Report to the ATS Leadership Education Council

Chief Financial Officers

Section 1: Introduction and Background

Synthesis of Findings:

This report is designed to provide the ATS Leadership Education Council with relevant findings and insights useful to them in support of the following research goals:

- Study CFOs to better understand the state of the CFOs role in theological education. This research goal could be summarized by the title: **Research Findings on the Profession**.

- With a better understanding of the CFO role, identify needs that can be addressed with an updated curriculum for leadership education. This research goal could be summarized by the title: **Insights for Future Educational Programming**.

This report is a synthesis from the work of others on the research team who completed the quantitative survey study and the qualitative interviews of chief financial officers (CFOs). The quantitative survey included responses from 83 CFOs from the pool of 157 CFOs who were invited to participate in the survey. This work provides a significant survey sample which represents almost a 60% response rate from the invited pool of CFOs from institutions accredited by the Association of Theological Schools. The qualitative interviews included 18 one-on-one CFO interviews that probed more deeply into the research questions.

My perspective has been informed by my early career service in both business (the controller's department of a major oil company) and public accounting (as a CPA with a national public accounting firm). My MBA with an emphasis on accountancy and non-profits was helpful to me in my later years of service as follows: 31 years as a CFO (15 years with an international relief and development agency and the later 16 years of which were with a seminary) and 7 years as a chief operating officer at another seminary (in which the CFO reported to me). In total, I served 22 consecutive years in senior leadership with two seminaries. During my 16 years of service as a seminary's CFO, I was a regular and active participant beneficiary, volunteer and occasional key note and break out speaker in ATS's educational programming for chief financial officers.

My work in synthesizing the findings from the survey and CFO interviews is also informed by more than ten years of service as an In Trust mentor with presidents and boards with special emphasis on strategic financial planning, the board's role in strategic planning and board

governance.   I developed for In Trust a "Financial Health Checkup" tool to help CFOs measure the financial health of their institutions using metrics designed more broadly for higher education. I recently retired from my service as a member of the board of directors of In Trust.

In summary, I have had the joy of serving 23 consecutive years in higher education administration and a variety of volunteer leadership roles within the seminary context.

Format of Report to Follow Research Questions:

This report is organized in keeping with the eleven, key research questions with subcategory breakouts within each question that describes (1) the research findings and (2) insights for possible future educational programming. This report has organized the eleven research questions into the following four major groupings:

<u>The Nature and Role of the CFO (Research questions 1 – 4)</u>

1. How has the role changed?
2. What are the pathways to the role?   What education, experience, social capital, and support networks have contributed to the pathway?
3. What is the nature of the work (including doing the work of multiple roles)? How is it distributed?
4. What is the relationship of the role to other roles in the institution?

<u>Job Satisfaction and Retention of the CFO (Research questions 5 – 7, 10)</u>

5. What recruitment/retention models are most effective?
6. What predicts longevity in the role?
7. What predicts satisfaction in the role?
10. How adequate is compensation?

<u>Effectiveness in the Role (Research questions 8 – 9)</u>

8. What predicts effectiveness in the role?
9. What leadership models have been most effective? (How to define leadership effectiveness—innovation? Leading through change? Strength of leadership? Strength of school? Satisfaction/learning of its constituents?
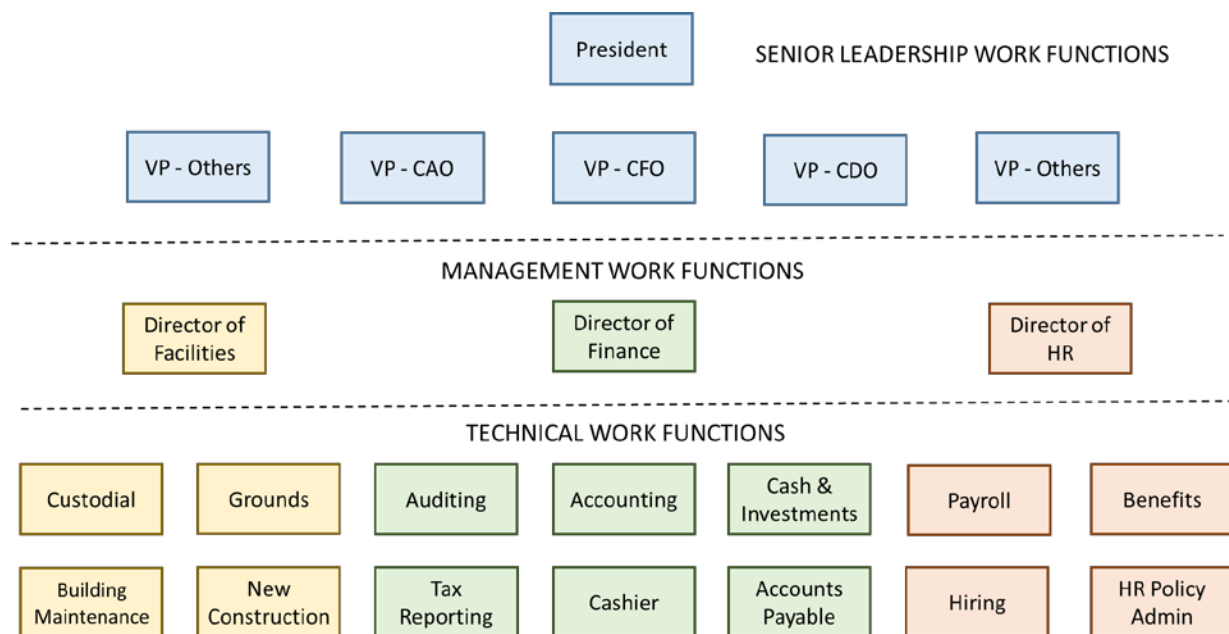
<u>Preparation Gaps (Research question 11)</u>

11. Where are the preparation gaps? How should ATS change its programming in order for it to be the "go to" resource for you?
    a. Skills
    b. Orientation to world of theological education

      c.   Orientation to institutional/organizational thinking

Section 2: Executive Summary

The research findings confirm that CFOs must balance their broad span of technical work responsibilities with their responsibilities to manage their teams and be collaborative senior leadership team members. The graphic below shows the CFO's three layers of work responsibilities are divided among these major functions, all of which are important:

1. <u>Senior leadership work functions</u>. The senior leadership team relies on the CFO to take a major role in their collaborative work in such areas as strategic planning, annual institution-wide budget planning, developing sustainable business models, compensation planning, long-term facilities planning, etc.
2. <u>Management work functions</u>.   The direct reports to the CFO rely on the CFO to provide management guidance in the areas of annual goal setting, communicating organization-wide goals, weekly team goal setting, problem solving, team building and morale, establishing a culture of excellence, hiring new team members, training staff, conducting annual performance reviews, etc.
3. <u>Technical work functions</u>. The research validates that most CFOs have a diverse span of technical work functions assigned to them. Most frequently those work categories include finances, facilities and human resources. Many CFOs also carry other technical work responsibilities (especially in smaller schools) including information technology, auxiliary enterprises, financial aid, and even some that branch out into the areas of fundraising, registrar, student services and other academic areas. The smaller the school, the more likely the CFO will have direct responsibilities for many of the technical work functions.

President

SENIOR LEADERSHIP WORK FUNCTIONS

VP - Others | VP - CAO | VP - CFO | VP - CDO | VP - Others

MANAGEMENT WORK FUNCTIONS

Director of Facilities | Director of Finance | Director of HR

TECHNICAL WORK FUNCTIONS

Custodial | Grounds | Auditing | Accounting | Cash & Investments | Payroll | Benefits

Building Maintenance | New Construction | Tax Reporting | Cashier | Accounts Payable | Hiring | HR Policy Admin

The CFOs regularly balance the expectations of their institutions along all three of these work functions. CFOs must have sufficient knowledge of the technical work to either carry those functions out themselves (the smaller schools) or have sufficient competencies in those multiple technical areas to provide effective management and oversight. The simple graphic above showed fourteen (14) unique areas of technical competencies. At the same time, their senior leadership teams expect them to provide leadership in certain areas (e.g. developing sustainable business models, fair and reasonable compensation planning) where collaborative senior leadership planning and implementation work takes place. These expectations build pressure and can create an unhealthy level of work stress.

As will be described in the more detailed review of research findings and implications in Section 3, the ATS Leadership Education Council may find it useful to consider the following:

1. Assess Gaps Across All Three Work Function Categories: Assess the gaps in the educational curriculum across all three of the work function categories.

2. Offer a Variety of Delivery Methods: Provide a variety of "just in time" education across all three work functions through conferences, webinars, mentoring, senior leadership team training, advanced "hands-on" technical training, printed resources and sample forms and documents. The variety of delivery methods can help those CFOs who do not have time or the institutional resources needed to enjoy the many educational and relational benefits of attending the annual Financial Officer's Conference.

3. Serve New CFOs with Specialized Training: In curriculum planning, consider the implications that many CFOs begin their jobs with their schools without any prior CFO

experience. They may have significant technical competencies within a specific technical area (e.g. finances, technology, etc.) but underline experiences in (a) other areas of technical responsibilities that they now find themselves managing, (b) team management (i.e. limited management experience) and/or (c) senior leadership functions.

