

Career Paths of Corporate CFOs and Treasurers

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This study describes the results of a mail survey of corporate finance executives who are members of the Treasury Management Association. Its objectives are to: 1) identify typical career paths of corporate chief financial officers (CFOs) and treasurers, 2) examine the required skills and qualifications needed for these positions, and 3) determine the perceptions of finance executives about the gaps between what business schools teach and what companies need for entry-level finance positions. No single career path characterizes CFOs and treasurers but common patterns exist. "Soft" skills (communications skills and management and leadership skills) followed by a "hard" skill (financial skills) are the most important skills required by CFOs and treasurers. Most respondents said that the MBAs hired within the past five years by their organizations knew finance theory but did not have enough basic practice. The results have implications for those seeking to advance to senior corporate finance positions and educational institutions preparing students for finance careers. [JEL: J44 and I21]

■ As senior financial executives in corporations, chief financial officers (CFOs) and treasurers hold positions of great responsibility. Although many aspire to hold such positions, the career paths leading to these executive positions are often unclear. This study describes the results of a mail survey of corporate finance executives who are members of the Treasury Management Association (TMA). Its objectives are threefold: 1) to identify typical career paths of corporate CFOs and treasurers, 2) to identify the most important skills and qualifications needed for these positions, and 3) to determine the perceptions of CFOs and treasurers about the gaps between what business schools teach and what companies need for entry-level finance positions.

The current study complements previous survey research by Collier and Wilson (1994a and 1994b) among

others. Unlike Collier and Wilson who focus only on *Fortune 1,000* CFOs, we survey both CFOs and treasurers and compare their career paths, backgrounds, and views about business education. Examining CFOs and treasurers is important because both are pivotal financial positions in most organizations. Also, our study provides more detailed feedback from practitioners about their career paths than past studies. By using a different set of practitioners, our results can help verify or refute findings from previous research. Where appropriate, we compare our results with the findings of Collier and Wilson.

The results of the current study may be of interest to several parties. For example, the study may have informational value to educators who are concerned with evaluating their curricular offerings. Communicating the opinions of successful financial managers to business schools can provide insights that may help these schools modify or improve their offerings. Second, business school administrators and faculty members may use the results to help shape student perceptions about the skills they will need if they pursue paths leading to the positions of CFO and treasurer. The findings may also be useful to finance professionals and students who are looking

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toward their career development. That is, the results may help clarify not only the paths leading to these senior finance positions but also the skills needed to become a CFO or treasurer. Third, the study also should be of interest to corporations, who as major educational consumers, have a right to expect that business schools are preparing their graduates for work. Although many other sources routinely survey MBA and other business programs, this study concentrates on finance careers and the preparation needed for such careers.

Our evidence generally confirms past findings about CFOs but offers new insights about treasurers. Few of the results are surprising or unexpected. The findings that no single path leads to the positions of CFO and treasurer and that most of those surveyed hold advanced degrees are not surprising. These financial executives also emphasize "soft" skills such as communication, rather than "hard" skills such as financial analysis. Not surprisingly, most financial executives from firms recently hiring MBAs think that business schools place too much emphasis on theory relative to practice. Also, these executives find that graduates hired for entry-level finance positions lack real-world experience and work experience. Financial executives are critical of business schools' failure to teach the communication skills graduates need. Other gaps between what business schools teach and what companies need when hiring for entry-level finance positions include the failure of business schools to provide adequate management, leadership and interpersonal skills.

The rest of the paper has the following organization. Section I provides a brief review of several survey research studies that examine gaps in business education, career paths of CFOs, and the perceptions of both CFOs and students on the importance of selected academic subjects and personal attributes. We present several research questions in Section II and discuss the research methodology in Section III. Section IV presents the results of our survey and Section V contains limitations of the study and conclusions.

I. Literature Review

Several studies have identified gaps in financial or business education and real-world corporate finance. In a study conducted for the Financial Executives Research Foundation, Larsen and Ahlstrand (1991) report that senior-level, middle-level, and recently hired financial executives view the greatest shortcoming of graduate programs as a lack of training in the practical application of knowledge. The executives also noted an absence of training in communication and

interpersonal skills.

Lessard and Mattson (1996) surveyed CFOs of *Fortune* 500 firms, AACSB administrators, and finance faculty to identify those factors considered important in determining the value of undergraduate business education. Based on 503 responses (a 38.7% response rate), all three groups ranked communication as the most important business skill. Yet, CFOs did not find finance graduates well prepared in either oral communication or presentation skills. AACSB administrators and finance faculty ranked student competency with computers and computer software much higher than did business executives. Unlike AACSB administrators, business executives and finance faculty viewed business students generally and finance majors specifically as unprepared to meet the challenges of a global business environment. They also viewed the quality of education of business graduates as inadequate. All three groups generally agreed that accounting was important to a business or finance major's education. Executives disagreed, however, with statements that business or finance majors were receiving enough accounting in their education.

