

**INSIGHTS INTO THE ROLES OF NOT-FOR-PROFIT CHIEF FINANCIAL  
OFFICERS**

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# INSIGHTS INTO THE ROLES OF NOT-FOR-PROFIT CHIEF FINANCIAL OFFICERS

## ABSTRACT

**Purpose** - The purpose of the paper is to gain an understanding of not-for-profit (NFP) chief financial officers' (CFOs') perceptions of their role. Enhanced understanding of their role perceptions is achieved through asking the participants to not only explain their role but also to provide a metaphor of their role.

**Design/methodology/approach** - A qualitative approach to the inquiry was adopted. Interviews were conducted with 15 Australian NFP CFOs and the transcripts were analysed using a thematic approach.

**Findings** - The participants' perceptions of their roles clustered around four significant themes of *protector, innovator, strategist and supporter*. These findings were not dissimilar to published studies of the role of the CFO in for-profit organisations. The distinctive challenges NFP CFOs face due to the unique features of the sector and the individual CFO's personal philosophies were found to influence role perceptions.

**Research limitations/implications** - Although the NFP CFOs came from organisations that may be differentiated on the basis of size and activities, nevertheless their perceptions of their role clustered around significant themes. Future research that focuses on how NFP CFOs address the unique challenges of the sector will be helpful to both existing and aspiring CFOs and those that interact with them such as members of boards and executive committees.

**Originality/value** - While the role of the CFO has been studied both nationally and internationally, the focus of prior studies has been CFOs working with for-profit organisations. The unique aspects of this study are that it focuses on NFP CFOs and their roles, additionally metaphors are used to expand understandings of role perceptions.

**Keywords** CFO roles, Metaphors, Not-For-Profit

**Paper type** Research paper

## **1. INTRODUCTION**

Chief financial officers (CFOs) face a multifaceted business environment that includes continual change, stricter regulations and greater complexity in accounting and finance requirements (Chahyadi and Abusalim, 2011). The profile of CFOs within organisations has grown over time. Boards and chief executive officers (CEOs) seek answers from CFOs who are leaders in their organisations (IBM, 2010). Although data has been gathered from CFOs in both national (KPMG, 2006; Simister, 2007) and international studies (IBM, 2008, 2010), and interest in their role is growing, literature on their work practices remains sparse (Baxter and Chua, 2008).

While a small number of studies have investigated the roles of CFOs, these studies have predominantly focused on CFOs working in the for-profit (FP) sector (IBM, 2008, 2010; KPMG, 2006; Simister, 2007). One study particularly focused on CFOs in the insurance industry (WeiserMazars, 2012). CFOs working with not-for-profit (NFP) organisations face unique challenges (Princeton Survey Research Associates, 2002) however they have been largely overlooked in CFOs studies. Yet the NFP sector is growing as a world-wide phenomenon (Lewis, 2005).

The primary aim of this study is to provide insights into NFP CFOs' perceptions of their role. It has been argued that many contemporary CFOs wish to move beyond being "accounting specialists to strategic or business partners" (Simister, 2007, p. 3) and studying the role of CFOs will assist them in understanding the potential of their own role. In addition it will deepen the awareness of aspiring CFOs, executive management and boards concerning the growing importance of the CFO's function (Simister, 2007). The NFP sector has a number of unique features and makes a significant contribution to society. This study addresses the roles of CFOs in NFP organisations, as their roles have not previously attracted much research attention.

Thematic analysis was applied to interviews undertaken with 15 NFP CFOs from three different Australian states. Participants were asked to describe their role and also suggest a metaphor for their role. Gill (2009, p. 79) suggests that "metaphor offers a way for accountants to think themselves into a particular kind of practice". While metaphors may hide certain aspects of concepts they nevertheless provide at least partial understanding (Lakoff and Johnson, 1980).

After providing an overview of the literature on the changing role of CFOs and a brief introduction to metaphor, an overview of the participants and their organisations is provided along with the methodology used. The findings from this study's interviews are then presented and discussed. The paper concludes with summarising comments as well as suggestions for future research into this area.

