

Finding the Right CFO for Your Organization

The key to success in any hiring process is finding the right fit between your organization's needs, culture, and leadership on the one hand and an individual's skills, interests, and personality on the other. The search for the right chief financial officer (CFO) for your organization is no exception. In Bridgestar's recent in-depth interviews with CFOs, executive directors (EDs), technical assistance providers and funders about the CFO position¹, we learned that finding the right fit can be particularly challenging yet critically important. Organizations need to be clear about what type of role they want the CFO to play within the organization and what challenges the CFO will need to take on.

As described by one funder, "The ideal CFO is someone who is an active partner to the ED, bringing a forward-looking and proactive stance to managing the agency's finances." Whether hiring for a newly created CFO position or filling an existing position, each organization must chart its own course. However, through our interviews and talent-matching work, we found some practices that consistently seem to increase the chances of finding the right person.

Know yourself and your organization

Just as candidates should go into the job search process with an awareness of their own abilities and interests, organizations and their leadership teams need to understand their side of the "fit" equation. The senior leadership of the organization—and the ED in particular—should consider the qualities necessary for a new CFO to work effectively with them and in the organization as a whole. A good fit usually doesn't mean a clone of the previous CFO or other senior managers, particularly if the organization is looking for someone whose skills and qualities complement those of the existing team or to help grow the organization to a new level. However, it is useful to identify the specific dimensions on which you are looking for diversity versus those on which you need consistency.

Fit with organizational culture can be a particularly tricky issue, especially when bringing on someone with formal training in accounting and finance for the first time or hiring for a new CFO position. As Rick Aubry, President of Rubicon Programs, Inc., pointed out, "A lot of great CFOs bring with them a certain background or affinity for looking at things in a detailed, prudent, risk-averse manner." Aspects of this

¹ Since January of 2006, Bridgestar has been exploring the CFO role through a series of in-depth interviews and focus groups with 25 nonprofit CFOs and 15 nonprofit technical assistance providers and funders representing a diversity of industry sub-sectors, budget sizes, funding sources, organizational growth stages, geography, and individual backgrounds and tenures.

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approach may be quite different from the way other members of the leadership team think. One nonprofit technical assistance provider commented, “It’s a challenge anytime you bring in someone at this high of a level—essentially second or third among others in command. How do you know this is someone you want to work with, who has the same values? Maybe this person will have different priorities, but maybe the point of hiring the CFO is to bring in someone with different priorities.”

Define the role

Defining the CFO role is one of the most important prerequisites to finding the right person. Articulating clearly what the CFO will do can help you figure out what you’re looking for in a CFO—and help position the person you eventually hire for success.

Certain characteristics should be common for virtually every CFO role. For example, according to our interviewees, an ideal candidate for the CFO job is someone who is competent in accounting and finance, is a strategic thinker, is committed to the mission of the organization, is a good communicator, is able to translate and teach financial literacy, and has a creative approach to problem-solving.

Other aspects of the CFO job description vary according to an organization’s specific needs. If your organization is hiring its first CFO, reviewing why you are creating the position will be a critical step in clarifying those needs—and will help dictate how the role is defined and structured and what skills and qualities you seek in candidates. Nonprofits usually introduce the CFO position to accommodate one or more of the following needs:

- Building the organization’s capacity to manage its finances as it grows (sometimes this is done in the midst of crisis, which is not the ideal time or situation);

- Reducing excessive ED and/or chief operating officer (COO) workload in the areas of finance, administration, real estate, technology, or legal;

- Bringing a strategic, high-level perspective to the organization’s finance and accounting needs;

- Partnering with the ED and COO to make decisions through a financial lens and educate staff on financial literacy;

- Balancing or supplementing the skills of the controller or other finance team members.

The CFOs and EDs we interviewed emphasized that there is a big difference between a CFO and a controller—two of the most typical finance-related roles in a nonprofit—and that often CFO candidates and hiring organizations are not clear about how the roles and responsibilities are different. In most organizations, the controller position tends to be more focused on the technical aspects of accounting and finance, most notably producing financial statements. In contrast, the CFO position is usually more

strategic in nature—concentrating on analyzing the financial statements and interpreting the implications for the organization. Janice Bigelow, CFO of Communities In Schools, explained, “There’s definitely a difference between the controller and CFO positions. The CFO role gets you a seat at the executive staff table where strategic decisions are being made; the controller role typically does not.”

For organizations looking to fill an existing CFO position, it is important to consider what the organization needs in the position given what the previous CFO accomplished, the organization’s plans for growth, and the relational dynamic between senior management members and the board finance committee.

In most cases we found that the CFO reported directly to the ED, but in some cases the CFO reported to the COO. Discussing what role you expect the CFO to play in relation to members of the existing senior team, the board finance committee, and existing accounting and finance staff should start to provide you with a vision for the CFO position.

Set realistic expectations

Once the CFO role is defined, it is a good idea to conduct a reality check—compare the role to your initial assessment of what the organization needs. In many organizations, and especially smaller organizations, the CFO position is more akin to a chief financial and administrative officer (CFAO) or COO position, encompassing administration, real estate, technology, legal, and other responsibilities in addition to finance and accounting. Is it realistic to think that the role and responsibility gaps you have identified can be filled by one person, or does the situation require a broader solution (e.g., restructuring the overall management team, adding multiple positions, or adjusting the strategic plan)? If you have determined that your organization is otherwise well positioned to achieve its goals but requires the additional hire or restructured position to complete the team, then you can move forward with writing the job description and recruiting candidates.