4. Provide Training in Shared Governance: In curriculum planning, consider that many CFOs have prior work experience in business and non-profit sector, but have little knowledge regarding the implications and impact of shared governance in their senior leadership work responsibilities.

5. Support Senior Leadership Functions: In curriculum planning, remember that the greatest areas of reported CFO work stress appear to be at the level of senior leadership work functions related to strategic planning, the development of sustainable business models, change management and effective conflict management skills (rather than technical or management work functions).

6. Inspire "Highest Level of Contribution" Thinking: Find ways to help CFOs aspire to the highest levels of senior leadership work that their institutions need from them. If CFOs invest too much of their time to manage and/or fulfill their broad spans of technical work, there may exist a significant "senior management work" gap that is never filled and cannot be easily absorbed by other leaders or even outside consultants.

7. Provide Technical Training in Business Models: Provide advanced "hands-on" training of CFOs in the technical understandings of what a "sustainable business model" is and how it relates to adaptive changes. This training can incorporate (a) ATS's fiscal standards, (b) the use of the "equilibrium model", (c) standardized metrics used in higher education to measure the financial health of an institution, and (d) examples of how to build effective "what if" models.

8. Offer Experiential Senior Leadership Team Workshops: Provide experiential team workshops to presidents and their senior leadership teams in such areas as adaptive problem solving, strategic planning, innovation and building sustainable business models. These collaborative experiences can help "jump start" a leadership team to discover relationally healthy and wise practices for effective responses to the challenges of systemic problems.

9. Integrate "Soft Skills" with "Technical Skills" in Educational Programming: Consider the value of integrating "soft skills" like conflict management and "facilitating uncomfortable discussions" with other senior leadership technical skills related to

strategic planning, change management and business model development.

10. <u>Provide CEO training in Managing CFOs</u>: With 40% of CFOs not receiving formal, written annual evaluations, there is a need and educational opportunity to help CEOs understand the role of CFOs and provide training and templates for use by CEOs to perform effective, annual performance reviews of CFOs (and other direct reports).

Section 3: Synthesis of Findings from Research Questions

Section 3.1 The Nature and Role of the CFO (Research questions 1 – 4)
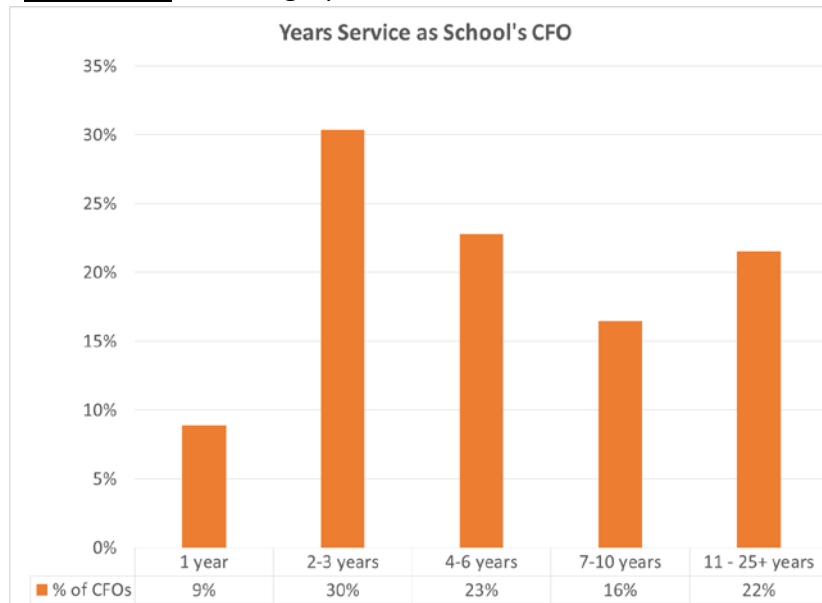
<u>Research Findings on the Profession:</u>

On average, CFOs of ATS schools are experienced in the work place and come to their positions with an average of 25 years of full time service (with a range of 0 to 40 years). This typical depth of experience is most likely a strong determining factor in the ability of CFOs to navigate the variety and demands of their technical work and the investment in senior level leadership work required for success. When asked in the survey **what helped them attain the qualifications** for their positions the top responses were: (1) growth and development of skills (62%), (2) effectiveness in prior leadership role (58%), and (3) their education (46%).

 The most frequent pathways to their current CFO role include those with prior business experience (79%), non-profit experience (44%) and/or higher education experience (20%). This depth of experience has prepared many of those surveyed to tackle an extraordinarily challenging job.

Many of the interviewed participants came into the role as a CPA and/or with an MBA. The interviews confirmed what we learned in the surveys that participants expressed that financial training prepared them to oversee the finances of their institutions and that they felt equipped for their roles through their formal education.

Yet, the survey study provided the data to better understand that many CFOs are new to the role of CFO. As the graph shows, almost 40% of CFOs have less than four years of CFO experience with their schools. But, this is only part of the story. **It is noteworthy that more than half of the CFOs surveyed accepted their positions as first-time CFOs**. Specifically, 52% of the CFOs reported that there first job as a CFO was with their institution. Although many of those CFOs have now been on the job for ten or more years, all of those CFOs had to "learn on the job".   If this survey group is representative of all of the member schools, it means that there is a significant opportunity for the ATS Leadership Education Council to provide early training and orientation to the job of CFOs.

Years Service as School's CFO

	1 year	2-3 years	4-6 years	7-10 years	11 - 25+ years
% of CFOs	9%	30%	23%	16%	22%

When digging deeper into the survey findings, we find that 20% of the CFOs in the survey have less than four years of experience **and** no prior experience as CFOs at another organization. It is clear that this group came into their jobs with the need to become quickly competent over their technical, management and senior management work functions.

The following table provides the deeper dive on this data:

Years as School's CFO	CFO Responses	% of CFOs	Prior Experience as a CFO	
			Yes	No
1 Year	7	9%	71%	29%
2-3 Years	24	30%	46%	54%
4-6 Years	18	23%	56%	44%
7-10 Years	13	16%	46%	54%
11-25+ Years	17	22%	35%	65%
Totals	79	100%	48%	52%

The survey results confirmed that **CFOs have a diverse span of control** over underlying technical functions to each other (e.g. experience in accounting does not necessarily give a new CFO related experiences in plant maintenance). CFOs have broad responsibilities that are tailored specifically to the size and needs of their schools. In larger schools, the CFO's responsibilities tend to include accounting, budget planning, legal, taxes and regulatory, facilities, human resources and technology. In smaller schools, the span of control may increase to include such varied functions as financial aid, recruitment, student services, advancement and even some academic-related responsibilities. CFOs also have broader institutional roles as a senior leaders of their school (e.g. as a member of a president's leadership team or Cabinet) with increasing expectations to be a key participant in the highest levels of strategic planning and involvement with the governing board.

In smaller schools, the CFOs may wear multiple hats and have direct responsibilities for the underlying technical functions (e.g. accounts payable, payroll, human resources, etc.). In larger institutions, the CFOs may have direct reports that oversee technical functions like accounting, human resources, information technology and facilities. Whether the CFO has direct technical responsibilities for performing the tasks or has direct reports who handle the technical work, CFOs must develop and maintain competencies in an extraordinarily broad number of technical functions in order to meet the needs of their schools with excellence.

Because most CFOs accept their positions with a clear understanding that their roles require a large span of control, the interviews reflected that most CFOs tend to enjoy the challenges and variety of issues they face on a day-to-day, week to week and month to month basis. Also, even though the responsibilities in their current roles are extraordinarily challenging, some CFOs shared that they found their work more meaningful than in their prior workplaces due to the Christian community they experience on the job. Overall, the interviewed CFOs expressed

that their "prior work experience was instrumental in helping them navigate the challenges that a CFO encounters in their role".

When asked in the survey to "reflect on the nature and duties of your predecessor and your own time in office, how has the nature and duties of your current position as CFO changed", the survey responses indicated that CFOs perceive that there is:

1. Increased expectation for efficiencies and strategy involvement at their institutions, and
2. Increased need to add more functions to their job descriptions.

The CFO interviews reinforced these trends and revealed a deeper level of understanding regarding these themes:

1. Increasing Need to Absorb More Technical Functions: For those in which resources at their institution have become more limited, they also had to eliminate positions and take on more responsibilities.

2. Demanding Tactical and Strategic "Work Balance" Pressures: Because of their span of responsibilities, CFOs face the tension of performing and managing time sensitive, day-to-day technical work while also being expected to think and act strategically at the highest levels within their institutions.

3. Being a Reliable and Trusted Source of Information is a Priority: Despite the variety of work responsibilities, CFOs realize that not all of their responsibilities are equal. Many CFOs voiced that one of their greatest responsibilities is to be a trusted source of accurate and relevant financial information for their senior colleagues, the board and others.

Insights for Future Educational Programming:

Future ATS educational programming will benefit from the knowledge that many CFOs had limited or no CFO experience before they started the jobs in their institutions. Furthermore, the research reinforces that the educational needs of CFOs cover a broad range of technical areas and issues many of which are subject to externally imposed regulatory, legal, technological and accounting standards changes. Finally, CFOs face a multitude of challenges that impact their priorities and require a substantial investment of their time to overcome.