## **2. LITERATURE REVIEW**

Over 10 years ago Lee Parker (2001) highlighted the broadening scope of accountants' roles during the latter part of the 20th century. He noted that in addition to significant increases in financial reporting, taxation and auditing services, accountants' activities spread into new areas such as fraud investigations, performance audits and reviews of prospectuses. After the Second World War management advisory services expanded the repertoire of accounting firm offerings. After reviewing accounting practice in the 20th century Parker (2001, p. 428)

concludes “that a foundation of interdisciplinary practice in the accounting profession has been steadily laid”. A decade later there is no doubt that accountants’ roles continue to evolve. Chief financial officers (CFOs) play a pivotal role in guiding and supporting the financial aspects of organisations. The prominence of CFOs as leaders within organisations can be seen in one study that examined the top five highest-paid executives in US companies (Erhemjamts *et.al.*, 2009). In 1994, 54% of the companies included CFOs in their top five positions however by 2006 this had increased to 93%. There is also an increasing trend to appoint CFOs as chief executive officers (CEOs) (Fabich *et.al.*, 2012). Around the globe CFOs face challenges and this necessitates the use of different approaches in the performance of their duties. One such challenge is the need to keep up-to-date with the evolution of financial markets as they continue to change following the global financial crisis. This has led to an increase in the skills required in the area of liquidity management (Fabich *et al.*, 2012). There are a number of significant research papers that have been produced outlining how the role of the CFO has evolved and anticipated future trends (IBM, 2008; KPMG, 2006; Simister, 2007). The prime focus of these papers has been on CFOs working in for profit (FP) organisations. The current paper differentiates itself by specifically focusing on the role of the CFO in NFP organisations.

Since the mid-19th century NFP community welfare organisations have played a significant role in contributing to the general community (Parker, 2003). NFPs organisations continue to be an important and growing segment of the economy. In Australia they contribute over four per cent of GDP (\$43 billion). The work of volunteers contributes an additional \$14.6 billion (Productivity Commission, 2010). There has been a blurring of the types of activities undertaken by NFPs and FP organisations; however NFPs have a number of distinctions. These include the prohibition on distributing profits and the inability to raise funds through equity. Globally, governments are increasingly relying on NFPs to deliver a wide range of programs. At the same time, both donors and clients have increasing expectations. In combination with these challenges, funding has been exacerbated by the global financial crisis. These factors have led to NFPs being under greater scrutiny (Parkinson, 2009). Additionally, the NFP sector faces further scrutiny due to the establishment of the Australian Government’s NFP Sector Reform Council (Treasury Australian Government, 2011a) and the introduction of the Australian Charities and Not-for-profits Commission (ACNC) (Treasury Australian Government, 2011b).

NFP CFOs face additional challenges due to the unique features of the NFP sector as well as due to particular organisational features. One study found NFP employees perceived that there were less employees in NFP organisations to perform tasks adequately and lower levels of access to information (than their FP contemporaries) (Princeton Survey Research Associates, 2002). In addition, there are increasing demands from numerous stakeholder groups. While NFPs’ service objectives are usually their dominant priority (Parker, 2008), accountants’ primary language may be described as economic and this adds communication issues for accountants working in the NFP sector. The experiences of financial managers in values-based organisations have been given minimal attention and their voices regarding their organisational contribution in NFP organisations such as church accounting studies have received minimal attention (Lightbody, 2003).

This research makes use of metaphors to enrich the understanding of CFOs’ perceptions of their role. Many people think that a metaphor is something that relates to poetry and rhetoric. Because metaphor is often thought of in terms of language rather than actions or thoughts it is often treated as something not offering much practical use. It is not often realised that “our

ordinary conceptual system, in terms of which we both think and act, is fundamentally metaphorical in nature” (Lakoff and Johnson, 1980, p. 3). Concepts guide not only our thought processes but also how we structure perceptions and relate to others. In their seminal work on metaphor, Lakoff and Johnson (1980, p. 5) note “the essence of metaphor is understanding and experiencing one kind of thing in terms of another.” While metaphors do not reveal all aspects of concepts they do however provide partial understanding. Lakoff and Johnson (1980, p. 14) described this view of metaphor as *structural metaphor*, where “one concept is metaphorically structured in terms of another”. Metaphor may also be used in other ways such as organising systems of concepts relative to one another. Spatial orientation metaphors, such as up-down and in-out are examples of this. This leads to expressions such as “I’m feeling up” and “you’re in high spirits (p. 15)”. Up and down are used in a variety of ways for example “more is up” while “less is down” as well as “rational is up” while “emotional is down”. These examples show that many of our fundamental concepts may be seen in terms of orientational metaphors. Additionally these metaphors do not arise randomly, rather they are “rooted in physical and cultural experience” (p. 18).

Gill’s (2009, p. 79) study found that accountants’ use of metaphor was not merely comparative, rather the “metaphorical terms to describe what they do ... are often the primary terms in which they conceptualise their work”. In his study, for example he found that accountants did not think of accounting as being like sport instead they made a sport of accounting. While sporting terms may not apply directly to accounting, viewing accounting as a sport provides meanings beyond the comparison of accounting and sport. This example illustrates the influence that metaphors may have on one’s views towards one’s work. Asking participants to specifically provide a metaphor for their role provides additional insights into their perceptions that may not be achieved without such a prompt.

