Chapter 1

The Role of the Chief Financial and Business Officer

by

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No topic in higher education can be fully understood without addressing a central theme: change. The drivers of change—new technology, shifting demographics, rising costs, increasing regulation, changing workforce needs, and, perhaps most significantly, the advent of competition—have been well documented. These external forces are predicted to transform the entire educational enterprise fundamentally over the next decade. Thus, understanding the role of the chief financial or business officer (abbreviated here to CFO) requires us to look beyond what the position is today and to consider how it is being shaped by, and must respond to, the forces driving change in every aspect of higher education.

The CFO’s responsibilities may include business and financial affairs, planning and budgeting, investments, facilities, real estate, legal affairs, technology, public safety, procurement/purchasing, human resources, labor relations, equal opportunity, and auxiliary enterprises such as housing and food services. In large organizations, some of these functions may be assigned to one or more other administrators. The CFO provides the critical business, financial, and administrative support, as well as professional guidance that allows the institution to realize its academic mission of teaching, research, and public service. To best understand these responsibilities and their relationship to change, it is helpful to view the position of the CFO through the perspective of three different roles: advisor, manager, and change leader.

Until relatively recently, the function of the CFO essentially involved only the two roles of advisor and of manager. In the advisor role, the CFO essentially performs as an expert in technical matters relating to the institution’s financial and physical assets. In the second traditional role, manager, the CFO oversees often large and complex administrative functions that provide essential campuswide business and financial services. These two roles continue to be the mainstay of the position. However, even these traditional roles have been affected by the rapidly changing world that universities and colleges now confront. As a result, the advisor and manager roles have been expanded and reshaped to encompass new information, new tools, and new technologies.

But there has been an even greater impact of change. Beyond incremental modifications to the CFO’s traditional roles, an entirely new role is emerging: the
change leader. In this third role the CFO moves beyond the traditional functions to a role that is proactive and aims to facilitate the transformation of the institution while maintaining continuity with its mission. In the advisor and manager role, the CFO adds value to the institution through sound business practices. As universities and colleges face a time of fundamental and transformational change, CFOs will be asked to expand the dimension of their roles as leaders and facilitators of change.

Roles are not played in isolation. The three CFO roles occur in an institutional context. Historically, colleges and universities were a collection of scholars loosely joined in a highly decentralized organization. They were a partnership organization, an organization of peers not unlike a modern-day law practice or medical group. Only as the organization grew and increased in size and complexity was the need for professional business and financial management recognized. The result is an organization that is often portrayed as having two “sides”: the business side and the academic side. For the CFO this means that he or she presides over a part of the organization that is generally seen by the largest group of people in the organization, the faculty, as different. In fact, there is a real values tension between the business function, with its emphasis on pragmatic accountability, and the academic function, with its emphasis on knowing, teaching, and learning. To play the three roles effectively, the CFO must learn to manage this dynamic tension. As the representative and personification of one side of this polarity, the CFO must strongly represent and even advocate for the business aspects of the institution while, as a representative of the institution’s broader aims, he or she must step outside the polarity to engage the faculty in a dialogue designed to integrate the two perspectives.

This chapter presents a broad overview of the position of CFO. It first locates the CFO in the governance and organizational structure of the institution. It then defines the three key roles played by the CFO and the critical competencies needed to master each of these roles. Finally, it describes preparations and qualifications for the position.

THE GENERIC POSITION
The specific tasks CFOs perform are as diverse as the institutions that employ them. In this chapter, the descriptions are necessarily generic and will not apply precisely to any specific position or institution. The exact accountabilities and
responsibilities will depend on such factors as the size, organization, complexity, mission, history, culture, and strategic direction of a particular institution.

THE ORGANIZATIONAL CONTEXT

With more than 3,000 institutions of higher education in the United States, there is no one correct structure for a college or university. In general, they are functionally organized with relatively clear divisions of responsibility, such as academic, business and financial management, student services, and institutional advancement. The key is that each institution’s organizational structure must be tailored to meet its mission in the most productive, efficient, and cost-effective manner.