In view of these findings, the following insights are offered for education programming:

1. For Newer CFOs: For CFOs who come into their positions with little or no prior CFO experience, the learning curve is extraordinarily steep with risk to the institution and to the long-term career successes or failures of the CFOs.   According to the survey, about 39% of CFOs have less than four years of experience with their institutions. 20% of all CFOs of ATS schools have less than four years of experience and have never previously

served as a CFO at a prior organization. Persons new to the CFO role benefit greatly from any help ATS can provide to help them understand:

a. How to gain competencies, assess, prioritize and set goals in their varied areas of technical responsibilities,
b. What resources might be available to them to help in their technical responsibilities including such things as standard job descriptions for their direct reports and standard metrics to use in assessing their technical areas of responsibilities (e.g. facilities, human resources, accounting)
c. Ways to balance technical work with the management of their teams and senior leadership responsibilities,
d. How their role is shaped and influenced by the shared governance model of their institution, and
e. How to measure and assess the financial health of their institutions and develop strategic financial responses.

2. <u>For Experienced CFOs</u>: At the same time, the survey results show that most CFOs have many years of experience as CFO with their schools with strong financial and operational preparation (e.g. CPA backgrounds, MBAs, and experienced as prior CFOs in business, not-profit or other higher educational institutions). The experienced group of CFOs will benefit from more ATS programming that provides:

a. High level technical updates of greatest importance in the areas of accounting and auditing, emerging technology, regulatory changes, etc.
b. Awareness and implications of current research in the areas of new organizational models and the relationship with educational models,
c. More advanced training and skill development in areas such as strategic planning, developing and building sustainable business models, and effective senior leadership.

Although these are likely to be "high interest" topics for experienced CFOs, even newer CFOs will need early exposure to them. This is true especially for item 2b above. Exposure to current research on organizational and educational models can provide newer CFOs with new frames and mindsets that can help shape their next decade of work. For even the new CFOs will quickly find that their senior leadership teams will be (or should be) looking to them for strategic input in the areas of organization models and their relationship to educational models.

Section 3.2: Job Satisfaction and Retention of the CFO (Research questions 5 – 7, 10)

Research Findings on the Profession:

Survey Results: Almost 1 of 4 CFOs reported that they are **not sure** if they will leave or transition out of their positions in the next 12 months.   We do not have enough data through the survey and interviews to fully understand why so many CFOs responded in this way. Did survey participants respond in this way because:

In the next 12 months, do you intend to leave your position?

Yes 12%

Not Sure 24%

No 64%

1. CFOs are dissatisfied with the nature of their jobs.
2. Excessive work stress is pushing CFOs out of their jobs? If so, what are the stress factors?
3. Uncertainty about their institutions' future.
4. Lack of confidence about their own job performance due to lack of formal performance reviews.
5. They are considering retirement?

Additional survey data does help us look into the first two items listed above related to job satisfaction and work stress factors.

Let's first look at **job satisfaction factors**.   Survey participants were asked to rate their level of satisfaction across eight (8) work factors. They were then asked to rate the level of importance that those factors are to them regarding job satisfaction.
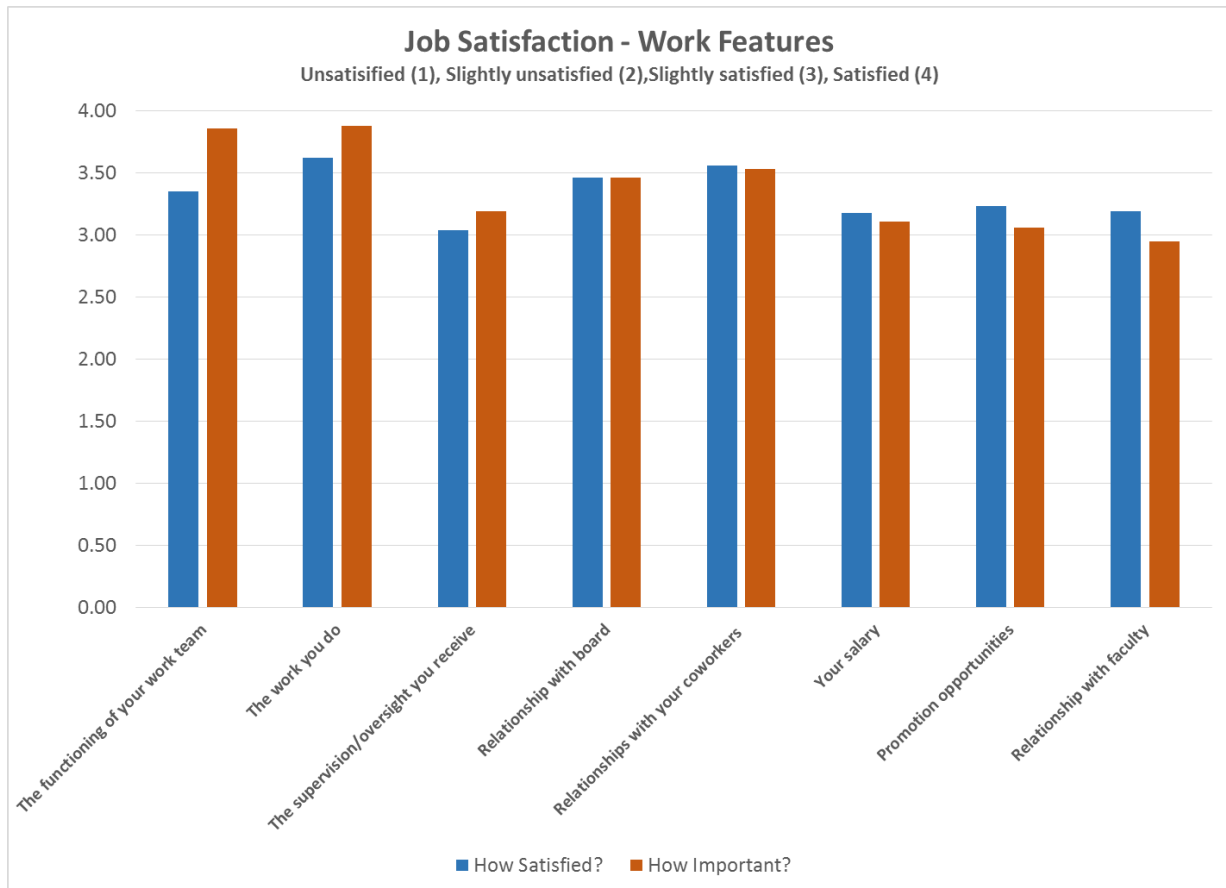
Here's what we learned. The survey showed three work functions with significants gaps between job satisfaction and the higher level of importance reported by CFOs. Those three categories are:

1. The functioning of your work team (the largest gap).
2. The work you do (second largest gap).
3. The supervision/oversight you receive (the third largest gap).

We have already explored the challenges that CFOs face in managing their time among technical work functions, team management work functions and senior management work functions. Does this survey response indicate that CFOs feel the pressure of being better team managers then they are able to give to this work? Or, do they find that the competency levels of their direct reports require more attention then they have the time to invest?   More research is needed to understand why this gap exists.

Despite these three specific areas of concern, CFOs rated "the work they do" as their highest level of satisfaction among the eight categories. Interestingly, they also rated this item as the most important to them. This scoring seems to indicate that most CFOs are experiencing great satisfaction in the work they do and by extension are finding fulfillment in it. That is, it appears that CFOs self report that they are "in the right job".

The graph below shows the level of satisfaction with the level of importance by question:

Job Satisfaction - Work Features
Unsatisified (1), Slightly unsatisfied (2), Slightly satisfied (3), Satisfied (4)

Here are a few final comments: Although CFOs rate their satisfaction regarding supervision as "slightly satisfied", it seems to be an area of importance to them where improvement in supervision and feedback might be welcome. Is this gap due to the lack of experience that CEOs of seminaries have in senior level administration? Is it due to the gap in knowledge between a CEO and the technical work of a CFO? Is it due to the time demands of a CEO?

Finally, it is worth noting that CFOs rated "relationship with faculty" as lower in importance than their level of satisfaction. Experienced and effective CFOs learn that adaptive changes require strong relational equity and trust with the academic side of the school including faculty. Is this a training opportunity to be factored into "senior leadership team workshops" and "soft skills" training?

The survey also provides some learnings about **job stress factors**.   The survey results report the following as the top three stress factors all of which can inform future educational programs:

1.   Finding a sustainable business model.
2.   Dealing with difficult employees and colleagues.
3.   Annual budget cycles.