In a study conducted by the editors of *CFO*, Barr and Harris (1997) sampled senior finance executives at large companies. Their results show that about 60% of those surveyed say that newly minted MBAs learn too much finance theory, and not enough about practical financial management. When asked to give grades to schools for developing students' talents, most executives surveyed gave high marks (B+) to new MBA recruits for their analytical ability. Yet, fully 70% assigned a grade of "C" or "D" to MBA graduates for their personal communications.

Collier and Wilson (1994a, 1994b) examined the educational backgrounds and career paths of CFOs and the skills and abilities necessary to succeed in a finance career. They surveyed CFOs of the *Fortune* 1,000 companies and received 222 responses to their mail survey. They found that most CFOs (79.1%) have an undergraduate business major, with accounting overwhelmingly the most popular choice, followed by economics and finance. Of those who had earned a graduate degree, almost 87% were in the field of business. Finance was the most popular major, followed closely by general business, and then by accounting and economics.

Collier and Wilson (1994a) also asked the CFOs what they would do over to prepare to be a CFO. They found that while fewer executives that originally majored in business would do so again, accounting remained as the most popular undergraduate major. Overall, the CFOs did not see an undergraduate business major as a prerequisite for their current jobs. Based on their

including their career paths, academic degrees, professional credentials, and international finance experience; 2) the respondent's opinions about various skills needed for CFOs and treasurers and gaps between what business schools teach and what companies need for entry-level finance positions; and 3) characteristics of the respondents' firms including the nature of business and the size of total assets and total sales.

IV. Results

This section examines the empirical results of the mail survey.

A. Firm Profile

The survey asked the respondents to indicate which of 11 categories represent the primary nature of their firm's business. Although many different types of organizations employed the respondents, the most common types were manufacturing (27.9%), finance, insurance, or real estate (17.9%), non-financial service (9.7%), retail (8.8%), and transportation or communications (5.3%). Each of the remaining six categories had less than 5% of the total responses, except the "other" category (18.5%).

The responding firms represent a wide cross-section based on sales and assets. In terms of total sales or revenues, the firms fell within the following size groups: **small**, less than \$250 million (39.3%); **mid-market**, \$250 - \$750 million (25.4%); and **large**, greater than \$750 million (35.4%). The median size of total sales or revenues was \$400 million. The value of the firms' assets ranged from \$500,000 to \$75 billion with an average of \$2.5 billion and a median of \$400 million.

B. Respondent Career Profile

Of the 320 respondents, 121 (37.8%) listed their current position as CFO, 197 (61.6%) as treasurer, and two (0.6%) left the answer blank. We did not provide the respondents with job categories, but asked them to list their current position and job title. The following analysis is based on the responses from these 318 CFOs and treasurers. We partitioned the total sample into three size categories based on the firm's total sales or revenues in the most recent fiscal year: **small**, less than \$250 million; **mid-market**, \$250 - \$750 million; and **large**, greater than \$750 million. We conducted either chi-square or t-tests to determine if significant differences in characteristics exist between the responding CFOs and treasurers. Exhibit 1 contains the results of seven questions involving the career paths of the 318 CFOs and treasurers.

1. Change Firms to Take Current Position

Panel A of Exhibit 1 shows that 56.7% of the CFOs and 35.5% of the treasurers changed firms to take their current positions. Based on the chi-square tests, CFOs had to change firms more frequently than treasurers to advance to their current positions. The results are statistically significant at the 0.01 level both for the full sample and for small firms. These results suggest that reaching the position of CFO or treasurer often requires mobility on the part of job seekers.

2. Years in Current Position

Panel B of Exhibit 1 provides insights about the number of years that respondents held their current positions. Both CFOs and treasurers held their current positions for an average of 4.3 years. The results of the t-tests show that no statistically significant differences at the 0.05 level exist in the number of years needed to become a CFO or a treasurer either for the total sample or for the samples based on firm size. Further examination of the tenure of these executives reveals that almost a third of the CFOs (31.7%) and a quarter of the treasurers (26.4%) held their current positions for one year or less.

