

*Demand grows for temp finance chiefs who can jump in to help companies through reorganizations and turnarounds. -BY RUSS BANHAM*

# CFO

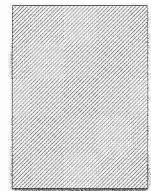
**L**isa Donahue is not your usual CFO. Although her career includes finance chief positions at sportswear manufacturer Umbro, energy producer Calpine and battery maker Exide Technologies, none of these companies paid Donahue's salary. Rather, her compensation came from Alix Partners, a firm that helps companies through operational reorganizations and corporate turnarounds. Donahue is an interim CFO at the companies she serves, a role she is presently filling at Boston-based Atlantic Power, a publicly traded power producer.



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Illustration by John S. Doyle



# PINCH HITTERS

In June, the company announced the acquisition of Capital Power Income for \$1.1 billion, effectively doubling its size. "They needed help with public filings, integrating the businesses and negotiating credit facilities for the working capital needs of both organizations," says Donahue, managing director and co-head of Alix Partners' turnaround and restructuring services practice. "The CFO they had for five years moved on, so I came in to fill the void in July."

Although the position is temporary, there is no endgame stipulated in the contract. Donahue could be interim CFO for a couple more weeks, or a couple of years. "Lisa has stepped in and owned the job as if she were a permanent hire," says Barry Welch, CEO of Atlantic Power. "She has provided invaluable advice ... during a time when we are growing and transitioning into a larger, more diverse organization."

Donahue is one of hundreds of finance executives who fill in when the designated CFO leaves the post for one reason or another. A cottage industry of CFO providers has emerged in the last 20 years, spurred initially by the failed

leveraged buyouts of the mid-80s and more recently by increased competition brought on by globalization.

Each of the firms involved, including Alix Partners, Tatum, Cerius, B2B CFO, TechCFO and several others, has its own value proposition. Alix Partners, for instance, has more than 100 seasoned professionals at 16 offices worldwide ready to fill an entire C-suite, while Tatum focuses solely on dispatching finance chiefs.

"In the last six years, I know of only a couple people here who stayed on as the CFO in a permanent capacity," she adds. "Most people doing this kind of job prefer the challenge and excitement of helping distressed companies get back on their feet or a healthy company through a major restructuring than working in a corporate setting. We learn about so many different industries, and we get the opportunity to



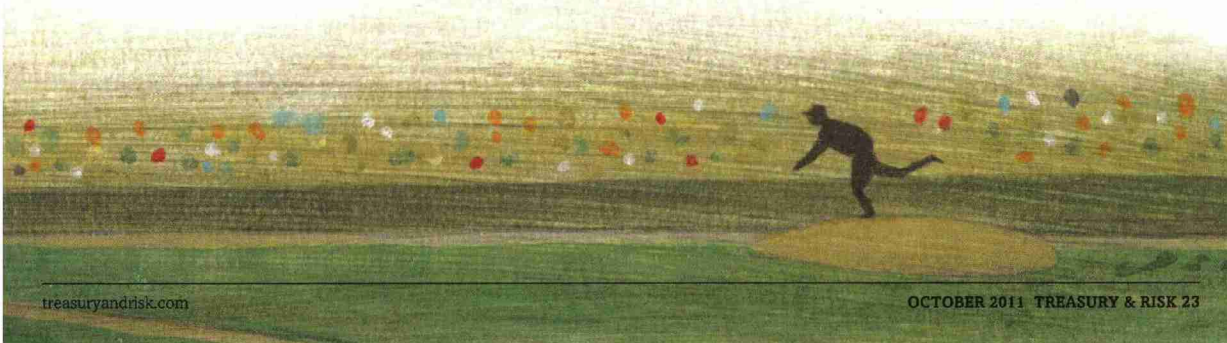
We learn about so many different industries, and we get the opportunity to figure out new and better ways to accomplish what's needed.

—ALIX PARTNERS' DONAHUE

Typically, engagements last a few months to a couple of years, although some interims stay in a job four years or longer. On occasion, a client will ask the temporary CFO to become the enduring CFO, but Donahue says most times her colleagues politely decline.

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The job is not for the faint of heart. A temporary CFO must quickly digest the client organization's problems and goals and rapidly achieve the desired intent. "Our



interim CFOs are flying in an airplane ready to parachute out in an emergency," Robert Hostetler, senior vice president of CFO services at Tatum in McLean, Va., says only half-jokingly. "Most clients have just lost their CFOs through an unexpected departure or a death, they're growing fast, they may have a crisis like being out of compliance with loan covenants, and, meanwhile, they haven't decided on a successor. We've got 165 finance executives right now ready to step in within 72 hours."

Unlike Alix Partners, about 40% of Tatum's interim CFOs do accept permanent positions at client companies, for which Tatum, also in the executive search business, charges the client a placement fee. Not that these CFOs are likely to stay in their posts for long. "Our research indicates that the average tenure for a CFO is about three years," Hostetler says. "That means that a CFO has a 33% chance of being gone in a year for some reason—maybe rising to become CEO. Someone needs to fill that slot quickly, and often it is an interim person."

This hale breed of CFOs typically conforms to the following CV: a lawyer, CPA, M.B.A., management consultant or some combination thereof; an early stint with a public accounting firm; a few years in corporate finance and/or operations; and a solid 20 to 25 years of experience as an executive in a broad variety of industries.

Fifty-year-old David Mulder fits this profile, as do the other interim CFOs in this article. After receiving his M.B.A. from Duke University, Mulder became a CPA, joined a Big 8 accounting firm, Arthur Andersen, then became head of planning and analysis

a maker of polyester fabric and foam that's now part of Koch Industries. His next job was his favorite. "I became CFO and chief administrative officer at George Foreman Grill," he says. "My task was to take the company global, which I did, growing it to \$1 billion in sales a year."