The Governing Board

Every higher education institution—large or small, college or university, public or independent, two-year or four-year—requires some type of governing body, a president, and a team of senior administrators. Although many states have higher education commissions that coordinate certain activities of public colleges and universities and, in some cases, independent institutions as well, they ordinarily do not affect an institution’s basic organization.

The president typically reports to the governing board, or if the board governs multiple institutions, the campus CEO may report to the system CEO. The board’s powers are contained in the college or university’s charter or in legislative acts establishing the institution. In public institutions, the governor and/or legislative bodies commonly appoint board members; in some cases they are elected by popular ballot. In many independent institutions the board is self-perpetuating, although alumni or other constituent groups may elect some members. In church-related institutions, all or some of the members may be elected by the legislative body of the religious denomination or appointed by its executive officers.

The governing board generally has full and final responsibility for ensuring that the institution remains viable and true to its mission, but many public institutions are subject to state-mandated rules and procedures that dilute or supersede this authority. The board’s specific responsibilities range from selecting the president and other key employees to approval of major policies and budgets, incurrence of debt, and major capital improvements. At public institutions, authority and responsibility may also be shared with state coordinating boards; in some states, such boards have full and final authority, not the institution’s governing board. Many variations (on shared authority, ultimate authority, and roles and
responsibilities) exist, both within states that have multiple systems and between states. State intervention in the institutional management process varies from a little to a great deal and, where it is great, introduces a complex environment for institutional management.

Most institutions vest executive authority and responsibility only in the president. In these unitary organizations the president in turn delegates authority to officers responsible for the major functional areas. These officers report to the president, who alone reports to the board. Normally, these officers attend and participate in board meetings. As one of these officers, the CFO works closely with board committees, such as those responsible for the budget, investments, finances, buildings and grounds, long-range planning, and construction. As with any other officer who works directly with the board in the unitary form of organization, the CFO does so as a representative of the president and at his or her delegation.

In contrast to the unitary form of organization, in the multiple form of organization, the governing board delegates authority to the president and other officers, each of whom also reports to the board. For example, under this model the CFO would be directly responsible to the governing board for the institution’s business and financial affairs.

Another form of organization is the modified unitary form, in which the CFO is responsible directly to (and may be a member of) the governing board only in a fiscal or investment capacity. For all other functions, he or she reports to the president.

In large state university systems with multiple campuses, a central administrative unit frequently reports directly to the governing board. The administrative unit generally sets systemwide policy and may provide certain services such as accounting, payroll, technology, program approval, investment management, and legal counsel to the campuses. Within the established policies and procedures, administrators on each campus provide day-to-day management and services. In multcampus systems, there is typically a CFO on each campus. In these instances, the system CFO reports to the system president and the governing board. In some smaller systems, the “main campus” may also serve as the central administrative unit, thus making a separate, board-related staff unnecessary.

The President

A college or university chief executive officer usually has the title of president or chancellor. The president provides overall institutional leadership and assembles a senior management team, the central administration, to manage the institution’s
day-to-day operations. The visionary president also provides leadership for defining the institution’s mission and goals, establishing priorities, and long-range planning.

At both public and independent institutions, in addition to his or her internal responsibilities, the president typically spends much time cultivating friends and funds for the institution. He or she is the principal link between the administration and the governing board. In public institutions, the president also serves as the primary link to the governor, legislature, and state agencies, as well as to a system office where it exists.

The Senior Management Team

The CFO is a member of the senior management team, which is typically made up of the heads of each of the institution’s major functional areas. These major functional areas—academic, business and financial management, student services, and institutional advancement—are interrelated and interdependent, making a team approach to their management essential.

Though there are some exceptions, most institutions designate a single officer to head each of these areas:

- a chief academic officer, whose title usually is vice president for academic affairs, dean, provost, or something similar;
- a chief financial and/or business officer;
- a chief student services officer, whose title usually is vice president for student services, dean of students, or something similar; and
- a chief advancement (or development) officer, whose title is vice president for advancement (or development), director of development, or something similar.