3. Years to Achieve Current Position and Mid-Level Management Position

We also wanted to know the number of years respondents took to achieve their current position (CFO or treasurer) and a mid-level management position once they entered a finance career path. As shown in Panel C of Exhibit 1, CFOs required an average of 13.0 years to achieve their current position compared with 12.6 years for treasurers. Panel D shows that CFOs took an average of 4.8 years to achieve a mid-level management position compared with 5.2 years for treasurers. As expected, the t-tests show no statistically significant differences between CFOs and treasurers on either senior or mid-management positions. Thus, in response to the question "Does the time required to become a CFO differ from that of a treasurer?" our data show no statistically significant difference.

Another question was "Is the time needed to become a CFO or treasurer or to achieve a mid-level management position related to firm size?" We measured size by a firm's sales or revenues in the most recent fiscal year. We used t-tests to test for any difference in time between different sized firms: small and mid-market, small and large firms, and mid-market and large. Although not presented in Exhibit 1, none of the differences between any of the size groups was statistically significant at the 0.05 level. Surprisingly, these results suggest that the time required to become a CFO or treasurer and to achieve a mid-level

or large firms ($t = -2.346$ with 40 DF, significant at the 0.05 level). CFOs of large firms also held significantly more previous positions than their counterparts in either small firms ($t = 2.795$ with 96 DF, significant at the 0.01 level) or mid-market firms ($t = 1.979$ with 39 DF, significant at the 0.10 level).

5. Years of International Finance Experience

Given the importance of global business, we wanted to know the number of years of international finance experience of CFOs and treasurers. Of the 307 respondents to this question, 49.2% had no international finance experience (56.8% of the CFOs and 44.4% of the treasurers). As Panel G of Exhibit 1 shows, the average number of years of international finance experience was 3.1 years for CFOs and 4.4 years for treasurers. This difference in means was statistically significant at the 0.10 level. Treasurers in mid-market companies also had significantly more international finance experience than their CFO counterparts.

An examination of Panel G suggests that a relationship exists between company size and the number of years of international finance experience, but this relationship does not increase consistently with firm size. Additional tests show that CFOs of large firms have significantly more international finance experience than their counterparts at either small firms ($t = 2.418$ with 96 DF, significant at the 0.05 level) or mid-market firms ($t = 3.922$ with 38 DF, significant at the 0.10 level). Yet, CFOs at the small companies have more international finance experience than CFOs at mid-size firms ($t = 1.658$ with 96 DF, significant at the 0.01 level). Treasurers in small companies have significantly less international finance experience than their counterparts in mid-market firms ($t = -2.275$ with 110 DF, significant at the 0.05 level) and large firms ($t = -2.166$ with 141 DF, significant at the 0.05 level). Yet, no statistically significant difference at normal levels exists in the average number of years of international finance experience for treasurers in mid-market versus large firms ($t = 0.410$ with 121 DF).

C. Career Paths

Our first objective was to identify the career paths of CFOs and treasurers. We provided a template and asked respondents to trace their career paths back to an entry-level position. Respondents also recorded the number of years that they held each position. As previously noted in Panel F of Exhibit 1, CFOs held an average of 4.4 previous positions compared with 4.2 previous positions for treasurers.

Exhibits 2 and 3 show the most common positions held before the respondents became CFOs and

treasurers. The row percentages show the three most common job titles for each of the previous positions. As Exhibit 2 shows, for example, the three most common job titles held by respondents immediately before becoming CFOs are treasurer, controller, and vice president of finance.

Although no single career path characterizes CFOs and treasurers, some patterns emerge from the data presented in Exhibits 2 and 3. As Exhibit 2 shows, CFOs often started their careers as accountants, moved into one or more managerial positions, became controllers, and then treasurers. In comparison, Collier and Wilson (1994b) report that CFOs begin with a first position in accounting and end in finance. Some hold management positions before becoming CFOs. As Exhibit 3 shows, treasurers most often started their careers as accountants or auditors, became managers of finance or treasury or controllers and then assistant treasurers. The average number of years in each successive position generally increased from an entry-level position to becoming CFOs or treasurers.

The answer to the question “Do CFOs and treasurers follow similar career paths?” is not a simple “yes” or “no.” The evidence suggests that CFOs or treasurers share many similar job titles along their career paths such as accountants, auditors, financial analysts, controllers, and various managerial positions. Because 20.3% of the CFOs were treasurers immediately before advancing their current position, finding similarities between the career paths of CFOs and treasurers is not surprising.