Based on the survey results, the following graph helps us understand the job-related stresses of CFOs compared to their CAO colleagues as:

Causes of Work Related Stress - CFOs Compared to CAOs
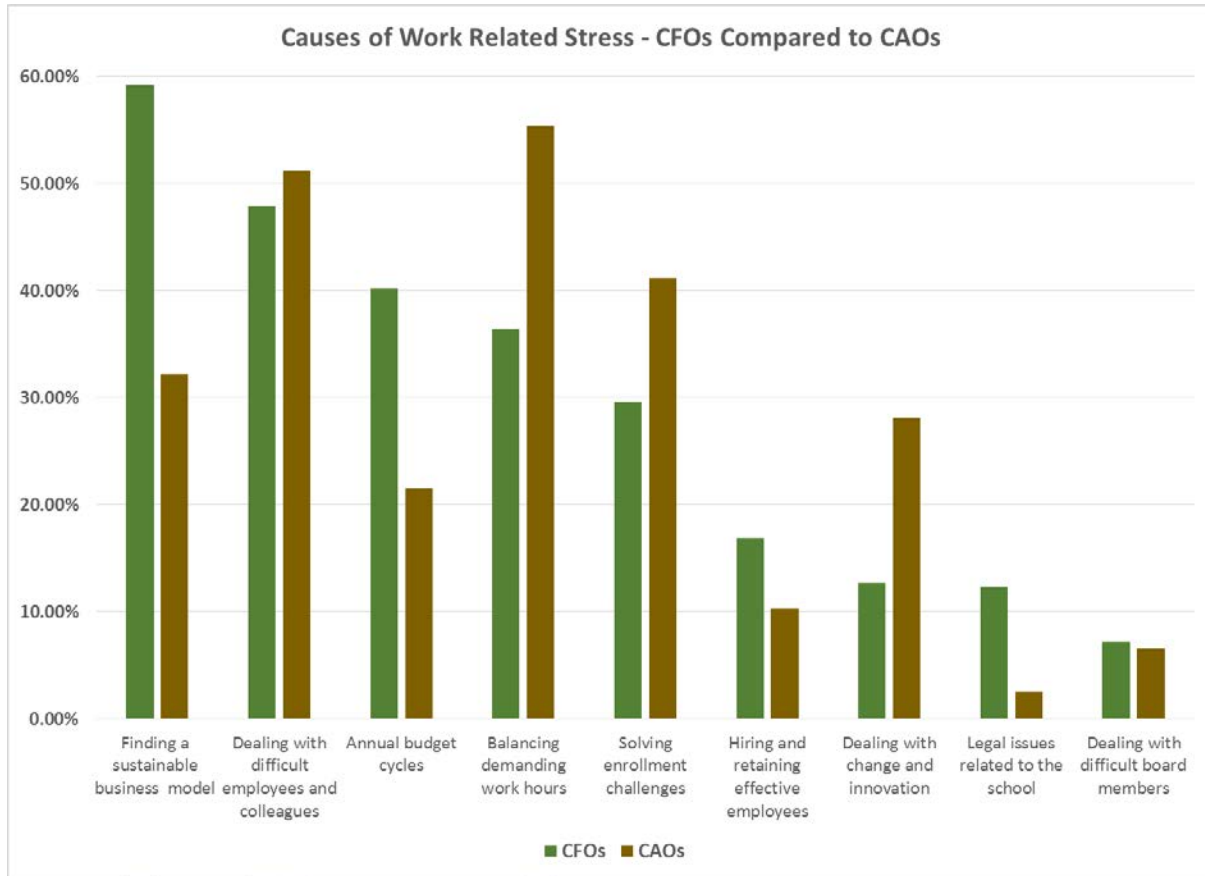
The CFO interviews highlighted some of these stresses, particularly the differences between the pressures felt by CFOs compared to CAOs with regards to the fiscal matters of (1) finding a sustainable business model (strategic issues) and (2) annual budget cycles (tactical issues).

Despite the stress related to finding a sustainable business model and annual budget cycles, the survey results indicate that **most CFOs believe that they have significant influence** in the financial decisions related to their institutions. For example, 89% of CFOs reported that they are provided ample opportunities to collaboratively contribute in institutional planning necessary for their schools to accomplish its mission within a sustainable economic model. 79% of the CFOs also reported that they are given sufficient authority to take the collaborative and

appropriate action necessary to regularly achieve a balanced (or surplus) annual operating budget. This finding provides an important insight that although CFOs feel the weight of financial pressures they believe that their senior colleagues value their expertise and accept their fiscal leadership roles.

At the same time, it is worth noting that 1 out of 5 CFOs report that they lack sufficient authority to help their schools operate within available resources. In a related way, it would be helpful to know the level of correlation between the CFOs' perceived authority to help ensure that their schools operate "in the black" with schools that operate "in the red". For example, what would it tell us if 25% of CFOs who reported that they have sufficient authority to take the actions needed to achieve balanced budgets serve at schools that operate with losses?

The interview results highlighted a number of **challenges that CFOs face**. As to be expected, **some of these challenges create significant stress** for some CFOs. But other CFOs find that the challenges can be overcome through effective team work. Examples of potential stress include:

1. Responding to Declines in Enrollment and Giving – Some CFOs find themselves immersed in responding both strategically (longer term horizon) and tactically (annual budgets) to the missional and financial threat of declining student numbers and the resulting loss of tuition revenues. Others are already expressing concerns about how their donations will be unfavorably impacted by the market losses and unemployment caused by the world-wide pandemic.

2. Implementing Change – Quoting from the qualitative study report: "Because the culture of higher education is often slow to change, it makes it harder for CFOs to implement change . . . When CFOs see the financial realities of the institution in decreases in revenue, others have a different focus and different values in the way they see education."

3. Differing Values with Faculty and Others on the Leadership Team – Quoting from the qualitative study report: "A*s* the CFOs have to look at the financial realities of their institution, they come into conflict with others on their leadership teams because of the differing values that they have. While the academic side focuses on the quality of the education, the CFOs have to look at the financial side to support the academic side . . . While the CFO see the need for change to have a sustainable business model, the academic side has a harder time seeing the need for change."

4. Lack of Succession Planning and Orientation to their Jobs – Quoting from the qualitative study report: "Many of the participants described how there is a lack of succession planning at their institutions . . . Since many participants did not have a predecessor to train them, they had to learn the many responsibilities of their position on their own . . . As participants came from industries outside of higher education, they had to quickly

learn the different ways their institution handled the finances, and also had to learn the culture of higher education."

5. <u>Trust and Collaborative Decision Making</u> – As to be expected, there is a range of trust and collaborative decision making processes among the CFOs interviewed. The common challenge that CFOs face is the time demand that is necessary for them to develop the one-on-one trusting relationships with their colleagues and with the senior leadership team as a whole. Quoting from the qualitative study report: "Some participants reported a very high level of trust among their whole leadership team. Those who had higher levels of trust through their whole leadership team often had long-established relationships, as their leadership team had been working together for years. However, some leadership teams are still learning to work together as they have had to adjust to different transitions with new presidents or other leaders coming onto their team. Other teams had a unified vision of how they were working together, which created a higher level of trust. They also had open communication between their team, so they felt the freedom to dialogue and challenge one another when needed. This discussion, debate, and buy-in helped their team have a high level of trust.

The CFO interviews provide some insight regarding how CFOs tend to effectively manage the stress in their jobs. The following quote is found in the qualitative study report:

"With the various challenges of their role, the CFOs described various ways they manage their stress. While qualitative data cannot show predictions on longevity, the interview data does show different ways of how CFOs manage their stress, which can describe some possibilities of how CFOs can stay in their role. Many of them reported how they have a daily time of prayer, meditation, or reflection to help them remember their purpose or help alleviate anxiety. Other participants reported how they exercise by going to the gym, running, or taking walks with their dogs. The largest factor in helping CFOs alleviate stress is the supportive relationships they have inside and outside of their institutions."

The one-on-one interviews included further texture to some of these stress-reducing relationships. CFOs shared the benefits of supportive relationships with mentors and colleagues including their bosses (e.g. presidents), other senior administrators, trustees and even auditors.

Many of the interviewed CFOs expressed joy in the following relationships and activities:

1. Working with their teams
2. Being well-matched in skills and gifting with their job responsibilities
3. Feeling valued at their institutions
4. Having meaningful work to contribute to the Kingdom.