Smaller institutions may combine the responsibilities for several functions in one position. Larger institutions may have additional major officers for other functional areas, such as research, graduate programs, medical affairs, planning and budgeting, external affairs or community relations, physical plant, housing, human resources, legal affairs, legislative affairs, continuing education, and information technology and services. The authority delegated to each officer is determined by the president and approved by the governing board, or it may be prescribed by the institution’s charter.
Responsibilities of the Various Officers

Chief Academic Officer

The chief academic officer’s responsibilities include managing the academic units (colleges, schools, and departments), formulating academic missions and goals for the institution, and coordinating academic support services, such as the library and the academic computer center. He or she also has primary responsibility for admissions, student academic records, and student financial aid as they affect the academic stature of the institution.

The chief academic officer focuses on the faculty, and with rare exceptions, has followed a career path that began in the faculty ranks. He or she serves as the key link between the administration and the faculty. It is important, therefore, to understand the role of the faculty in relation to the chief academic officer. In general, faculty are organized by departments (disciplines) and by schools or colleges that comprise broadly related disciplines. Through a governance structure, whether a broadly constituted senate or a narrower elected body, faculty members exercise considerable authority in determining curricula and pedagogy, and they have strong influence in matters related to academic freedom, academic personnel, and educational policy. Faculty members also render institutional service through membership on boards and committees to address issues such as strategic planning, enrollment management, or technology investments. The governing board determines the extent of the faculty’s decision-making authority. However, faculty typically are awarded thoughtful consideration by the president and the senior management team on virtually all aspects of the institution’s operations.

Chief Student Services Officer

The student services officer may be responsible for activities such as nonacademic counseling, health services, social programs, student activities and organizations, student government, student publications, career placement, and, in many instances, student housing. In some cases he or she is also responsible for administering admissions, student financial aid, and student records.

The chief student services officer focuses on students and prospective students. He or she represents the extracurricular, cocurricular, and personal development concerns of students, including social, financial, and residential issues.

Students also participate in the governance of the institution. Their role in academic affairs is subordinate to that of the faculty, but they have considerable influence on non-academic, student life issues that affect them directly. The chief
student services officer often plays a role in supporting student governance activities.

**Chief Advancement Officer**

The primary responsibility of the advancement officer is private fund raising; in many institutions, he or she is also responsible for public relations, publicity, and alumni relations. These functions may include media relations, both print and broadcast, and institutional publications. The advancement officer is often called on to interpret and represent the institution beyond the campus.

The advancement officer represents the institution’s external stakeholders, especially alumni and other donors. These groups are important to the overall financial well-being of the institution and often have specific expectations of the institution that must be managed, if not met.

**Other Officers**

The number of persons reporting directly to the president may be more or fewer than the officers responsible for the major functional areas identified above. For example, an institution with sizable intercollegiate athletic programs typically has a director of athletics who is responsible for these programs and who usually reports directly to the president. In smaller institutions, the director of athletics may report to the student services officer or to another officer.

Senior administrators are generally appointed on a continuing basis, even though they serve at the pleasure of the president. They may hold tenure in an academic department by virtue of prior academic experience and credentials. However, they are not normally granted tenure in their administrative positions.

**THE THREE ROLES OF THE CFO**

**The Advisor Role**

The advisor is probably the most traditional role played by the CFO. In the process of exercising and offering advice on accounting and reporting practices, budget administration, regulatory compliance requirements, treasury management, investment strategies, issuance and management of debt, maintenance of reserves, and the like, the CFO facilitates fiscally sound and prudent business decisions.

As an advisor the CFO must attend to legal and ethical as well as functional aspects of decision making. Colleges and universities increasingly encounter fed-
eral, state, and local regulations governing every aspect of their operations. In the advisor role it is the CFO’s responsibility to ensure that the institution complies with all relevant regulations, whatever their source. Failure to follow regulations can create both institutional and personal liability, with attendant severe financial penalties.

Beyond the law and regulations, the work of the CFO must also be guided by ethical considerations. Ethical behavior is of particular concern because the CFO is responsible for funds that are a public trust, whether they are state appropriations or gifts from private donors. Furthermore, the general public and institutional constituents expect and assume that a high ethical standard prevails in higher education institutions. The institution must—in its treatment of students, faculty, employees, community members, and other stakeholders—deal fairly, honestly, and honorably. The CFO bears responsibility for ensuring that all of the institution’s business practices satisfy the highest ethical requirements, as must his or her own behavior.