### **3. METHODOLOGY**

The research question being explored in this project is concerned with describing and understanding experiences, meanings and beliefs and this lends itself to a qualitative approach (Wisker, 2008 ). The proposed research aims at discovering NFP CFOs’ perceptions of their role. Employing qualitative interviews provides an opportunity for participants to offer in-depth responses showing how they have understood or constructed their experiences (Jackson *et.al.*, 2007). The qualitative interview has much to commend it. It offers the potential for accessing the subject’s everyday world. The personal subjective perspective of participants and interviewer enables a distinct and receptive understanding of participants’ everyday experiences (Kvale and Brinkmann, 2009). The interview provides interviewees with an opportunity to explain their thoughts and emphasise what is important to them (Horton *et.al.*, 2004). The explorative potential of an interview can be a vehicle to enable qualitative descriptions of the new phenomena (Kvale and Brinkmann, 2009). Another advantage of interviews is that it allows people to reflect without having to commit themselves in writing to something they might view as sensitive (Grey, 2009).

As part of a larger study, 15 CFOs from NFP organisations in New South Wales, Victoria and South Australia were interviewed and asked about their roles. The interviews were semi-structured and participants were selected using a snowball sampling approach. This involved contacting people known to the researcher who were currently working in NFP organisations and asking them if they would like to participate in the study. These people were then asked to recommend further participants (Davies, 2007). The researcher also contacted people with strong links in the NFP sector who referred to people that they knew. The first question asked

of participants was aimed to put them at ease and concerned factors that had led them to their current role. The question that was a starting point for a discussion about roles was simply, “Tell me about your role.” From this question other questions followed that explored the interviewee’s responses. Probing questions were used to encourage participants to explain and provide examples flowing on from their previous statements. Later in the interview participants were asked to provide a metaphor for their role.

This study focuses on CFOs, however it should be noted that while all the participants in this study could be described as the most senior accountant in the organisation, they did not necessarily have the title of CFO. While the majority had that title, other titles included: financial operations manager, financial accountant and operations director. This echoes the findings of the IBM study (2008) which also revealed a variety of titles for the CFO position. The CFOs came from a range of organisations that varied in function and size. Appendix 1 shows the primary activities of the organisations.

The participants comprised three women and twelve men. Time spent working in the NFP sector varied among participants. Only two of the participants had been in the NFP sector less than five years, five had been in the sector between five to ten years while the remaining eight had been in the sector over ten years. The amount of time in their current role also varied among participants, with four participants having been in their current role less than two years and three having been in their role more than ten years. The remainder of the participants was equally split with five having been in their role between two and five years and five having been in their role between five and ten years. The size of the participants’ organisations varied considerably in terms of equivalent full-time staff (EFTS). Four participants were from organisations with fewer than 100 staff, five were from organisations with staff numbers between 100 and 500, and three were from organisations with staff numbers between 500 and 1000, while three were from organisations with more than 1000 staff.

All participants provided written consent to be interviewed. An MP3 recorder was used to record the interviews. *NVivo* was used for the project’s data storage and to assist with analysis. Data analysis followed a thematic approach. Thematic analysis is not enmeshed with pre-existing theoretical frameworks which enables it to be used to do different things within different theories. It is useful to both “reflect reality and to unpick or unravel the surface of ‘reality’ ” (Braun and Clarke, 2006, p. 81).

After transcribing the data, familiarity with each participant’s views as a whole was achieved by listening to the entire audio and checking the transcription. A summary memo was then written which highlighted overall impressions. The next step involved re-reading the entire transcript and highlighting statements that would aid in understanding the participant’s perceptions, views and experiences. At this point a more detailed memo was written to show why these statements are of interest (King and Horrocks, 2010). The first stage of coding then took place, the purpose being to link data rather than merely label (Richards and Morse, 2007). Three main types of coding were employed: descriptive, topical and analytical (Richards, 2008). Descriptive coding<sup>1</sup> refers to information about the interviewee and his/her organisation, for example age, gender, number of years in the position, type of organisation and size of organisation. This type of coding enables all comments about a certain topic to be

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<sup>1</sup> Saldaña (2009) uses the term attribute coding for categorising demographic information and the term descriptive coding to identify topics that get at the substance of what is being discussed.

sorted by the descriptors. In *NVivo* each person interviewed may be treated as a case and attributes can then be used to store the descriptors (QSR International, 2008). Topical coding is useful for identifying all material related to a topic for later retrieval, categorising and reflection. Each transcript was re-read a second time and codes were applied for different topics firstly based on the interview questions and secondly topics relevant to the research questions. For this paper, participant comments about their role and responses to the request for a metaphor were coded to individual nodes that reflected the items of interest (Guest, *et.al.*, 2012). The matrix framework function (Edhlund and McDougall, 2012) was then used to assist in analysing participants' responses. This enabled the creation of tables where each cell of the table showed the individual participant's response which was then compared with other participants' responses (Di Gregorio and Davidson, 2008).

