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The Bridgespan Group

The CFO as the Nonprofit's Chief Accountability Officer

By Paul Konigstein

In my volunteer life, I co-chair The Financial Executives Networking Group, a nonprofit special interest group that serves as a forum for senior financial executives to share job opportunities and experiences. As a volunteer interview coach, I read a lot of job announcements to help candidates prepare. Lately, I've noticed a growing trend in the chief financial officer (CFO) job description.

Increasingly the CFO is being described as a partner to the executive director and, by extension, the entire executive team. Today's CFO helps drive the organization's mission, in partnership with the leadership team. And part of doing this well is fostering a shared accountability in maintaining an organization's financial health.fundraising, etc., to help them. And then they stay at Good Shepherd Services for many years.

Too often, executive team members disengage during updates on finances, only to perk up when something in the update might affect their personal functional silos. But being an executive requires taking off your functional hat and engaging in hard discussions about trade-offs across the organization. In this respect, the CFO plays an important role in facilitating strategic financial discussions with the leadership team.

The first step to taking on a more strategic CFO role is to build trust and confidence with the executive team. Trust is necessary to share mission-related goals essential to accurate financial forecasting and reporting, such as personnel and program plans. Once the leaders understand the linkage between mission and finance, they are more likely to view the CFO as a strategic partner rather than a back-office support person.

Next, a CFO needs to engage the organization, from the leadership to the program staff, in hard work that may include:

- trying new ways of solving problems and learning from attempts that do not succeed;
- convincing people to leave their comfort zones and/or change their roles, tasks, processes, or work styles;
- leading by example by following financial policies and procedures themselves;
- strengthening communication between finance and other departments; and
- leading organizational culture change.

Developing shared financial accountability across the organization will require the CFO to flex leadership and management competencies, while remaining an authority on the organization's finances. Competencies he or she will likely need to put more confidently into play include: strategic thinking; problem solving; communication and influence; and an openness to change. (For more on general leadership competencies, see Bridgespan's "A Framework for Great Nonprofit Leadership.")

Steps a CFO might take to achieve shared accountability could include:

1. Framing communications in terms of the organization's mission: Connection to the mission is the strongest motivator for nonprofit leaders. For example, a CFO can create a culture of accountability for budget variances by showing how proactively managing variances directs more money to the mission. While it may seem obvious to the CFO, it may not be obvious to a program manager that the budget is a zero sum game. Absent additional fundraising, over-spending in one budget category has to be paid for by reducing expenses in another category. Not paying attention to the cost of feeding children in an afterschool arts program might result in less money being available for arts engagement.

2. Building a culture that fosters collaboration and risk taking: Often organizational culture is an obstacle to change. For example, in some nonprofits, departments are encouraged to compete rather than collaborate with each other. In this environment, information becomes a valuable currency that is withheld until it can be exchanged for something else of value. Yet the CFO needs planning information from all departments to prepare an organizational budget. To break down this barrier, the CFO can demonstrate how lack of information may lead to underfunding mission-critical activities and over-funding less critical activities. Or worse, lack of information may lead to a deficit that reduces the organization's ability to fund all activities.

3. Guiding leaders with strong procedures and systems, and well-defined roles: The CFO guides all nonprofit leaders by developing financial systems, policies, and procedures, defining staff roles in financial activities, and identifying opportunities for interdepartmental communication. For example, the CFO determines the organization's guiding financial principles (e.g. maximizing dollars to mission, protecting organizational assets) and then works with the leadership team to define policies and procedures that further the guiding financial principles and meet operational needs (e.g. ease of use).

4. Working with the board to develop financial goals and analyze strategic alternatives: In this role, the CFO is working with the board of directors to help the board determine the

financial implications of different strategic priorities, set priorities, and then translate those priorities into financial benchmarks.

Building shared accountability also helps CFOs avoid a common misstep they themselves often make: creating budgets limited to specific contracts and grants. CFOs often run the budget in context of the organization's silos, rather than constructing the budget based on the overall impact the organization is trying to achieve. Input from the various levels of the organization, as noted above, can reinforce a more strategic framing for budget creation. And, in turn, the CFO and the organization can then use the budget process as a strategic tool to better understand what additional funding is needed to truly achieve the impact the organization seeks.

CFOs build shared accountability for financial performance by building trust, communicating to break down silos, leading change, thinking strategically, and always keeping mission at the forefront of financial activity. Failing to do this is often the reason for poor financial performance, organizational distress, and CFO turnover. Creating a culture of shared accountability rewards the nonprofit with organizational stability and sustainability and rewards the CFO with job security.

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