3 steps Peloton's new CEO—a former CFO—should take right away

By
Sheryl Estrada

February 9, 2022 6:37 AM EST

A former CFO is the new CEO at Peloton Interactive.

Barry McCarthy, who served as CFO of Spotify (2015-2020) and CFO of Netflix (1999-2010), will take the helm effective Feb. 9, the interactive fitness platform company announced on Tuesday. The former CEO, John Foley, stepped down and will become executive chair amid news the company will shed about 2,800 jobs, impacting approximately 20% of corporate positions.

Peloton's shares have tumbled more than 80% from their all-time high a year ago, *Fortune* reported. Activist investors have called both for Foley's resignation and for Peloton to explore a sale of the business. Nike and Amazon were both considering buying the company, according to reports.

"Barry is a proven leader, well known for his financial acumen and record of driving transformative change at iconic companies including Netflix and Spotify," Karen Boone, lead independent director at Peloton, said in a statement.

A leader with finance expertise is just what the company needs at this time, Robert Kelley, a professor of management at Carnegie Mellon University's Tepper School of Business, told me. "Peloton has crashed," he says. McCarthy's experience as a CFO will "be a major contributor to helping right the ship," Kelley says. The company's stock has taken a downturn; they're laying people off; and "investors are rightfully saying, 'What the heck's going on here?'" he says.

I asked Kelley, also the author of the book *The Critical Path Manifesto,* what are three areas McCarthy needs to focus on first to fix Peloton. He had three recommendations:

First, get finances in order while being transparent to investors, employees, customers, and suppliers about the state of the business, he says.

Second: be in touch with customers to gauge current and future demand for the product, Kelley says. "During the pandemic, Peloton had all this demand from people who were stuck at home and couldn't go to their gyms," he told me. "But they mistook that for ongoing demand." (Writing for *Fortune*, Ben Carlson has an excellent explanation of how that happened here.)

Third, figure out what kind of production they're going to do and make sure the supply chain is in order to produce for any market demands, he says. "I'm guessing that the suppliers are a little bit jittery about whether Peloton is going to be a growing concern, so they're going to want money upfront," Kelley says. "A good CFO brings skills to those kinds of negotiations."

Regarding Peloton, right now, an individual who has a financial background can understand more so how to manage through this situation compared to someone with CEO experience, says Paul Manning, managing director at The Bowdoin Group, an executive search firm. "[A CEO] is more of what I would call innovative, thinking more in terms of right brain, versus left brain," he says.