#### **4. FINDINGS**

To maintain participant confidentiality the CFOs are referred to using pseudonyms such as CFO-A, CFO-B et cetera. Respondents' perceptions of their role clustered around several themes. Four prominent themes of participants' role perceptions were identified from the findings: protector, innovator, strategist and supporter. Additionally two factors influencing role perceptions became apparent: challenges relating to the NFP sector and personal philosophy. Each theme and factor is discussed in turn below.

##### *Protector*

The protector role is about ensuring the ongoing financial viability of the organisation. CFO-M elaborated on their protector role saying there was a need to protect in "terms of decision-making financial sustainability", and this covers a degree of governance. CFO-G uses the term "corporate nag" to sum up the protector role. As CFO-G explained there is an opportunity to bring structure as there is a "better chance of continuing to do what you love if you've got some really solid financial information behind you". While it was not the case in their current role, CFO-G mentioned that in prior roles it had been challenging to deal with people who see the back office and finance as a drain on resources. CFO-D reiterates the protector role referring to keeping the organisation "financially responsible". CFO-L describes their role using the well-known term "the watchdog", and adding that this was across three levels of their organisation, the detail, the executive and the board levels. CFO-J commented that sometimes they were a "sheriff" and this involves determining whether the business case adds up and whether it is affordable.

The protector role also involves asking the right questions. Questions need to be asked not only about the cost of things but how proposals fit into an organisation's existing offerings. CFO-O observed that at their organisation the hard questions were avoided. CFO-J spoke about the need to ask all the "why" questions until they had figured out what was happening. They also commented that in the FP sector they would not ask so many questions about costing but because of the scarcity of resources in NFPs they asked more questions. In the KPMG study (2006) CFO respondents from the top performing companies, acknowledged the importance of cost control. They then moved beyond that to spend time in other areas such as providing business advice to operating units. CFO-L noted that asking the right questions requires knowing enough detail about what is taking place.

### *Innovator*

CFO-M summed up their role as both the “protector and innovator”. CFO-N expressing similar sentiments used the term “change agent”. The innovator goes beyond merely counting what has been done; the innovator is forward-looking. CFO-K described one innovation they had implemented in the area of foreign exchange which had saved the organisation \$250,000. CFO-N outlined how they had firstly identified areas where change was necessary and had then introduced systems thinking in terms of the people, so they could actually become sustainable. CFO-B asserted that they wanted to look at environmental sustainability.

A number of CFOs commented on the changes they had made in reporting. CFO-B identified how they had introduced timely reporting as well as reporting more widely across the organisation. CFO-C was working on improving reporting to managers after soliciting from them what they require from reports. The need to provide the right balance of material to the executive committee members so that they are not overwhelmed by the detail was also an issue for CFO-C. Some CFOs commented on reporting changes they would like to implement. CFO-H in addition to improving reporting wanted to also improve documentation, staff education and work on succession planning. CFO-C mentioned they would like to improve the cost information to enhance decision-making.

CFOs also commented on factors that limited innovation. CFO-D lamented that their direct reports were task orientated and this made it difficult to implement change as the direct reports did not like to make mistakes. CFO-O conceded that many people in NFP organisations are driven by core values and are potentially idealistic. Also there was a tendency for a great number of people to be averse to change. One CFO working in a religious organisation observed, “The corporate sector is fairly ruthless when it comes to change, whereas the church tends to be a lot slower”. CFO-I commented that while the organisation had increased in size the number of staff in the accounts area was unchanged; these sentiments were also expressed by CFO-O.

### *Strategist*

Involvement in organisational strategy was specifically mentioned by a number of participants. CFO-O commented that they spend more time on strategy than finance. They emphasised their involvement in strategy saying “any strategy that happens here has got my footprint on it.” CFO-C mentioned that they specifically blocked off time to work on strategic things that they thought were important. Strategic work happened “after hours inevitably” because there was always other things crossing the desk and in some cases “even a fire that’s got to be put out”. CFO-B explained how they had put a plan in place to achieve a certain operating surplus over a four-year timespan; nevertheless they stated that the role of the finance area is to support the mission of the organisation. CFO-N spoke about their “responsibility of deciding direction and strategy” for their area of accountability. While the majority of the participants spoke about their involvement in strategy there were several who specifically mentioned that while they supported decision-making they were careful not to make the decisions themselves but to leave them to the managers. For example CFO-K observed the role of CFOs enables a person to have an oversight view of what is happening in the organisation and one needs to be careful not to take decision making away from the managers. This can be contrasted with CFO-D who found members of the organisation constantly sought them out to assist with decision-making. CFO-D noted however that often those people seeking advice had already determined the answer to their own question but had not actioned it yet. The lack of “any business or commercial background or skill set” was a

characteristic of many employees of CFO-D's organisation. CFO-L noted that organisations providing similar services to CFO-L's organisation had struggled with planning and strategy in the past. CFO-B detailed the need to be "clear and fuzzy" when working on strategy. This was explained as being clear on the destination however there may be many deviations from the planned path to get there. CFO-A had intentionally restructured positions so that they could be more strategic in their role.