Mulder followed up the grill game with stints as CEO at two small, California-based companies in turnaround situations before joining Tatum in January. "I realized what I enjoyed most in my career was helping companies in transition, when they're in a high-growth mode, in the midst of a major strategic change or need to get back on their feet again," he says.

Right now he's the interim CFO at Montclair, Calif.-based Trade Union International, owned by a husband-and-wife team, Wen and Mei Lien Chang. Trade Union has two divisions, TopLine Products, which makes custom car wheels, and Duck House, which distributes licensed sports-related merchandise like branded drink ware. "The companies grew very rapidly over the last 25 years," Mulder says. "The banks loved them and gave them plenty of cash. Revenues were in the \$50 million range."

The Changs made several successful real estate investments in California, but when the economic downturn hit in 2008-2009, their holdings fell in value. At the same time, revenues at the two companies declined. "The banks got uncomfortable and decided to foreclose on the overall business loan, which forced both companies into Chapter 11," Mulder notes. "Two consulting firms were brought in to help but failed."

Mulder strapped on his parachute,



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—ALIX PARTNERS' ROOF

at a company, Georgia-Pacific. He left for a similar position at Fruit of the Loom, rising to become CFO of two different divisions, and then CEO of the European division. Moving on again, Mulder became CFO of KoSa,

swooped in as interim CFO and put together a new loan structure that was confirmed by the bankruptcy court. The three-year financing deal carries 5% interest with no financial covenants. Both companies exited Chapter

11, and Mulder is staying on in a part-time consulting capacity for the next three years. A national search for a permanent CFO is under way.

Becky Roof calls herself an “adrenalin junkie” for liking the atypical finance jobs she takes. The managing director at Alix Partners has been an interim CFO at several companies, including a one-year stint (2004 to 2005) at Atkins Nutritionals, a diet and nutritional packaged foods company, during its brand restructuring. “I can plug in anywhere there is a need, for as little or as long as that need exists,” Roof says.

Atkins Nutritionals was founded in 1989 by Dr. Robert Atkins, a cardiologist and well-known author of several books touting the benefits of a low-carbohydrate diet. The company was launched as a provider of nutritional books and training and over the years ventured into selling supplements, nutritional bars, shakes and meal replacements. It then “went into everything,” Roof says, including pizza, frozen food and even dessert items like cake.

Other companies soon got into the low-carbohydrate game, a competitive situation that did not bode well for Atkins. “Frankly, the food didn’t taste very good, and then the low-carb craze died,” Roof says. “Dr. Atkins sold the business to a private equity firm in Boston that bought it at the top of the market. And then revenues fell dramatically—about 150% in seven months. The next step was Chapter 11.”

And that’s when the interim CFO came in to lead the restructuring. “The existing CFO wasn’t up for the task for restructuring, which involved some tough negotiations with the banks,” Roof says. “The private equity firm walked away, and the banks took the majority of the equity. We eliminated the majority of products, closed distribution centers and decided to focus just on bars and shakes.” The company emerged from Chapter 11 in 2006 and last year was sold to another private equity firm that “has a nice portfolio of natural foods and supplements,” she adds. “I was in Walgreens yesterday and was pleased to see how well-stocked it was with Atkins offerings.”

Looking back at her several CFO positions, Roof says she “loved the thrill of making something happen quickly. It’s a great feel-

ing to go into a company and provide some value to talented management teams confronting a variety of different situations.”

Sharing this excitement is Tom A. Anderson, a Tatum partner filling the role of interim CFO at O’Rourke Petroleum. “I like coming into an organization where there is this real sense of urgency, sort of like working in an ER as opposed to a family practice,” Anderson says. “There’s also a lot of candor surrounding these assignments. I can say what I want, and if the client philosophically doesn’t agree with it, I can say, ‘Thank you very much,’ and wait for my next assignment.”

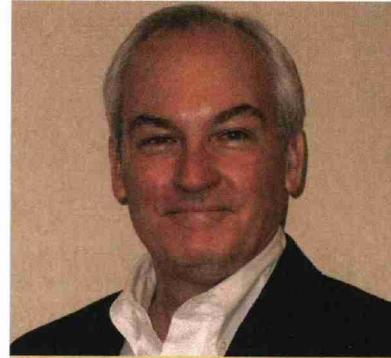
Houston-based O’Rourke Petroleum so far is taking Anderson’s insights and advice to heart. The 75-year-old petroleum distributor or jobber has a very progressive and rapid growth strategy that includes acquisitions and organic growth. “We’ve originated an inland marine fuel and lubricant supply business and recently acquired the Dallas division of Commercial Lubricants,” Anderson says. “The company’s president is ambitious and energetic, and his plans for strategic growth are aligned with my own. We’re hunting for other acquisitions.” The company has enjoyed average 20% increases in annual gross profits over the past four years, he adds.

Would he take the job of full-time CFO at O’Rourke? “There is no such thing as a permanent CFO position,” Anderson says. “I’ll stay here until I’m no longer needed. Actually, I’m already here longer than the average CFO tenure. Then again, I could be here another four years.”

That’s a lot longer than the six months that Hostetler says represents the average tenure of a Tatum interim CFO. “We’ve had a few that have lasted more than five years, particularly in bankruptcy situations that can take a long time to unwind, but that is rare,” he says.

This makes sense given the need to get the job done quickly. Speeding the task are the other CFOs waiting in the wings. “We’ve got a great wealth of experience to lean on here,” says Alix Partners’ Donahue, noting that the former CEO of Time Inc., Jack Griffin, just joined the firm.

When it comes to pinch-hitting, bench depth is everything. ■



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