D. Academic Degrees, Majors, and Professional Credentials

We asked respondents to list their academic degrees and corresponding majors plus any professional credentials. Most CFOs (99.2%) and treasurers (98.0%) held at least one academic degree. Of those 313 respondents with degrees, 58.3% of the CFOs and 68.9% of the treasurers held multiple degrees. As Exhibit 4 shows, our results show that the Bachelor of Science was the most popular undergraduate degree, earned by 43.3% of the CFOs and 39.4% of the treasurers with bachelors' degrees. Collier and Wilson (1994a) also found that the B.S. was the most common undergraduate degree held by CFOs. Exhibit 4 also shows that more than half the respondents (53.3% of the CFOs and 58.5% of the treasurers) with academic degrees held masters' degrees of which the MBA was overwhelmingly the most popular degree. In a study of *Fortune* 1,000 CFOs, Collier and Wilson (1994a) also found that the MBA stands out among graduate degrees. Our results suggest that CFOs and treasurers have a high level of formal education.

Exhibit 4. Most Common Academic Degrees Held by CFOs and Treasurers

This table shows the number of responding CFOs and treasurers who have earned academic degrees. Of the 318 total respondents, all but one CFO (99.2% of the CFOs) and four treasurers (98.0% of the treasurers) held at least one academic degree. Of the 313 financial executives with academic degrees, the table shows the percent holding masters's, bachelor's, associate's, and other degrees.

Degree	CFOs (n=120)		Treasurers (n=193)	
	N	% of CFOs with a Degree Holding a Specific Degree ^a	N	% of Treasurers with a Degree Holding a Specific Degree ^a
A. Master	64	53.3	113	58.5
MBA	55	45.8	96	49.7
MS	7	5.8	11	5.7
MA	1	0.8	6	3.1
MHA	1	0.8	0	0.0
B. Bachelor	111	92.5	186	96.4
BS	52	43.3	76	39.4
BA	36	30.0	75	38.9
BBA/BSBA	23	19.2	35	18.1
C. Associate	3	2.5	0	0.0
D. Other (e.g., JD Ph.D)	12	10.0	27	14.0
Total	190	^b	326	^b

^aThe totals do not add to 100% because most CFOs and treasurers have more than one academic degree.

^bThese percentages are slightly overstated because six CFOs and 16 treasurers held three degrees.

Note: A chi-square test ($\chi^2 = 5.834$ with 3 DF) shows that the type of degree held (master, bachelor, associate, and other) by CFOs and treasurers does not differ significantly at the 0.05 level. We collapsed the majors into four primary groups to avoid problems of inadequate cell size.

Exhibit 5. Most Common Majors Pursued by CFOs and Treasurers

This table shows the various majors pursued by the responding CFOs and treasurers who held one or more academic degrees. Of the 120 CFOs and 193 treasurers with academic degrees, four CFOs and two treasurers did not report their majors. For these 307 CFOs and treasurers reporting a major, the table reports the percentage holding a specific major.

Major	CFOs (n=120)		Treasurers (n=193)	
	N	% of CFOs with a Degree Holding a Specific Major	N	% of Treasurers with a Degree Holding a Specific Major
Accounting	64	55.2	83	43.4
Finance	53	45.7	93	48.7
Economics	12	10.3	34	17.8
Business Administration	15	12.9	26	13.6
Accounting/Finance	6	6.2	9	4.7
Management	4	3.4	6	3.1
Marketing	3	2.6	5	2.6
Engineering	1	0.9	6	3.1
Other	25	21.6	56	29.3
Total	183	^b	318	^b

^aThe totals do not add to 100% because most CFOs and treasurers have more than one academic degree and, therefore, more than one major.

Note: A chi-square test ($\chi^2 = 8.029$ with 8 DF) shows that the type of major pursued by CFOs and treasurers does not differ significantly at the 0.05 level.

Exhibit 6. Most Common Professional Credentials Held by CFOs and Treasurers

This table shows the number of responding CFOs and treasurers who held one or more professional credentials. Of the 318 respondents, 203 (63.8%) held at least one professional credential. The table also reports the percentage of CFOs and treasurers holding a specific credential.

Professional Credential	CFOs (n=120)		Treasurers (n=193)	
	N	% of CFOs with a Degree Holding a Specific Credential	N	% of Treasurers with a Degree Holding a Specific Credential
CPA	50	41.1	65	33.3
CCM	34	28.1	61	31.0
CMA	6	5.0	4	2.0
CFA	5	4.1	3	1.5
FHFMA	4	3.3	1	0.5
CPIM	2	1.7	0	0.0
Other	17	14.0	20	10.2
Total	118		154	

*The totals do not add to 100% because some CFOs and treasurers have multiple credentials.

Note: A chi-square test ($\chi^2 = 4.324$ with 3 DF) shows that the type of professional credential held (CPA, CCM, CMA, and all others) by CFOs and treasurers does not differ significantly at the 0.05 level. To conduct this test, we collapsed the categories from seven to four to avoid problems of inadequate cell size.

