The Impact of a CFO: Profile of Rubicon Programs, Inc.

In 2004, Fast Company and the Monitor Group created the Social Capitalist Awards program to recognize "The Top 25 Groups That Are Changing the World." Rubicon Programs, Inc. (Rubicon) received that award four times in a row—in 2004, 2005, 2006 and 2007. According to Fast Company, Rubicon is "a one-stop shop for those escaping poverty," providing affordable housing; career, mental health, and family counseling; and employment opportunities in its gourmet bakery and landscaping businesses.

Rubicon hired its first chief financial officer (CFO) in January of 2002. By that time, Rubicon offered numerous integrated programs, had a budget of over $12 million, and received revenue from over 100 different sources, including contracts with local, state, and federal governments. The organization's combination of complex programs and highly diversified funding streams drove its finance department to reach a tipping point: managing these funding sources, complying with reporting requirements, and seeing the overall big picture for the agency amidst all the transactions was becoming unwieldy.

To find out about the impact that hiring a CFO had on Rubicon, Bridgestar conducted in-depth interviews in the spring of 2006 with these key individuals:

Rick Aubry, President and Executive Director
Aubry joined Rubicon in 1986 as executive director and grew the organization from $980,000 to over $15 million in 2006.

Jane Fischberg, Vice President
Fischberg started at Rubicon in 1997 and is responsible for all of Rubicon's administration and program areas, including workforce services, housing and case management, mental health care, and legal services.

Kristen Growney, Certified Public Accountant (CPA), Chief Financial Officer
Growney has experience in public accounting and also as controller and then CFO of a software company. After receiving her MBA, she ran her own consulting business. Growney joined Rubicon as its first full-time CFO in January of 2002.

Erwin Reeves, Board Treasurer, Finance Committee Chair, and former Board Chair
Reeves is a banker who joined Rubicon's board of directors in 1999, participating on the finance committee through the present and serving as the board chair for Rubicon from 2001–2004.

Cynthia Gair, Portfolio Director at REDF (formerly The Roberts Enterprise Development Fund)
Representing REDF, a "high-engagement" funder that provides grantees with financial, strategic, and operational support, Gair has worked closely with the finance staff at Rubicon since 1997. While each individual was interviewed separately, we have woven their individual responses into a single conversation for this profile.

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Sometimes adding the right position and the right person at the right time can really help transform an organization. In Rubicon's case, hiring Kristen Growney into the position of CFO did just that.

Bridgestar: How would you describe Rubicon's financial management capacity prior to hiring its first CFO in 2002?

Reeves: From a financial-capacity standpoint, we were somewhere between fair and slightly inadequate in terms of the number of people, knowledge, and experience. The heart, commitment, and work ethic were there but our budget was growing, and our many profit and cost centers were very complex. Our controller had a CPA and good accounting skills, but we had one person trying to manage finances for five totally different divisions at Rubicon when the controller's job should have been to handle just one of these divisions.

Fischberg: The accounting function chugged along but was not able to be responsive to the needs of the different businesses [bakery, landscaping, homecare, integrated services, housing]. We tended to operate in silos, and there were a lot of tensions between accounting and the businesses in terms of generating reports, making sure our cash flow needs were addressed, and coming up with systems that would be more efficient and responsive to our needs.

Aubry: We didn't have the ability to look at which programs were financially sustainable and which ones were losing money. We also didn't have the capacity to be forward-looking—to know what our cash needs were going to be in the near- and long-term and what new financial opportunities we should take advantage of to grow the organization.

Gair: Given that Rubicon was running several businesses, including the bakery and landscaping enterprises, they really needed a CFO who had for-profit business accounting knowledge in addition to a controller who had grants management experience. Rubicon's financial management and reporting systems were not geared to capture and show information in a way businesses needed it since they were designed for nonprofit management. It was very hard for us [REDF] or for the business managers to understand how their businesses were performing on a month-to-month basis.

How did Rubicon's pre-CFO financial management capacity affect you?

Reeves: My greatest concern as a board member was that the businesses and programs were not getting timely financial information. There was a time lag of more than 45 days and it was hard to make business decisions without the proper information. The program managers have to manage their costs as a responsibility to the grants. They can't overspend a grant or the organization loses money. Without timely financial statements, it took forever to figure out how much they'd spent on Contract XYZ or how much was left. And because Rubicon had four other activities, it made it that much more difficult to know how the whole organization was doing financially.