In summary, the CFO interviews provided some clues into the CFO practices and relationships that provide them with some of the resiliency needed to persist in their stress-related jobs.
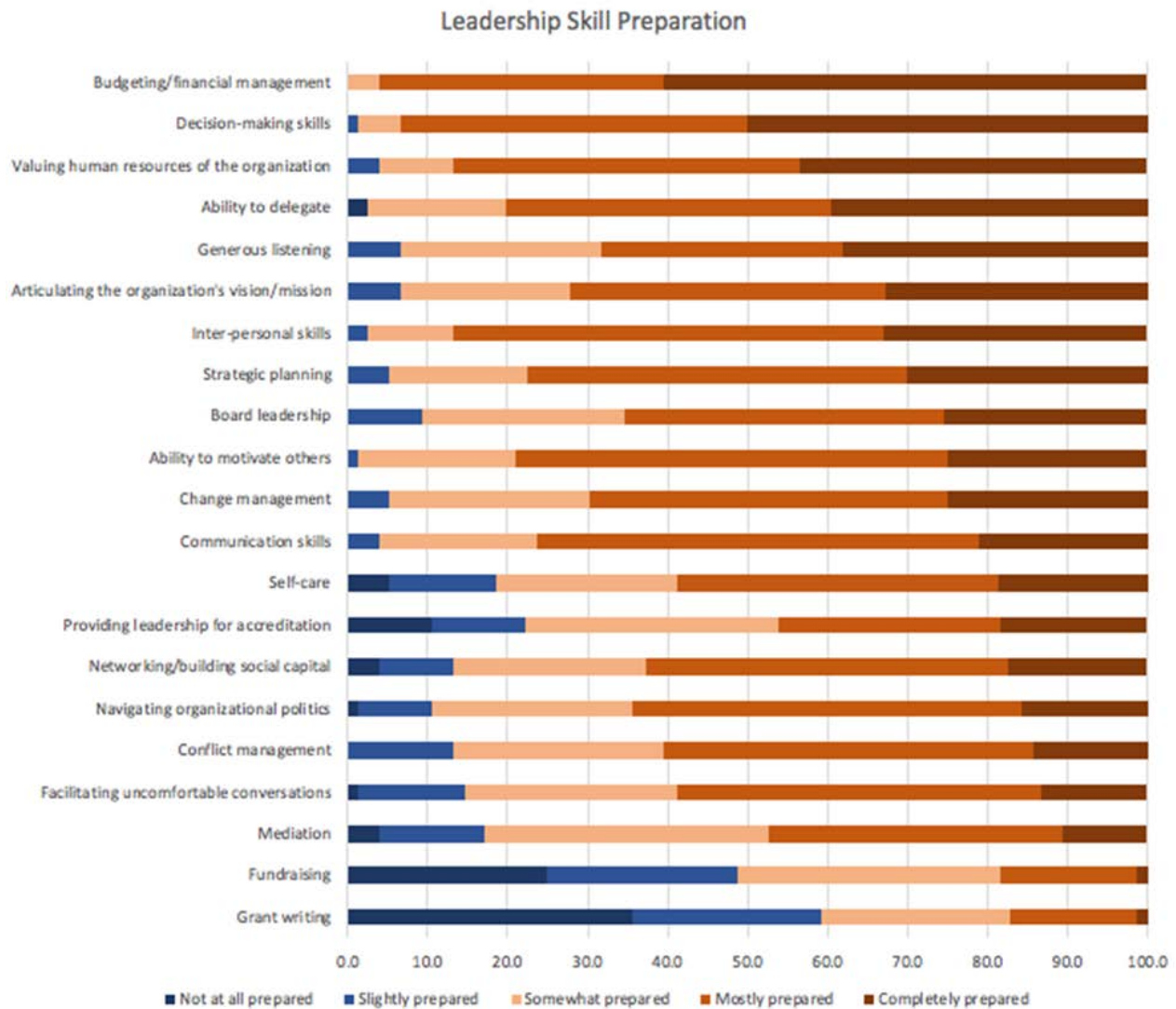
Insights for Future Educational Programming:

Based on these survey results and CFO interviews, it would be useful to think through the following questions that may offer ideas for future educational programming:

1. <u>What programming could help reduce the gap between the effective functioning of CFO work teams and the high level of importance that CFOs want to give to this work?</u>   Since CFOs are stretched from the most senior level areas of work to the most technical areas of work (e.g. closing the books each month, preparing monthly financial statements, consolidating annual budgets, some processing bi-weekly payrolls), the area of work responsibilities at risk to be "short changed" is the management work related to their team members. Educational programming may be necessary to simply remind CFOs of the critical importance of giving sufficient management time to their direct reports.

2. <u>How could ATS help presidents, CFOs, CAOs and other senior leaders learn together how to develop sustainable business models for their schools</u>?   It is clear that CFOs feel the pressure to help their institutions develop and maintain a sustainable business model. It is also clear that other senior level colleagues have other areas of priority that demands their attention and expertise. Since CFOs cannot produce a sustainable business model in isolation of the senior leadership team, it appears that ATS has an opportunity to provide senior leadership training in "best practices" for collaborative work in developing sustainable business models.

3. <u>How could ATS bring together teams of presidents, CFOs, CAOs, and other senior leaders learn together how to embrace the changes and innovation needed for their schools as they engage in strategic planning work?</u> In a related way to item #2 above, sustainable business models cannot be developed in isolation of effective strategic planning. Perhaps there are a variety of training modules that ATS could develop for senior leadership teams that cover the broader landscape of educational models, innovation and change management, and strategic planning.

Section 3.3: Effectiveness in the CFO Role (Research questions 8 - 9)

Research Findings on the Profession:

The graph below displays how CFOs perceive their **preparation in the following leadership skill areas:**

Leadership Skill Preparation

Skill	
Budgeting/financial management	
Decision-making skills	
Valuing human resources of the organization	
Ability to delegate	
Generous listening	
Articulating the organization's vision/mission	
Inter-personal skills	
Strategic planning	
Board leadership	
Ability to motivate others	
Change management	
Communication skills	
Self-care	
Providing leadership for accreditation	
Networking/building social capital	
Navigating organizational politics	
Conflict management	
Facilitating uncomfortable conversations	
Mediation	
Fundraising	
Grant writing	

Axis: 0.0 10.0 20.0 30.0 40.0 50.0 60.0 70.0 80.0 90.0 100.0

Legend: ■ Not at all prepared ■ Slightly prepared ■ Somewhat prepared ■ Mostly prepared ■ Completely prepared

I offer the following observations:

1. It is no surprise that CFOs express their strongest area of preparation related to budgeting and financial management. Despite this strong preparation, CFOs need help with regular updates on technical changes related to accounting and auditing standards, new accounting technology opportunities, and ways for improved effectiveness. This need represents an area of "continuing education" interest to CFOs in order for them to

"stay current" and an ongoing opportunity for ATS educational programming.

2. Most CFOs are "action oriented" related to decision-making. This is an extraordinarily important skillset for CFOs since much of their technical work includes deadlines that cannot be missed (e.g. payrolls, regulatory and tax reports, financial statements, variance analysis, cash management, software and hardware maintenance routines, custodial services, building maintenance, etc.).

3. Many CFOs reported that they are less prepared when it comes to (a) facilitating uncomfortable conversations, (b) conflict management, and (c) change management. CFOs who are engaged in strategic planning work and the related work of developing sustainable business models, will inevitably find these "soft skills" essential for collaborative teamwork at the senior levels of the organization and in collaboration with faculty.

Within the context of this preparation, the graph below displays how CFOs responded to key questions that describe their self-assessment of their **effectiveness on the job:**

Measures of Effectiveness on the Job
Strongly Agree (4), Agree (3), Disagree (2), Strongly Disagree (1)
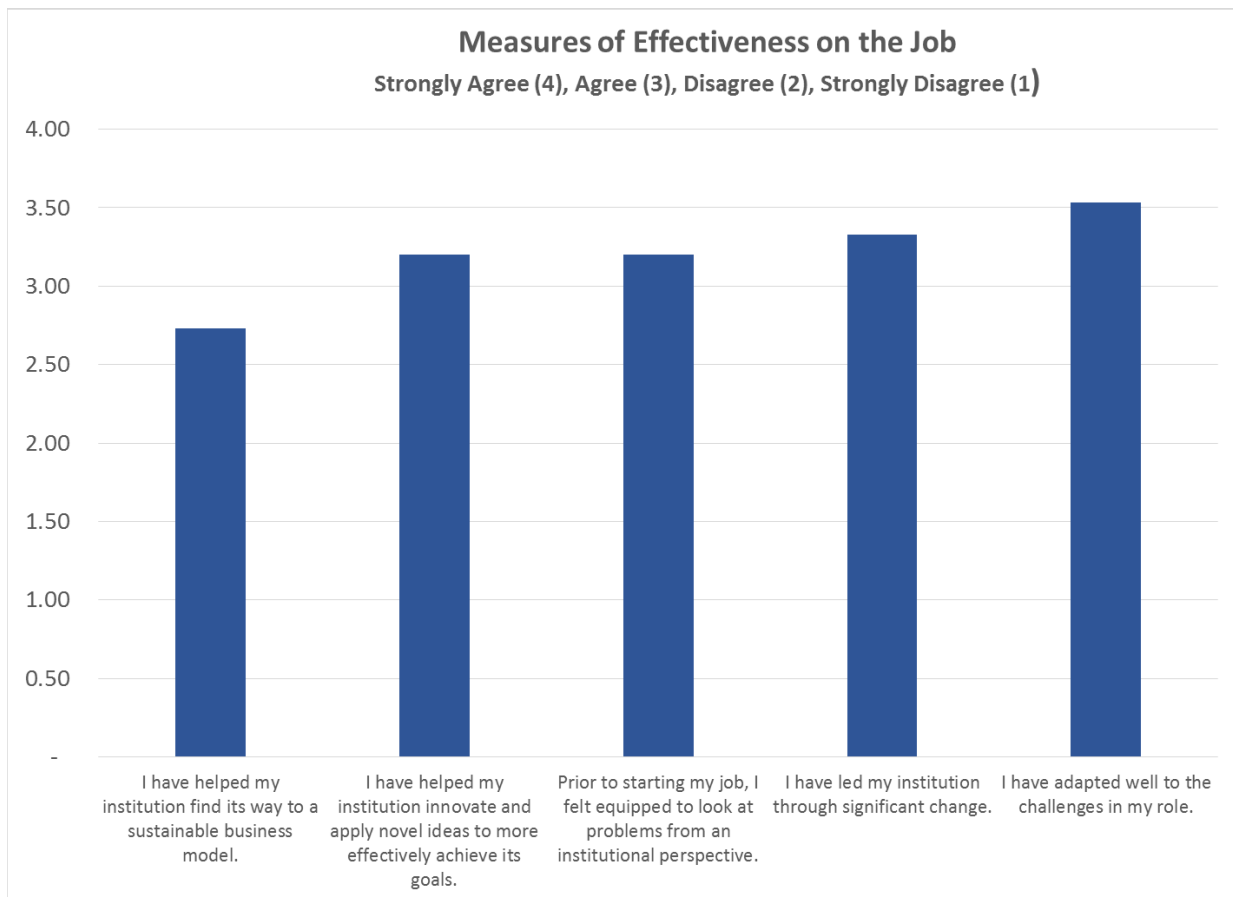
Interestingly, almost 40% of surveyed CFOs reported that they **do not** "regularly receive a written performance evaluation at least annually". Therefore, many of the CFOs responses to

these measures of effectiveness are not supported by formal interviews but rather informal conversations and their self-perceptions.   One-on-one interviews confirmed that CFOs value constructive feedback from their bosses.   <u>Clearly, this is an area of needed improvement for many schools.</u>

Most CFOs agree or strongly agree that they have adapted well to the challenges in their roles as CFOs. The one-on-one interviews confirmed this favorable perception of CFOs. As stated in the qualitative interview report:

> "Because some of the participants have an accounting background, they enjoy numbers and balancing the budget. In this way, they felt well-matched in their skills and gifts in the role of CFO. Others who did not have an accounting background still came from a financial and strategic planning background, so they still brought many of their previous skills and gifts into their current role. One participant said, 'I think it's a very good role for me, I think just both in my skills and my personality. I think it's well-matched' (Interview 4). They found it satisfying to be able to use their skills and gifting to help the institutions, and it helped them feel affirmed in their calling."