Invest significant time in preparation and interviews

In addition to assessing and confirming whether a CFO candidate has the specific skills, experience, and capability to meet the financial management needs of your organization, it is important to assess whether the candidate fits with the organization from the perspective of culture and style. Here it is essential that you invest significant time in interviewing and getting to know candidates. The ED and other senior leaders in particular should spend enough quality time with each final candidate to get a sense of whether they will be able to work together productively and determine if they have compatible values. This time should include at least one off-site meeting over lunch or dinner, late in the interview process. Getting together in a more social and relaxed setting will allow the candidate and the ED to get a better sense of personality and underlying principles, which are critical to making sound hiring decisions.

Interviewers should not be afraid to ask hard questions of candidates and should expect to get hard questions from them as well. Being frank with candidates—including candidly discussing organizational challenges, especially financial ones—gives them the opportunity to assess for themselves whether the position and the organization are a good fit for them. Be prepared to share in-depth financial information about your organization and be ready to answer questions about its financial health. While the withdrawal of a promising candidate who decides s/he does not want to take on a particular challenge can be discouraging, it can save the organization from wasting precious resources on hiring the wrong person.

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Based on Bridgestar's experience with CFO searches, organizations that use these techniques significantly improve their chances of hiring CFOs who fit well with the position, the organization, and the leadership team.

Questions every organization hiring a CFO should ask

The list below includes both questions to help you determine what your organization needs in a CFO and questions—either to ask directly or to consider—to help you assess specific candidates.

Questions about the organization

What is the organization hoping to accomplish by hiring a CFO? What, if any, organizational changes are the ED and/or board hoping to make through the CFO position? What obstacles exist to making those changes?

What is the financial health of the organization? If the organization is in financial distress, what are the plans for turning the organization around? What role is the CFO expected to play and what resources will be available to the CFO?

What other finance staff are or will be part of the team? What are the roles and responsibilities of the current financial management staff? What are their strengths and weaknesses? How are they aligned to help the organization achieve its goals?

What role and responsibility gaps are there? What skills and qualities are needed to balance those of the existing leadership team? How can the position be defined and structured to fill the gaps?

What aspects of the organization's culture are most important to consider in terms of candidate fit?

Questions about the position

If the position is new, why is it being created? If it is being restructured, what are the reasons for the change?

How will the position's role and responsibilities be defined? In addition to finance and accounting administration, will the position have responsibility for real estate, technology, legal and/or other areas? How might the position change in the years to come?

What skills and qualifications is the organization looking for in a CFO? Which of these things are must-haves, and which are negotiable?

What will be the organizational/reporting structure? Will the CFO report directly to the ED or to the COO or some other senior manager? Will there be dotted-line/matrix relationships, and if so, how will they be handled?

What authority will the CFO have? What decisions can the CFO make alone, which will be joint decisions, and which will be out of the CFO's hands?

What do members of the leadership team see as the key challenges for the CFO? Key success factors?

What is expected of the CFO on the part of the ED and others? How will the CFO's performance be evaluated? What are the criteria? Who will play a part in the evaluation?

Are adequate resources available for the CFO to carry out what is expected of him or her? Will the CFO have access to consultants and auditors and are there adequate funds available to hire them? Are there resources available to invest in improving accounting systems and hiring additional staff if necessary?

Questions about the ED and the ED-CFO relationship

What kind of a manager is the ED? What qualities does the CFO need to thrive under this ED?

How does the ED envision the two—and the senior management team as a whole—working together? How will the ED and CFO work to further define the CFO role and build their relationship? How will communication between them work? (If hiring a CFO for the first time):

How open is the ED to working in partnership with the CFO? To what extent does the ED understand and value the role of a CFO and financial management? What will the CFO need to do to gain the confidence of the ED? Is the ED ready to incorporate the CFO's opinion into decision-making?

What biases does the ED have around the CFO role (e.g., a fear that the CFO might constrain the ED's vision or that the CFO will create unnecessary financial management systems)?

Questions about the CFO-board of directors relationship

How is the board engaged in the financial management of the organization?

Who will present the financials at meetings of the full board and/or the finance/audit committee?

What will the periodic financial review process look like?

How will the CFO communicate with the board of directors and finance committee? Will the CFO have direct access to finance committee members? How will the ED be involved, if at all, in these communications?

Will the board finance committee chair or members be involved in the CFO's performance review? Questions about the CFO-controller relationship (if hiring a CFO for the first time)

What is the current relationship (communication, dynamics, etc.) between the controller and the ED and the COO? How will the CFO change those relationships and is the controller supportive of these changes? Is the controller supportive of hiring a CFO? What communication has there been with the controller around the hiring process?

If the controller is a potential candidate for the CFO position and is not selected, will the controller stay? How will the organization manage if the controller leaves?

Questions about candidates

Does the candidate have the necessary skills, experience, and temperament to be a CFO generally? To fit this position in particular? To fit this organization?

What resources (network, mentors, training, etc.) can the candidate and the organization access to fill in any gaps in skills or experience?

What is the candidate looking for in a supervisor? How much autonomy does s/he want and/or expect? Does the candidate work best with a hands-on supervisor or with one who doesn't intervene unless asked?

Is the candidate someone the ED can grow to trust enough to delegate critical organizational priorities to him or her?

What are the candidate's future career plans? What does the candidate see as his or her timeline in the CFO position?

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