The CFO most critically performs the role of advisor in working with the president and the governing board. Here the CFO is relied on to advise on a wide range of financial issues. By long-standing practice, these include:

**Finance**

The CFO often acts as the financial executive for the president and the financial advisor to the governing board. He or she is responsible for protecting the president and the board through diligent efforts to ensure that business transactions are legally permissible, properly conducted, and accurately accounted for, while playing the role of the “prudent spender,” who is deliberative and cautious about commitments of institutional resources. The CFO seeks to maintain sufficient financial reserves to handle unforeseen contingencies as well as to provide for some very important flexibility, and he or she should keep the president apprised of the reserve.

Sometimes the CFO serves as an officer of the board as treasurer. Under such arrangements, certain fiduciary responsibilities of the institution may be delegated by the board to the treasurer. Typically, the CFO presents major contractual matters and fiscal policy recommendations to the board for approval. He or she may also work closely with board committees that have oversight responsibility in areas such as investments, budget, facilities, and audit.
Investments

The CFO may be responsible for advising on the investment of the endowment fund (endowment management) and the operating fund (treasury management). For the endowment, institutions generally employ one or more outside investment managers and give them discretion to make specific investment choices consistent with the board’s approved asset allocation. The CFO provides leadership in selecting the investment managers and then monitors their performance relative to benchmarks agreed to by the managers and the governing board.

Another approach is to manage the investment of endowment funds internally with an investment staff and the assistance of one or more outside investment advisors. In this approach, the CFO assumes the role of chief investment officer and may be responsible for making the final investment decisions, which are then implemented by members of the investment staff.

In both approaches, the CFO’s role is affected by the degree of board involvement. The board usually has an investment committee that makes, or recommends to the full board, investment policies applicable to acceptable degrees of risk, permissible forms and styles of investment, allocation of assets among these various forms and styles, spending rates for endowment income, selection of external investment managers, and the like. If investments are managed internally, the investment committee may make individual investment decisions or may charge the CFO with making them, consistent with approved policies. In either approach, the CFO is the key liaison between the administration and the board in matters related to endowment management. (For a full discussion of this subject, see chapter 9, Endowment Management.)

In the area of treasury management, the CFO and staff generally make investment decisions on a day-to-day basis. The board investment committee usually monitors the performance of investments relative to certain benchmarks that are established as part of the investment guidelines. (For a full discussion of this subject, see chapter 8, Treasury Management.)

The CFO should also be responsible for coordinating financial interactions with separately incorporated, affiliated organizations such as foundations. Some public universities, in particular, have relationships with one or more such foundations. College- or university-related foundations can serve a number of useful roles by receiving gifts and trusts, soliciting research grants and contracts, managing patents and copyrights, and acquiring and selling real estate. An affiliated
organization may be helpful as an alternative legal entity through which such activities can be conducted free of procedural constraints by state governments.

**Legal Affairs**

When the institution does not have legal counsel on staff, the CFO may provide a leadership role to ensure proper oversight of legal matters or institutional compliance with federal, state or local law. The CFO must recognize that legal advice and services are usually needed for:

- ensuring that operating decisions anticipate compliance with the various federal, state, and local laws and regulations and that legal problems are avoided through careful planning;
- performing all documentation involved in business transactions such as land acquisition and bond issues; and
- defending the institution against lawsuits and charges of discrimination, environmental violations, and contract disputes.

The CFO must see that the legal services are provided when needed but not overused from either a cost or managerial standpoint. Legal counsel should serve as an advisor to management and not become a substitute for management. Some institutions maintain in-house attorneys, while others, particularly smaller institutions, find it cost-effective to contract for legal services with one or more outside law firms. (For a full discussion of this subject, see chapter 21, Legal Issues.)