Gair: As a funder, it was frustrating to not have timely, accurate information about how the social enterprises were doing. We had already invested in improving Rubicon's accounting systems, policies, and procedures, but there was no one who had both nonprofit and for-profit top-level financial management experience and the strategic insight and experience to implement the necessary changes. We pushed for Rubicon to hire a CFO and helped provide the funding for the position.

Aubry: We had a lot of questions that we couldn't answer, such as when we should lease versus buy, how much equipment we should acquire for the bakery or landscaping business, and when we should acquire it. We didn't know how to weigh one opportunity against other opportunities or needs. Do you replace the carpet that 500 people walk on daily and that looks tired and old, or do you buy a new lawnmower for the landscaping business? When is the bakery going to be sustainable, and how much should be invested in it? Without a CFO, we didn't have the financial expertise and perspective to figure out what to do.

Fischberg: On the program side it's a real challenge to juggle different funding streams that each have a unique set of strings attached and that often have bizarre start and stop dates. They all pay for pieces of a program and our job is to make them all work together to fund a staff person who is implementing a program. It was very hard to get feedback on actual performance against budget expectation for each funding stream, and that made it hard to project whether we were leaving money on the table or running short of funding by the end of a grant period. It was an ongoing challenge and a frustration.

Growney: When I joined Rubicon, my first order of business was to get caught up, get information out to the managers, and understand where we were as an organization. Rubicon wasn't doing any cash forecasting; it was more "what checks are we going to release this week? Did enough money come in to pay the rent?" And even if we wanted to run financial statements we couldn't because there was no data.

Did you think about outsourcing your financial management activities instead of hiring a CFO?

Aubry: Our organization is way too complicated to outsource our finances. We have so many funding sources; there needs to be constant communication between program staff and accounting staff, and there are so many moving pieces.

How did you know Rubicon needed a full-time CFO?

Reeves: From a banker's standpoint, when an organization can't produce financial statements, it's a problem. It's a clear sign that there are systems issues, but it may also indicate that there are financial issues. There was one finance committee meeting where we were expecting to review financials that were current within 60-90 days and we didn't get them. It was at that point that we said, "We cannot afford not to know what's going on."

Aubry: It was the forest-for-the-trees phenomenon. We had so many financial reports and separate accounts that it was very hard for us as an organization to pull the lens up one level and ask, "How are we doing overall?" We recognized that we needed the capacity to handle big-picture financial management issues. Prior to hiring a full-time CFO, we tried several different solutions to build our financial management capacity. We went through two directors of finance in quick succession—they each quit after a month or two because they found our finances to be too complicated. We then hired a part-time consultant who did special finance projects, but ultimately we realized we needed to upgrade the position and hire a full-time CFO.

Fischberg: The reporting and capitalization needs of the businesses [landscape, bakery, homecare] as well as the financing needs of our housing programs highlighted the need for a CFO. We needed someone whose responsibility was truly doing high-level financial management in terms of financing different operations and doing longer-term forecasting. We needed someone who had more of a strategic perspective in managing the accounting function, who could talk to us and interpret to the accounting staff what our needs were and potentially support them in meeting those needs.

What were you looking for in recruiting Rubicon's first CFO?

Reeves: We needed somebody who wasn't just a good nonprofit accountant, but who also knew businesses and could evaluate trends and activity and bring more of a global perspective.

Aubry: I was looking for someone to make sure our systems were working right, to get at the specifics in our numbers, and be straightforward about what we needed to do. I needed someone very strong, who could temper my instincts and intuitions about what we should do—someone who could look at the financial facts and have a separate opinion.

Fischberg: Coming from the program side, I wanted someone who could recognize and appreciate our financial management needs in terms of juggling our different funding streams. I wanted someone who would shed new light on the financial side of our jobs as program managers, help make them more doable, and bring more objectivity to the way decisions were made at Rubicon. I wanted a strong manager who could balance our risk-taking tendencies and make our decisions a little less personality-driven.

How did you know Kristen was the right person for the CFO position at Rubicon?

Reeves: The fact that she had worked for a high-tech firm during the height of the dot-com boom meant that she was used to an extremely high pace of work and level of complexity within transactions. You have to have someone who's really smart, but it really helps if that person is down-to-earth and practical and is able to work with all kinds of people.