CFO-M commented that the time spent in a particular role influences the role (this person had been in their role just over 12 months). Their view was that the longer you are in a role the more time you have to focus on "proactive strategic things ... as opposed to the reactive stuff where you're actually remedying things that you didn't feel were adequate". This person said they spent more time influencing the things they wished to change in order to have sustained change, for example "putting the right resources in place, inserting roles, changing key policies ... bring[ing] ourselves up to date on certain audit recommendations."

### *Supporter*

Another aspect of the role of a CFO is to support the functioning of the organisation. This involves the provision of financial information to support decision making. This is demonstrated through CFO-B's comment, "Finance is a supporting function to the business." CFO-C describes the supporting role as "value adding" in that "finance is the hand that is in the glove", as every organisation needs money to operate. Additionally CFO-C also stated that their role includes providing information that "will allow key decision makers to make the decision, or help them make the decision." CFO-A reiterates that it is important to provide the information "in a format they can actually understand". The ability to adapt to the needs of financial information users was seen as an important aspect of the supporter role.

Relationships within the workplace are important as they enable people to work together to "produce a better outcome for the future", comments CFO-D. Interacting with staff can often be highly time consuming as CFO-F elaborated, the "biggest issues" in their role were to do with people. The CFO can be called upon to assist in resolving issues that may arise between co-workers, even though this does not specifically relate to their role as a CFO. The importance of communication for the CFO was highlighted by CFO-H who stated that their "entire role" was about communication. CFO-M said communication was "exceptionally important" because of the need to have everyone "pulling on the one rope to solve issues". CFO-J spoke of communication in terms of "partnering", which involved sitting down and discussing with staff operations and finance issues that were pertinent to that person's responsibilities.

CFO-I describes their supporter role commenting that they were not there to teach people with technical expertise to be good financial managers, rather they were there to assist them in managing their finances, to help them work out the matching of grants and costs, "sort of working there in the background". CFO-C expressed similar sentiments saying that they are "just working behind the scenes to see whether the reporting that we're doing is actually meeting the needs of our stakeholders."

### *Personal Philosophy*

During the interviews many respondents spoke about matters that were important to them in their role. While only one respondent actually used the term "my philosophy", nevertheless the personal philosophy of respondents came through in many of the interviews. CFO-C

introduces their philosophy of being open and honest with the words “I have a very firm policy of ...”. CFO-C then goes on to explain the reason that they are working in the NFP sector is that they are “actually working for the cause, not for somebody else’s back pocket”. The importance of honesty was also echoed by CFO-G who spoke about being honest and upfront and “calling a spade a spade.” Similar sentiments were echoed by CFO-M who spoke about playing a “straight bat” and having clear agendas. CFO-H mentioned their aversion to ambiguity and the need for “one version of the truth”. CFO-O states, that their “core goal” is “fairness and equity” and that is the reason that they are at their particular organisation.

One CFO who mentioned they were a Christian explained that they had a verse from the Bible that guided them. Another CFO also spoke about their Christian beliefs and how they aligned with the organisation’s beliefs and that that was “one of the key reasons” why they worked at that organisation. A different CFO talked about the reason that they were asked a lot of questions was that they were “happy to answer a lot of questions”. They expanded upon that saying that if they had just focused on “bean counting” then questions would dry up and that would not be the best way for them to fulfil their component of the organisation’s mission. CFO-F commented about the importance of giving everybody respect regardless of whether the person agrees with you or not. For CFO-L credibility was important. This CFO mentioned that in every job they had held, in the first week they would talk with their staff about the importance of credibility. For another CFO, intergenerational equity drove that person’s decision-making.

### *NFP Sector Challenges*

Many of the interviewees commented on the challenges they faced due to operating in the NFP sector. Some of these challenges arose due to the area of operations the particular organisation was engaged in. For example, CFO-B highlighted that the number of distinct services offered by some NFP organisations are far in excess of what you would find in FP organisations. CFO-D pointed out the uniqueness of many NFP organisations and because of this there is difficulty in benchmarking key performance indicators. This leads to the need for a high reliance on professional judgement when making comparisons rather than looking merely at figures. A CFO working in education spoke of the difficulty in knowing student and staff numbers until well into the year which impacts the amount of income received from the government. Likewise a CFO working in the health industry noted the difficulty that budgeted receipts from the government may not be known until well into the year. Both of these CFOs commented on the difficulty of operating with interim budgets.