Exhibit 7. Actions Needed to Better Prepare for Current Positions

This table shows what respondents would have done to better prepare themselves for their current positions.

Skill	N	CFOs (n=113)	N	Treasurers (n=174)
Earn an Advanced Degree such as an MBA	17	15.0%	38	21.8%
Improve Accounting Skills	12	10.6	22	12.6
Receive Continuous Training (e.g., Outside Educations and Seminars)	10	8.9	16	9.2
Improve Financial Skills	4	3.5	19	10.9
Pursue Professional Credentials (e.g., CPA, CCM, CFA, and CMA)	13	11.5	7	4.0
Gain Hands-On Experience	3	2.7	7	4.0
Get an MBA (or other Master's Degree) Earlier in Career	5	4.4	5	2.9
Improve People and Interpersonal Skills	6	5.3	2	1.1
Improve Communication Skills (Oral and Written)	2	1.8	6	3.4
Other (e.g., Earn a Law Degree, Start Own Business, and Improve Technical Skills)	41	36.3	52	29.9
Total	113	100.0%	174	100.0%

*The totals do not add to 100% due to rounding.

Note: A chi-square test ($\chi^2 = 18.708$ with 9 DF) shows that the actions needed to better prepare for positions of CFO and treasurer differ significantly at the 0.05 level.

between what business schools teach and what companies need for entry-level finance positions. We asked the respondents to list up to four responses. We classified the 712 responses into nine major categories plus an "other" category. As Exhibit 9 shows, the biggest gap was a lack of real-world and work experience possessed by those accepting entry-level finance positions. Other responses, however, were similar to those involving the most important skills needed to hold senior finance positions reported in Exhibit 8. For example, Exhibit 8 shows

that "soft" skills (communication, management and leadership, and people and interpersonal skills) ranked near the top of the list.

I. Opinions of Recently Hired MBAs

A final question was to determine whether CFOs and treasurers believed that MBAs had the requisite level of knowledge and practical skills when hired to fill finance positions. We asked respondents to indicate which statement best described MBAs hired within the past five years to fill finance positions in their

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are necessary when interpreting the results of this study. First, the sample was drawn from the membership of the Treasury Management Association. Thus, the responses do not necessarily represent all corporate CFOs and treasurers. Although the same survey of a different set of practitioners may have yielded different results, the findings reported by Collier and Wilson (1994a, 1994b) of *Fortune* 1,000 CFOs are similar to our results in many areas. Second, survey research involves non-response bias. Although we took steps to ensure a high response rate, only 21% of the 1500 finance executives responded to the survey. Therefore, making generalizations to the population at large require caution.

Given these caveats, several contributions emerge from the survey. Taken as a whole, the results of this survey provide detailed feedback from CFOs and treasurers about their career paths, skills needed for senior-level finance positions, and opinions on business education. The key findings of our study relate to the three major research questions.

Our first research question was "Do CFOs and treasurers follow similar career paths?" Our results show that no single career path characterizes CFOs and treasurers but common patterns exist. CFOs and treasurers, however, share many similar job titles along their career paths such as accountants, auditors, financial analysts, controllers, and various managerial positions. Our second question was "How do CFOs and treasurers view the importance of "soft" skills compared with "hard" skills in performing their jobs? The evidence shows that "soft" skills (communications skills and management and leadership skills) followed by a "hard" skill (financial skills) are the most important skills required by CFOs and treasurers.

percentage of the respondents said that the MBAs hired within the past five years by their organizations knew finance theory but did not have enough basic practice. Thus, most MBAs had the requisite level of knowledge but not all the practical skills needed for entry-level finance positions.

The evidence has several implications for those seeking to advance to senior-level finance positions and educational institutions preparing students for finance careers. Those seeking careers in corporate finance should not only develop their financial, accounting, and other "hard" skills but also need to improve their communication, management, and other "soft" skills. Earning an advanced degree, especially an MBA, and attaining professional credentials such as a CPA also appear as important steps for advancing to senior finance positions.

For educational institutions reviewing their business programs, the evidence suggests that they should provide the necessary finance theory plus other business and management skills. Programs should have opportunities for students to enhance both their oral and written communication skills. Business programs might require separate courses in business communication skills, including business presentation skills and business writing skills, for all majors. Business schools can attempt to close the gap in views on what graduates need by bringing more reality into the classroom. Increasing student interaction with finance executives through guest speakers, case analyses, and company tours should help to achieve this goal. Educational institutions should also provide opportunities for students to gain practical experience such as through cooperative education, internships, and field studies. ■