Aubry: My instincts were that Kristen was clearly the right candidate. She had both business and CPA experience, and the MBA was helpful training. Besides being a very smart person, she had energy and an understanding and interest in our mission that tipped the balance. I also had the sense that she could work with a very diverse group of people in the organization.

Fischberg: I knew Kristen was appropriate right away. She had an appreciation for Rubicon's mission and our strategies for accomplishing that mission and how financial things needed to support that. She was comfortable with ambiguity and being responsible for coming up with solutions to problems that had been dogging us for a while. It was clear she would relish the challenge and enjoy working with all the characters involved, and that she could be fair and balanced.

What did you do to facilitate Kristen's transition into the organization as its first CFO?

Fischberg: Prior to hiring our first CFO, we had someone who consulted to us part-time doing special finance-related projects in a CFO-type of role. I think that really helped prepare the organization for a full-time CFO. When Kristen joined, our top management team became a triumvirate. As executive director, Rick took the lead in external communications with funders and the board. Kristen was in charge of the finances. As deputy director, I managed administration, operations/programs, and government relations. We made a lot of the tough decisions together and communicated them to staff together.

Aubry: When Kristen joined Rubicon, I made sure I communicated to everyone, and especially the management team, that she was the boss of finances and that she had authority to make decisions. I had her make presentations to the staff and board—physically communicating that she was in charge. For the accounting department staff, they needed to hear and see how their work at Rubicon would be better because of the CFO—that the CFO would develop new systems to make their jobs more manageable, teach them new tools or skills, and help them do their jobs better.

Rick, what challenges did you face as executive director in bringing on a CFO?

Aubry: Obviously, part of hiring a CFO is letting go of control. You can live with your illusions without a CFO. If you only see the trees and not the forest, you can imagine the forest to be whatever you want it to be. When the CFO says, "I'll give you a picture from a thousand feet up," you realize there's more forest management necessary than you thought was needed. Parts of the forest are no longer sustainable—you have to separate out old growth and protect other parts that are overgrown with non-native trees that are healthy but damaging to the ecosystem overall.

What challenges did Rubicon's board of directors face in bringing on a CFO?

Reeves: How to pay for the CFO position. We still needed the controller, and from an external standpoint it looked like we were just adding to our administrative staff. But then we talked about how important the CFO is for our ability to provide timely information to our funders that helps us obtain a steady flow of funds in the future. And while this was an expensive position to pay for, we recognized that the financial downside of not having a CFO was significantly worse for us if we didn't have the vital information we needed to make business decisions. Our initial conversations about hiring a CFO started as a mumble that took six months to fully come to life. In the end, everybody knew it was something that had to be taken on. Now we're CFO junkies—we have to have one!

Growney: I always felt supported by the board but I think it took them about a year to get comfortable with the new level of transparency and engagement with the financials. Prior to my arrival, I think the board had gotten used to not getting financial information. As a result, they were used to hearing that things were fine and they had to get used to the idea of being more engaged.

What challenges did Rubicon's staff face in bringing on a CFO?

Aubry: Within the accounting department, staff questioned why we needed a CFO as opposed to hiring more bookkeepers to lighten their load. To Kristen's credit, she worked really hard and was very hands on. She was a good teacher and very quickly was able to both establish a personal rapport with staff and demonstrate how valuable she could be to the organization. The biggest internal challenge was the controller who had de facto been head of everything financial. We tried to position the new role as well as we could but he understandably wanted to be at the top of the heap and moved on before Kristen arrived.

Fischberg: Hiring a full-time CFO brought us the things we wanted—a higher level of accountability in terms of our lines of businesses and looking at the repercussions of actions we took on the organization. But then we all had to deal with the realities of that accountability.

Gair: The staff was used to the old way of doing things. With a new CFO, there were changes and not only to the accounting systems but to the agency overall. In addition, there was urgency to all of these changes because of what was going on in the sector (dot-com bust, post-9/11 drop-off in donations) and the demands from funders like REDF.

What impact has hiring a CFO for the first time had on Rubicon?

Reeves: Kristen helped stabilize the organization and helped us make some very tough decisions over the past four years such as closing one of our social enterprises. After 9/11, donations dried up for local organizations and we had to manage our expenses differently. We had to understand what was going on with the entire organization and ways we could trim and cut. If we didn't have someone who understood all this at a very complex level, we would not have survived as the same organization.