The survey results also show that most CFOs believe that they have:

1. Helped their institutions innovate and apply novel ideas to more effectively achieve their goals and
2. Led their institutions through significant change.

Quoting again from the qualitative report:

> "There were a few institutions that went through significant change, where they were in a dire financial situation, so they had to change their whole institution to keep the institution open. The CFOs of these institutions shared how their leadership team and community came together to make the necessary changes. Their institutions had to be nimble to change to be able to have the turnarounds that they experienced. Whereas CFOs at many institutions have challenges with their faculty, at these institutions who underwent significant change, they found partnerships with their faculty and established good relationships with them. While there were challenges along the way, they were able to work through their conflicts and find a unified vision. They found ways to be transparent and build trust throughout the whole organization and saw the necessity for openness and collaboration."

<u>Although the CFO responses showed a mean score of 3.00 (agree with) related to their perceived roles in helping their institutions innovate and work through significant change, it appears that this work has not resulted for many in meaningful progress towards developing sustainable business models.</u> Specifically, most CFOs disagreed with the statement: "I have helped my institution find its way to a sustainable business model". This CFO response seems

to validate the research findings of the survey since it is widely known that many ATS-member schools are struggling financially.

In summary, it appears that most CFOs believe that they have been involved in helping their institutions innovate and work through significant change and, yet, see limited progress towards their institutions adopting sustainable business models. On the surface, these responses may appear to be contradictory.   Perhaps the solution to this quandary lies in the reality that most schools are still operating within an institutional culture and institutional mindset of addressing adaptive problems with "technical solutions" rather than through deep innovation and truly adaptive solutions. These "technical solutions" incorporate elements that require faculty and administrators to collaborate on innovative-type initiatives (e.g. more online courses, new degree programs, etc.). However, most of these efforts lack the deep reflection needed to become a "seminary of the future" with both a vital mission that meets the changing needs of their church and/or other ministry constituencies and future leaders while also creating a new, vibrant economic model.

There are a few notable exceptions though. This larger quote from one of the CFO interviews provides a wonderful example of how one school addressed "adaptive problems" with "adaptive solutions" resulting in the transition towards a sustainable business model:

> "We put everything on the table and said, 'If we were to start over today, how would we build again?' and thought very holistically. It wasn't just, how do we build programs, but it's, how would we rebuild this organization? I would say we became 160-year-old startup in terms of—and so we created—and we went through every problem. I reviewed every dollar we'd spent for the last 10 years. We reviewed every process, the way we do things.

> We thought about how we do our values, and our culture, and our programs. We were aiming at some very high-level values, and so things like affordability we talked about. When we say affordability, we don't mean just low tuition. We were saying there's got to be a way to offer high-quality education for what people can afford. Not shift the burden to donors or to scholarships but legitimately deliver your product or your education model for what people can afford. We tried to figure out as many ways we can do that as possible.

> We tried to build education models that were more accessible and relevant. We shifted into the more outcome competency-based models of education at the same time. We've built what's become known as a pretty innovative education model that removes a lot of the barriers that students have faced in the past. We have the lowest or one of the lowest cost educated student in our industry.

> . . . As an industry, our fixed costs are way too high. How do we think differently about that?

> . . . In many ways, we think about ourselves not as a nonprofit but a for-profit service company. How do we serve people well? How do we create financial margins, continue to

reinvest in what we're doing but think more like a business than a school? Those can work together. That's a really important thing."

The quote from this one CFO demonstrates how one school addressed their "adaptive problems" through the integration of deep innovation (i.e. changes to institutional culture, values, processes, mindsets, programs, etc.) with the work of building a sustainable business model. This example appears to still be an exception to the rule and provides ATS with some important, ongoing educational opportunities to consider.

The following quote from the qualitative report provides further understanding of how many CFOs perceive "sustainable business models" and how these perceptions give insights for needed educational programming:

> "The CFOs defined a sustainable business model as one with income or revenue exceeding expense. While they used this definition, they found it more challenging to implement a sustainable business model in today's higher education climate, especially due to the culture of higher education, which is often slow to change. However, they were finding ways to generate more revenue to help their institutions be sustainable."

In reviewing the individual interview transcripts, it appears that none of the interviewed CFOs verbalized a more robust definition of "sustainable business models". Although it is true that a sustainable business model is one with "income or revenue exceeding expense" there is a more advanced definition that incorporates the balancing of the following factors:

1. Responding to the needs of future students and their church/ministry constituencies (including at reasonable costs charged to students),
2. Achieving the school's mission with excellence,
3. Providing fair compensation levels for faculty, staff and administrators,
4. Analyzing and discovering new ways to optimize the balance of fixed and variable costs,
5. Achieving regular operating surpluses with reliable revenue streams,
6. Implementing appropriate spending rules in the use of endowment funds,
7. Maintaining the long-term purchasing power of endowments,
8. Providing needed facilities, equipment and technology to achieve the mission,
9. Maintaining facilities in excellent condition for future generations of students, and
10. Managing debt levels in support of institutional goals and the financial model.

Solutions to these "sustainability factors" require the integration of deep adaptive changes with an understanding of the potential long-term financial implications.

Insights for Future Educational Programming

The senior leadership team of every school must look to the CFO as the team's expert on how to approach the development of a sustainable business model. When it comes to "sustainable business models", it is ideal for the CFO to:

1. Have the competencies needed to assess their school's financial health using standard metrics in higher education,
2. Understand the difference between "technical problems" and "adaptive problems" and how to participate in an institution-wide process for deep innovation that integrates the development of sustainable business models,
3. Have a strong grasp on all of the components of what makes for a sustainable business model,
4. Be the "chief educator" on this subject of "sustainable business models" with the senior leadership team and governing board, and
5. Understand how to build a business model that can help a team understand the potential "what if" consequences of various options.

Further research may be needed to understand what knowledge gaps exist for CFOs related to these five areas. With that information in hand, ATS can consider the most effective educational programming needed to prepare CFOs for this challenging role that schools rely upon from CFOs.
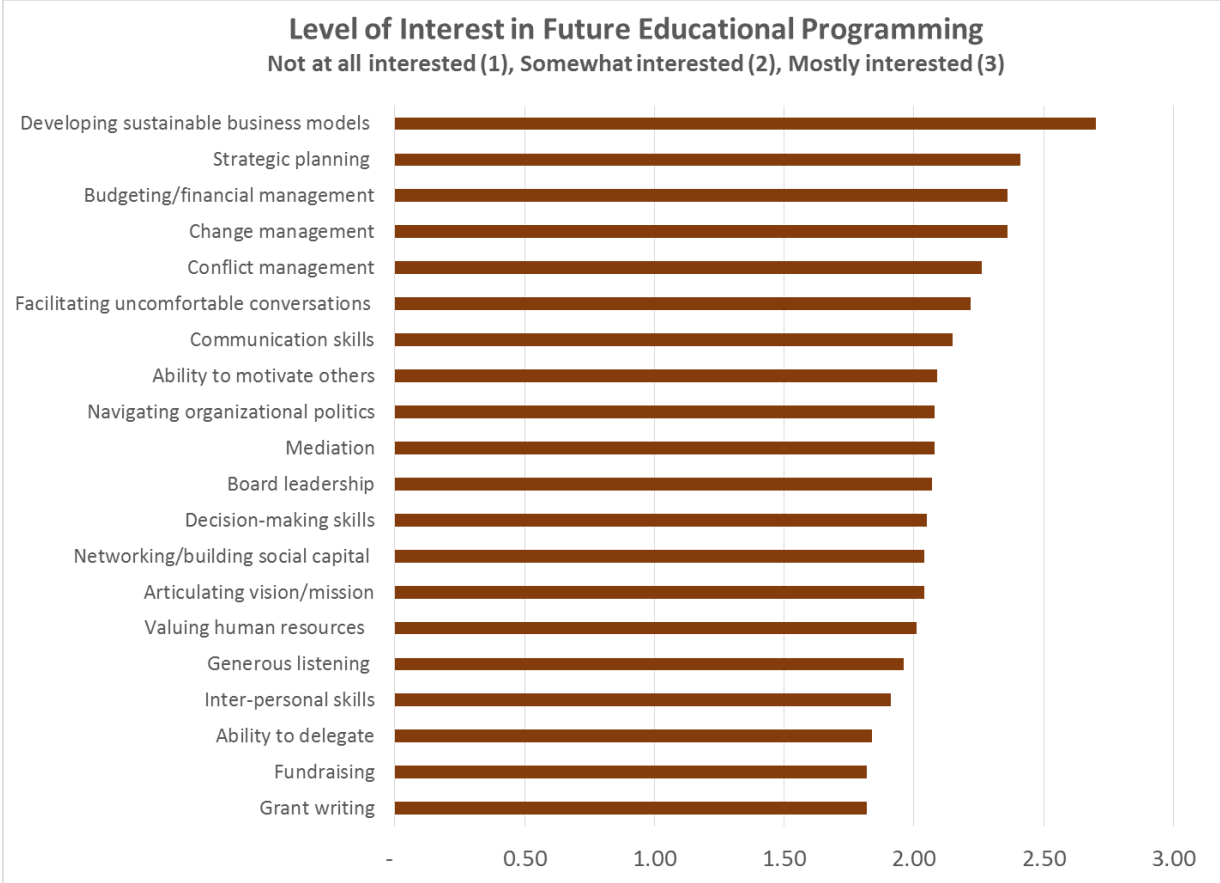
Section 3.4: Preparation Gaps (Research question 11)