CFO-D lamented the lack of financial and business acumen among members of the organisation. They also commented that while in FPs the focus is on profitability, in NFP organisations the goals are “collecting non-financials”; while the “boundaries are financial”. This is quite the opposite of FP organisations, whose goals are financial and because of this they can more easily set themselves boundaries. A CFO working in health, spoke about funding and capacity issues and the struggle of not being able to provide a service to everyone who needs it. Another health CFO spoke about the inability to control income and expenses and the influence of the enterprise bargaining agreement over expenses. Planning is difficult in the NFP sector because there are not as many levers as one would have in the commercial world. In FP organisations changing products or making more products can be undertaken to influence profitability. Another CFO spoke about funding from government grants limiting the amount that could be spent on administration and this made it a challenge to cover organisational administrative costs. CFO-L discussed the difficulty in rewarding employees for good work due to continual resource restraints. Because employees are

concerned more about treating the extra patient or helping the extra person, communication needs to be couched in such a way for managers to see the financial impact of something expressed through the number of services that can be offered to patients/clients. Another health CFO pointed out that public health is weighed down by the bureaucracy that does not “free people up to think more creatively and more fluidly”. The three-year review process often means things are not looked at for another three years when in fact improvements could be made within the three-year period. CFO-M observed timeframes to achieve things were longer in the NFP sector. They also observed that while planning, documenting and strategising were well done, execution was the area where problems arose. CFO-N passed comment on the age of the workforce observing relatively older workers in the upper levels of the organisation and relatively younger workers at the lower levels in comparison with FP organisations. One CFO compared their current role in an NFP to working in an accounting firm. This CFO noted that in their prior role decisions were made on a purely financial basis whereas the decision-making basis is different in NFP organisations as it is not only based on financial outcomes. CFO-O observed that there were a “lot more potentially idealistic people” and “more change averse people” in NFPs.

## 5. DISCUSSION OF FINDINGS

The findings from interviews show insights into NFP CFOs’ perceptions of their role. Role perceptions varied among the participants. Nevertheless, four common role perceptions were shared by many of the interviewees. The role of protector is similar to the traditional accountant’s role of steward. Simister’s (2007, p. 4) study observed that CFOs were focusing on “both their stewardship role and the strategy development/value adding functions”. A recent significant study of CFOs was the *Global CFOs Study* with 1,900 participants from 81 countries (IBM, 2010). The study concludes that the CFO is the “chief steward of the company's financial resources ... ultimately responsible for safeguarding investments and producing the highest return on invested capital ” (p. 57). For the NFP CFO, success is not measured by return on capital but rather maximising the on-going benefits available to clients.

The second role identified, that of the innovator, was described by one participant as the new role for the CFO. The two contrasting roles of protector and innovator follow the findings of Daum (2008) who observed the need for CFOs to successfully maintain a balance between two roles which initially seem to be opposites. One role involves acting as a steward by sounding a note of caution, making risks transparent and manageable and ensuring good corporate governance in observation of legal requirements and accounting principles. On the other hand there is a need to assume the corporate role of navigator by indicating channels for profitability and new growth while actively participating in the advancement of the company. Daum (2008) notes that these two roles cannot be achieved without transforming the finance and control function which includes processes, systems organisation and skills. While the current study identified the role of innovator, Fabich *et al.* (2012) observed that in many companies the habitual approach of operating the finance side continues and many organisations are not embracing the benefits of ongoing financial innovation. Percival (IBM, 2010) also identifies that CFOs are being pulled in two different directions. While they are asked to be forward-looking they are also asked to provide high quality information about the past.

Active participation in strategy formation was another common role identified by interviewees. Fabich *et al.* (2012) also comments on the increasing involvement of CFOs in company management, noting that this includes both operations and strategy selection. The

prominent role of CFOs in strategy prompts Fabich *et al.* (2012, p. 2) to comment that the “modern CFO” may more appropriately be titled, “the strategic CFO”. The strategic aspects of the CFO role have also been found in other CFO studies. CEOs are realising that they require the finance function to take an active role in strategic issues to enable organisational goals to be achieved (KPMG, 2006). The CFOs, through providing “a single set of facts about the business that reflects the reality of the enterprises performance generated by high data”(IBM, 2008, p. 2), are in a position to assist in shaping both operational decisions and strategic direction. As mentioned earlier, Simister’s (2007, p. 4) research suggests that the focus of CFOs is changing to include a blend of both stewardship and “strategy development/value adding functions”. IBM’s 2010 (p. 13) study found the influence of CFOs reaches well beyond “traditional financial control and supervision”. CFOs not only provide analysis and insight, they are also involved in planning and decision-making. Eighty per cent of respondents to the *Global CFO Study* (IBM, 2010) noted the importance of the providing inputs into enterprise strategy, however, 52% saw CFOs as being effective in doing this. Additionally, that study suggested that CFOs need to be key players not only in formulating strategy but more so as a “trusted advisor in the process of executing strategy” (p. 34).