She also developed people within the organization to take the extra step and learn how to use information. I saw her working with one of the managers and noted his excitement in finally getting what he'd been looking for. With her help, managers have developed great pride in knowing their numbers and seeing how well they're managing their departments.

Gair: I can't really estimate the impact of Rubicon hiring its first CFO; it has been so deep and dramatic. I'm very sure that the agency's financial health would have been at risk if they hadn't hired Kristen. It takes a strong person to raise hard questions like "Should we close a business?" and "Do we need to cut back on expenses in order for the organization to come out on the other end?" It's also a testament to the executive director's leadership ability to invite a person of Kristen's caliber into his organization and work with her to make necessary changes in the agency.

Aubry: We have a much better managed accounting/finance department and we're much more successful at thinking through what our businesses should be about. In 2003, we closed one of our three social enterprises. It was the right decision and with our CFO's financial analysis we were able to separate out aspiration from reality. Having a CFO helped us build models that showed what breakeven needed to be and how quickly or slowly we were getting there, and it made closing the business less of an emotional decision and more of a factual one. More importantly, we were able to make this decision not as a one-off, but in the context of supporting and sustaining the larger organization.

Having Kristen as CFO also demonstrated to Rubicon's board of directors that we have a deep bench on the senior management team. It gave them additional comfort that someone of this caliber was taking care of the financial side of the house.

Fischberg: Many of the things we hoped to accomplish through having a CFO have been accomplished. We now have greater consistency and usability of internal reporting, and longer-term financial planning for our different lines of business. We've depersonalized some of the decisions that are made and are applying a financial lens to examine and speak openly of the tradeoffs we're making in certain decisions. In addition, the board has a much higher level of appreciation for the quality of management overall. Kristen's given the board greater visibility into the intricate challenges of running the agency and they now have a greater understanding of some of the tradeoffs the organization is making. This is all important in terms of their role in governance and development.

Growney: I think I've made Rubicon's financials more transparent to managers and the board. The top managers care about what their numbers are and try to manage their own budgets like profit and loss centers. Today there's much more ownership throughout the organization over running programs that are viable. Even if the program is not making money, there's a justification for why it should be funded by grant support. Before I came, there was little interest in knowing whether a program covered its costs, much less made money for the organization. Now we look at programs to be not just successful for the clients but successful for the organization.

What advice do you have for nonprofits that are looking to build their financial management capacity?

Aubry: Conduct a three-part analysis of your organization. First, how large are you? Second, how complex is your funding structure? And third, how diverse are your operational activities? The answers to these questions can help you determine if your organization needs a CFO and also what kind of background and experience the CFO should have. The more complex your business model, the more important it is that the CFO have significant accounting experience, and ideally a CPA so he or she can be the technical expert and resource to the organization.

Growney: A lot of places want a CFO because their finances are in a mess. It's great to bring someone in. But is the organization ready for what other things that person is going to naturally want to do once they're there? Are they willing to make the necessary decisions about the issues that the CFO's work will start to bring to light? Is the organization willing and able to pay the CFO the necessary compensation? Organizations need to set aside unrestricted dollars to fund the CFO position and to be able to act on the CFO's recommendations.

Reeves: Make sure to get somebody who can fit within your organization, meaning they can relate to and help develop your staff. The CFO has to understand how to grow the business and work with staff, and understand the clientele the organization is serving.

Gair: The executive director of the organization needs to put his or her trust and the proper authority in a CFO who has the financial and accounting experience to make good calls. The executive director needs to see the CFO as his or her partner in managing the organization from a financial perspective.

Fischberg: Clearly define the goals for the position and anticipate tradeoffs for those goals and the impact on the organization. Having an effective CFO is going to bring a lot of change to the organization and there's always resistance to change. Think about what increase there will be in internal accountability for other managers and what kinds of limitations they may feel that puts on them. The tradeoff is the organization will be better financially managed and that's good for everyone.

Editor's Note: In July 2006, after returning from maternity leave, Kristen Growney transitioned from her full-time CFO position to that of part-time consultant to Rubicon in order to spend more time at home. In the month prior, Rubicon successfully recruited David Samuels from his position as Assistant CFO at Ebay to serve as Rubicon's new CFO, making possible a seamless handover of the CFO function. As of September 2006, Jane Fischberg was promoted to Executive Director, while Rick Aubry remained President of Rubicon Programs, Inc.

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