That is a really important component of the decision to promote internally or hire from the outside. CFO candidates need to adopt this same mindset to ensure that their skillset and strategic approach matches what the company needs.”

“Find a good mentor or mentors (use different people for different skills),” Ahlstrom advises. “Don’t expect others to manage your career or know what you want—you have to do that for yourself. Beyond that, getting involved with the work of your treasurer and spending time with your bank group, debt holders, and ratings agencies can give you a leg up.”

Ahlstrom closes with a thoughtful cautionary note: “Be careful what you wish for – you might get it. Know your own strengths and weaknesses and really think about whether this is a job you want.” [IR](#)

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