The roles of innovator and strategist suggest that the CFO has an influential role in the organisation. This aligns with the IBM (2010) study which found that due to the recent global financial downturn, volatility and uncertainty were on the increase in many organisations. Because of this, CFOs more frequently entered into conversations about profitability, forecasts, risk management and strategic decisions relating to supply chains, production and pricing. This led to CFOs significantly increasing their influence within their organisations. In the current study, CFOs spoke of influencing the outcomes of meetings and decision making.

The CFO as a supporter of organisational mission was the fourth role identified from the study’s interviews. When respondents spoke of this role the view was more about being in the background and aiding decision-making in an advisory capacity rather than being the decision maker. The IBM study (2010, p. 13) found that more than 70% of CFOs were “heavily involved in enterprise-wide decisions”, this consisted of involvement in an advisory capacity (providing analysis and insight) or as a decision maker (creating the plan). With regard to cost reduction management, selection of key performance indicators, risk management and information management strategy, approximately half the CFOs involved in those decisions did so in an advisory capacity while the other half acted as decision makers. With regard to prioritising resource allocation, strategic revenue planning and business model innovation, the majority of CFOs were involved in an advisory capacity. Capital asset management was the area of decision-making where more than half the CFOs were involved.

The importance of CFOs possessing leadership and team building skills was shown in a KPMG study (2008) where 91% of respondents nominated that these skills were needed by tomorrow’s CFO. Following closely behind this was the ability to communicate at all levels which was selected by 89% of respondents. The importance of communication and the CFO developing bonds with business unit leaders to enable them to constructively question business leaders about the financial sensibility of their strategy and vision was mentioned in the IBM study (2010). Simister’s (2007) Australian study also found that “leadership, communication and people management skills” rate highly on CFOs’ agendas. These issues concerning the importance of relationships and communication were also identified by a number of the interviewees in the current study and were discussed under the theme of “supporter”, however they are crucial across all the roles. This begs the question, “What

skills are required to be a successful CFO in a NFP?” While leadership and communication skills are needed for all CFOs, the current study indicates that an even greater level of communication skills is critical for successful NFP CFOs. This is due to a greater diversity of people they interact with and a larger number of people lacking financial understandings.

The four roles of NFP CFOs identified in this study were not dissimilar from other published CFOs studies. The points of difference for this study are the strong individual philosophies reported by respondents and the unique challenges they identified as being associated with the NFP sector. Personal philosophies were a significant driver of how CFOs acted out their role. Parker’s study (2003, p. 371) of a religious community welfare organisation found a service ethic that generated commitment from staff and that brought “energy and a range of perspectives and strategy preferences”. Shared core philosophies concerning the organisation’s reason for existence and services offered knitted board members together “in workable strategic cohesion”. In the current study a number of CFOs spoke of their commitment to the organisational mission and goals. The link between personal philosophy and role perceptions which surfaced in the current study is a complex one and beyond the scope of this paper, it is however a potential topic for future research.

While several challenges appeared to be common to CFOs in NFP organisations regardless of the type of activities their organisations were involved in, nevertheless some challenges appeared to be related specifically to organisational activities. There was general consensus concerning resourcing challenges. Parker (2003) also noted the indirect relationship between the servicing of clients and the income generated poses distinct challenges for financial management. While many NFP’s rely to some extent on government funding, CFOs in health and education organisations particularly commented on the difficulty of operating on interim budgets. Several CFOs in religious organisations commented on employees being change averse. Some of the issues that arose regardless of organisational activities were interacting with employees with limited financial acumen. Parker’s study (2003) which focused on board members, found financial management strategising was important regardless of the level of accounting background of individual board members. In the current study, CFOs spoke about communicating across the organisation and the need to explain financial matters so as to show the outcome for clients/patients rather than just the bottom line.