This section of the report integrates both the research findings and the insights for future educational programming. The CFO survey identified the following as the top six **subject matters** as those with the highest interest for future educational programming:

1. Developing sustainable business models
2. Strategic planning
3. Budgeting/financial management
4. Change management
5. Conflict management
6. Facilitating uncomfortable conversations.

Except for budgeting/financial management, the other five areas of training are related to the skills needed for CFOs to serve effectively as senior leaders of schools attempting to address systemic, adaptive problems.
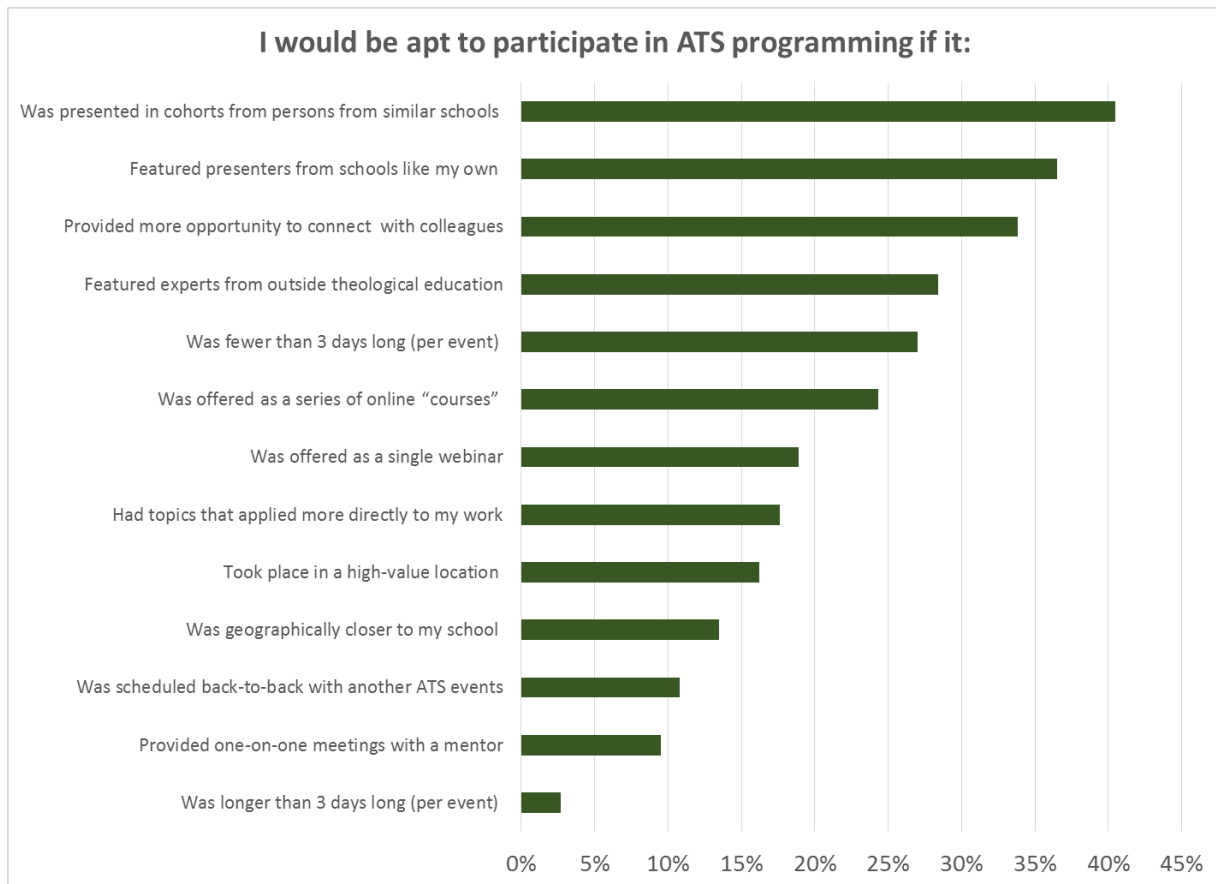
The following graph shows that the **subject matter** level of interest in future educational programming for all of the options offered in the CFO survey:

Level of Interest in Future Educational Programming
Not at all interested (1), Somewhat interested (2), Mostly interested (3)

Subject	Level
Developing sustainable business models	~2.70
Strategic planning	~2.40
Budgeting/financial management	~2.35
Change management	~2.35
Conflict management	~2.25
Facilitating uncomfortable conversations	~2.20
Communication skills	~2.15
Ability to motivate others	~2.10
Navigating organizational politics	~2.08
Mediation	~2.08
Board leadership	~2.07
Decision-making skills	~2.05
Networking/building social capital	~2.03
Articulating vision/mission	~2.03
Valuing human resources	~2.00
Generous listening	~1.95
Inter-personal skills	~1.90
Ability to delegate	~1.82
Fundraising	~1.80
Grant writing	~1.80

Regarding the **subject matter** priorities, the following quotes from the qualitative study provide some greater texture to the survey results:

1. Sustainable Business Models: "To help with creating a sustainable model for their schools, they would like to see what other schools are doing. While many participants said that a one-size-fits-all approach does not work, since the schools are very different and come from a wide variety of backgrounds, they said that it would be helpful to see case studies of schools that are doing well and achieving their goals. They would also like to see what the best practices are at other schools and see how schools are adapting to market trends."

2. Conflict Management: From the qualitative report: "The participants mentioned how they would find more conflict management training to be helpful for them. Since they deal with many different types of personalities as they oversee a broad range of responsibilities, conflict management would be helpful for them in working with a variety of people . . . While some participants have had conflict management training in the past, they are also open to learning more regarding conflict management.

The following graph shows the **types of future programming** that CFOs would be most apt to participate in:

I would be apt to participate in ATS programming if it:

Category	Percentage
Was presented in cohorts from persons from similar schools	~40%
Featured presenters from schools like my own	~36%
Provided more opportunity to connect with colleagues	~34%
Featured experts from outside theological education	~28%
Was fewer than 3 days long (per event)	~27%
Was offered as a series of online "courses"	~24%
Was offered as a single webinar	~19%
Had topics that applied more directly to my work	~17%
Took place in a high-value location	~16%
Was geographically closer to my school	~13%
Was scheduled back-to-back with another ATS events	~11%
Provided one-on-one meetings with a mentor	~9%
Was longer than 3 days long (per event)	~3%

Regarding **future programming methods**, additional survey information and the following quotes from the qualitative study provide further insights that CFOs offered:

1. <u>Cohorts from Persons from Similar Schools:</u> "Some CFOs mentioned how they would like meeting with a cohort of similar schools, either in size, relatedness, region or country, or ecclesial family. A few CFOs found it difficult to connect with others who were not from similar schools since they had different challenges – like people who come from a small school versus a large institution, or a CFO who comes from a U.S. school versus a Canadian school. Through the interviews, Roman Catholic schools also have unique attributes in the way they are set-up in their structure and funding. It would be beneficial for CFOs to be able to connect with similar schools."

2. <u>Featured Presenters from Schools like Mine</u>: Based on the survey, it appears that this feature is most desired by CFOs with limited experience as CFOs.

3. <u>Provide More Opportunities to Connect with Colleagues</u>: Similar to item #2 above, based on the survey, it appears that this feature is most desired by CFOs with limited experience as CFOs.

4. <u>Bring CFOs and Other Leaders Together</u>: Although not offered as an option in the survey, the one-on-one interviews seemed to validate that this programming method is desired by CFOs. As the qualitative report writes: "Another suggestion is to bring together CFOs with other leaders such as the academic deans or the presidents . . . In this way, each area can explain what they do and why it is important to the other areas. While CFOs see the need to create a sustainable business model, other areas do not always see this as a pressing need, so bringing together leaders to help bring understanding and clarity to one another could be beneficial. It could also be helpful for CFOs to understand the academic side better to be able to support them better as well."

5. <u>Connecting with Already Established Resources</u>: Again, although this type of programming was not offered as an option in the survey, the qualitative report validated that CFOs value access to existing resources. For example, the CFOs expressed appreciation for the Institutional Peer Profile Reports and other ATS published, comparative school data. Quoting from the qualitative report: "A few participants also mentioned how it would be helpful for ATS to help them connect to already established resources. Instead of having to create something new, ATS can provide other training or resources that would be helpful for CFOs. One of the ways the participants said would be helpful is looking at shared services so that members can pool together their resources and find cost savings for their institutions.

Finally, it is important to highlight the **significant value of the Financial Officer's Conferences**. Through the survey and CFO interviews we learned that there is uniform gratitude for the annual CFO conference and for the ways in which Chris Meinzer reaches out to CFOs.   The qualitative report states that "many CFOs said that they appreciated the annual ATS CFO conference as a time and place where they can interact with other CFOs. They enjoy learning about what other institutions are doing and find value in the conference."

The survey results showed that 64% of CFOs have attended an ATS Financial Officer's Conference within the last few years.   When CFOs do not attend the conference, almost 50% said that it was because they had "no time to attend".   30% reported that it was due to financial constraints of their institutions that they could not participate.

In summary, the interviewed participants consistently praised ATS for all of the educational opportunities and resources that ATS provides. Remarkably, 78% of surveyed CFOs reported "ATS programming as an important source of professional development".   This finding shows that the ATS programming is meeting significant needs of almost 80% of the surveyed CFOs and thereby providing the ATS Leadership Education Council with a strong foundation for future educational programming.

Appendix A

Representative Quality of Survey Response and Interview Sets

Total Sample Size: 83 (53% response rate)

Survey Response Set	ATS/COA Database
10.8% Canada	14% Canada
33.7% EV 49.4% ML 16.9% RC/O	38% EV 39% ML 23% RC/O
20.5% Related	32% Related
18.1% Small (1-75 HC) 31.3% Mid-sized (76-150 HC) 26.5% Large (151-300 HC) 24.1% Largest (300+ HC)	17% Small 31% Mid-sized 28% Large 23% Largest
61.4% Denominational 21.7% Independent 16.9% Roman Catholic / Orthodox	51% Denominational 26% Independent 23% Roman Catholic / Orthodox
10.8% Doctoral Universities: Higher Research Activity 8.4% Doctoral Universities: Highest Research Activity 25.3% Doctoral Universities: Professional-Larger 31.3% Doctoral Universities: Professional-Smaller 14.5% Master's Colleges & Universities: Larger Programs 9.6% Master's Colleges & Universities: Smaller Programs	14% Doctoral Universities: Higher Research Activity 6% Doctoral Universities: Highest Research Activity 21% Doctoral Universities: Professional-Larger 26% Doctoral Universities: Professional-Smaller 20% Master's Colleges & Universities: Larger Programs 12% Master's Colleges & Universities: Smaller Programs
49.4% Female 49.4% Male 1.2% Did not respond	38% Female 62% Male
6.0% Asian or Pacific Islander 8.4% Black, African American 0% Native American, First Nation 3.6% Hispanic, Latino(a) 77.1% White, Caucasian 2.45% Other 2.45% Did not answer	8% Asian or Pacific Islander 5% Black, African American 0% Native American, First Nation 2% Hispanic, Latino(a) 83% White, Caucasian
89.2% CFOs 10.8% non-CFOs	

Interview Response Set	ATS/COA Database
16.7% Canada	14% Canada
27.8% EV 44.4% ML 27.8% RC/O	38% EV 39% ML 23% RC/O
16.7% Related	32% Related
16.7% Small (1-75 HC) 38.9% Mid-sized (76-150 HC) 33.3% Large (151-300 HC) 11.1% Largest (300+ HC)	17% Small 31% Mid-sized 28% Large 23% Largest
61.1% Denominational (Den) 11.1% Independent (Ind) 27.8 Roman Catholic / Orthodox (RC/O)	51% Denominational 26% Independent 23% Roman Catholic / Orthodox
11.1% Doctoral Universities: Higher Research Activity 5.6% Doctoral Universities: Highest Research Activity 22.2% Doctoral Universities: Professional-Larger 38.9% Doctoral Universities: Professional-Smaller 11.1% Master's Colleges & Universities: Larger Programs 11.1% Master's Colleges & Universities: Smaller Programs	14% Doctoral Universities: Higher Research Activity 6% Doctoral Universities: Highest Research Activity 21% Doctoral Universities: Professional-Larger 26% Doctoral Universities: Professional-Smaller 20% Master's Colleges & Universities: Larger Programs 12% Master's Colleges & Universities: Smaller Programs
38.9% Female 61.1% Male	38% Female 62% Male
5.6% Asian or Pacific Islander 5.6% Black, African American 0% Native American, First Nation 5.6% Hispanic, Latino(a) 77.8% White, Caucasian 5.6% Did not answer	8% Asian or Pacific Islander 5% Black, African American 0% Native American, First Nation 2% Hispanic, Latino(a) 83% White, Caucasian
83.3% CFOs 16.7% non-CFOs	

Interview Protocol

Thank you for your decision to participate in this one-on-one interview. I am Grace Ng, research consultant for The Association of Theological Schools. I will begin with a description of the process, then get your consent recorded and proceed with interview questions.

The purpose of this study is to learn more about your experiences in your role at your institution. Your perspectives will help The Association of Theological Schools understand the kind of leadership that will be needed for the future of theological education, and how to support you in your role. The responses you provide will be kept confidential and will only be seen by the research team conducting the study.

To ensure confidentiality, all interview data will be de-identified, meaning your name and the name of the school will not be linked to any disaggregated data on any report. Where excerpts are used, your name will be redacted with "NAME" and your school, with "SCHOOL".

The interview will be video and audio recorded through Zoom for the purpose of data analysis, but as mentioned earlier, your name will not be used in any part of the process of data analysis and reporting. You were previously emailed the Informed Consent Form and provided consent by email. By this consent, you agree to the given information on the form. This includes your rights, responsibilities of you and the researcher, confidentiality, recording, and freedom to leave at any time during the interview. Feel free not to answer any question you find embarrassing or uncomfortable, and remember you can discontinue your participation at any time. Do you have any questions?

[Respond to any questions, then begin recording.]

Please state your full name.

Do you consent to participate in the interview, and to be video and audio-recorded for this interview?

 We appreciate your time and willingness to participate in this interview.

Topic	Interview Questions

Introductory Questions/Nature of Work/How Has Role Changed	1. What is your role at your institution and how long have you been in this role?
	    a. What are some of the main responsibilities of your position?
	    b. What are some of the typical monthly routines that you practice?
	2. What are some of the most rewarding aspects of being in your role?
	    a. What is your favorite story of being a chief financial officer?
	3. Based on the survey responses, it sounds like the role of CFO has become more strategic and has expanded to include other areas, especially in light of

	budget realities. How has your role changed since you started, and how do you anticipate it to change in the future?

Satisfaction/Longevity /Preparation Gaps	4. The survey responses indicated that there are various challenges of your role, such as creating a sustainable business model, dealing with conflict management, enrollment challenges, and the balance of responsibilities. Do you feel equipped to handle these challenges and how have you been equipped to handle these challenges?
	    a. How do you manage the stress from your role?
	    b. Do you have a mentor or support network to help you navigate the stress from your role? What does this look like for you? In what ways have they helped you navigate these issues?
	    c. What are some ways that ATS can help you become better equipped to handle these challenges?
	5. Based on the survey responses, many CFOs are satisfied with their role. What do you think has contributed to that satisfaction?
	6. How would you describe your level of satisfaction with the supervision you receive?
	    a. What would satisfactory supervision look like for you?

Relationship to Other Roles	7. On a scale of one to ten, how would you describe the level of trust you and your V.P. colleagues have with one another as a leadership team?
	    a. Is it uniformly high in trust across the whole team, or more related to individual one-on-one V.P. relationships?
	    b. How do you and your V.P.s make strategic institutional decisions?
	        i. Are decisions based primarily on the approval of the president or on leadership team discussion, debate, and buy-in?
	    c. How do you build relationships across the institution to help with current and future goals?
	    d. How have you been invited to contribute to addressing institutional challenges?

Effectiveness	8. In today's higher educational climate, what are some of the strategic ways you are looking ahead to fulfill your school's mission and to help your institution stay financially viable? 9. How would you define the term 'sustainable business model' for your school and what challenges are you facing in helping your school achieve a sustainable business model? a. Based on CFO responses, we noticed some challenges about prioritizing the need for a sustainable business model among their leadership team at their institutions. How does your leadership team respond to the need for a sustainable business model? (This question was added after Interview 13, after the meeting to discuss the quantitative results).

	10. What kind of succession planning do you have in place at your institution to help develop leaders? 11. What are some of the ways you are helping the school innovate and apply novel ideas to achieve its goals? a. Can you give an example of how you have 'led significant change' at your institution? 12. Can you describe what effective leadership looks like in the role of CFO?
Leadership Resources/Preparation Gaps	13. What kind of training have you received to deal with conflict management and would you benefit by receiving more? 14. If ATS were to provide you with training in developing 'sustainable business models,' what would that look like to you? 15. What other ways can ATS help provide resources, tools, and programming to help you in your position?