## **6. CONCLUSION**

This study explored the previously overlooked research topic of NFP CFOs role perceptions through interviews undertaken with 15 Australian CFOs. An understanding of role perceptions was enhanced through requesting the participants to provide a metaphor that described their role. While metaphors only provide partial understandings, nevertheless they provided additional insights into CFOs’ perceptions of their role. Two of the themes identified (“protector” and “innovator”) were succinctly expressed by one CFO in response to the request for a metaphor. A thematic analysis approach was then used to cluster the CFOs perceptions around significant themes. The well-recognised traditional role of stewardship continues to be significant and this has been described as “protector” in this study. Alongside the “protector” role of CFOs, is the role of “innovator”. The CFOs were passionate about the organisations they worked for and they looked for ways to create efficiencies, at times drawing on experiences in past roles. The third prominent element of the role of CFOs was that of “strategist”. Overwhelmingly CFO involvement in strategy moved beyond financial strategy to organisational strategy. In some organisations the CFOs were in fact the driver of strategy. A few CFOs made a point of declaring that while they advised on strategy they did

not determine strategy. The final CFO role identified was that of “supporter” and predominantly this concerned providing information to support decision-making and “working behind-the-scenes” to support the organisation’s mission. The CFO roles of “protector”, “innovator” and “strategist” were not dissimilar to the findings of other published CFO studies. The role of “supporter” may be related to CFOs’ personal philosophies and comments about their commitments to working in the not-for-profit sector and their particular organisations.

The point of differentiation for NFP CFO from their FP counterparts is in the area of challenges for CFOs in NFP organisations. The scope of activities undertaken by some NFPs may be far broader than one would find in a FP organisation. The unique nature of the varied activities of some NFPs also contributes to difficulties in determining key performance indicators and benchmarking. Decision-making and change is often slower and when income comes partly from government grants there is bureaucracy to deal with. Additional communication challenges arise for NFP CFOs within their organisation as they may be interacting with more people with limited business and finance experience compared with their FP colleagues. To gain organisational support, communication needs to be couched in terms of the benefits to patients/clients rather than the impact on the bottom line.

Although NFP organisations have distinct features that are not found in FP organisations, the current financial environment finds many organisations under financial pressures, both FPs and NFPs. The key functions of NFP CFOs have much in common with their FP CFO counterparts. The distinct nature of NFPs does however pose additional challenges for NFP CFOs. The results of this study have implications for both current and aspiring NFP CFOs as well as those who interact with them. NFP organisations are a valued segment of the economy and are increasingly relied on by governments to provide services previously provided by the public sector. NFP CFOs play prominent roles within their organisations and understanding those roles and challenges they face provides an opportunity to learn from successful NFP CFOs and pre-empt potential problems.

This research is subject to some limitations. Participants were recruited by referral and may not be representative of the wider group of Australian NFP CFOs. Because of this the participants cannot be said to statistically represent their counterparts. Nevertheless prior studies of CFOs have concluded that they share numerous common perceptions of their roles (IBM, 2010; KPMG, 2008; Simister, 2007). Therefore the findings from this study may provide understandings of NFP CFOs perceptions of their role. Additionally interviews were undertaken with the CFOs, not those who interact with the CFOs. This limitation gives rise to the possibility for further research that looks at perceptions of the role of CFOs from outside of the role. The CFOs in this study perceived a number of significant challenges in working as a CFO in NFP organisations. Further research could investigate how successful CFOs navigate these challenges and provide recommendations for both existing and aspiring NFP CFOs.

One observation from the current study was how the role of CFO changed from when one was starting out as a new CFO in an organisation to when one was established in the role. Further research could examine how CFOs grow into the role and this will be particularly helpful for new CFOs. While this study examined the role of the CFO, future research may focus on the skills required to be a successful NFP CFO. Although prior CFO research, which has predominately been focused on the FP sector, has highlighted the importance of leadership, team and communication skills for the CFO, this has also been revealed in the

current study. NFP sector challenges may however mean that CFO's working in the NFP sector need to fine tune such skills to accommodate the unique features of the sector. This highlights yet another possible topic for future research in a very under researched arena.

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**Appendix 1. Activities undertaken by participants' organisations**

Participant	Education	Health	Religious	Social Welfare
A	Y	Y		Y
B	Y	Y	Y	Y
C	Y			
D	Y		Y	
E	Y			
F	Y		Y	
G	Y			
H		Y		
I	Y	Y		
J	Y	Y		Y
K				Y
L		Y		
M		Y		
N				Y
O	Y		Y	

## Appendix 2. Summary of participants' metaphors

Participant	Summary of Metaphor
A	The person in the organisation who knows what is going on across the whole organisation without other people necessarily people knowing.
B	Finance is a supporting function to the business.
C	Value adding and providing information that facilitates decision making.
D	Keep the organisation financially responsible.
E	A windmill, spinning around with requests from various directions.
F	Jack of all trades, juggling the irons in the fire.
G	The corporate nag.
H	One version of the truth.
I	No specific metaphor.
J	A facilitator, adviser and sometimes sheriff.
K	"Everything you do, we do because we are jealous of others."
L	The watchdog.
M	The protector and the innovator.
N	Change agent, providing confidence that things are well managed.
O	Puppeteer.