**Debt Management**

Most debt financing for facilities and major equipment is carried out in the name of the governing board. The CFO provides leadership in negotiating terms of borrowing with financial institutions and in bringing debt issuance to market. These responsibilities involve a few of the institution’s key financial staff members and a number of outsiders, such as legal counsel (if not on staff), bond counsel, underwriters, bond trustees, and sometimes a financial advisor and a credit insurance firm. Bond financing requires authorization by the governing board and its approval of the bond indenture and related bond documents. In addition, bond financing usually requires certain approvals at the state or local government level for both public and independent institutions that utilize a public financing authority. (For a full discussion of this subject, see chapter 10, Debt Financing and Management.)
Making the Advisor Role Work

The advisor role has changed over the years in two ways. First, as an integral part of the institution's leadership team, the CFO increasingly is asked to apply his or her expertise to specific problems or projects that other senior management team members are facing. An example would be working closely with the chief academic officer and chief student services officer in anticipating and managing the consequences of proposed student fee increases. Such "peer to peer" advising makes the CFO more a collaborative problem solver than someone who only provides financial advice to the board or the president. As the scope of advising expands, the need for effective communication with all of the institution's stakeholders, especially faculty, also increases. Of special importance is the collaborative relationship between the CFO and the chief academic officer in planning and budgeting. Another area where this relationship is so important is in human resources legal matters in academic affairs, especially tenure, promotions, and discipline. For this relationship to be productive, the CFO must learn as much as possible about the academic enterprise and the administration of academic departments.

In many large institutions there is a trend to decentralize authority and responsibility for many business functions to business officers in the academic units (colleges, schools, and departments). Much of the administrative cost and activity now occurs in these units rather than in the central administration. This has important implications for the relationship between the CFO and the business officers in the academic units, especially with regard to training, accountability, and communications. Some institutions even have a formal line relationship between the CFO or controller and the key business officers in the academic units.

Being an effective collaborative problem solver requires the CFO to go beyond the more technical knowledge of business affairs to a fuller understanding of institution-wide issues and functions. Business considerations must be translated in a nontechnical way that makes their present and potential significance clear and that builds common commitment to the institution's best interests.

The second change in the advising role is an increase in its scope. It has expanded from a fairly narrow focus on fiscal controls and accounting to broader concerns such as technology, outsourcing, and marketing. For example, if an institution selects new administrative computer systems, the CFO must have knowledge of these systems and their strategic role in the institution, as well as the implementation issues they pose and the demands they bring for ongoing support. As institutions move toward new technologies for conducting their business...
affairs, like intra- and Internet-based approaches and E-commerce, the CFO must be conversant with these technologies, and may, in fact, be the leader in their implementation. Likewise, as competitive pressures grow, the CFO may be the only senior manager with the business skills to head up projects in these areas and the only one with major project management experience. He or she may also be called on to provide leadership in bringing new technologies to bear on institutional marketing, service accessibility, and operational efficiency.

The Manager Role

Beyond being an expert advisor, the CFO manages an area that provides wide-ranging institutional support services. The functions reporting to the position can be numerous and diverse. Generally, they include three areas of responsibility: business and financial services, physical facilities, and auxiliary services. Among the functions in the business and financial services area may be accounting, financial reporting, budgeting, contract administration (including research contracts and grants), administrative computing, non-academic human resources and benefits, labor relations, procurement, student financial aid, debt management, receipts and disbursements, calculation and payment of taxes, investments (treasury and endowment management), legal affairs, risk management, payroll, and cashiering. In the area of physical facilities, the CFO usually manages facilities planning (design, construction, renovation, and repair), facilities upkeep (operation and maintenance), utilities (heating, cooling, power, and telephone), energy conservation, waste management, recycling, grounds maintenance, safety and security, parking and traffic control, motor pool, and environmental health and safety. Finally, in the auxiliary services area, the CFO frequently, in conjunction with student services, has administrative responsibility for campus residences, college unions, bookstores, printing and copying services, vending operations, rental properties, conferences and other summer activities, and food service operations.

The size and complexity of the CFO’s organization directly correlate to the overall size and complexity of the institution. Regardless of size, however, the areas under the CFO tend to be functionally organized. Furthermore, most of the functions are the same regardless of institutional size; the variance is in the number of people involved and their degree of specialization. The demands of functions like those found in a major graduate/research operation, a multicampus operation, or a medical school and related teaching hospital can also affect the numbers and specialization of the CFO’s staff, as well as the assignment of responsibilities among senior administrators.
In some institutions, especially larger ones, the CFO sometimes carries the title of senior vice president, executive vice president, or vice chancellor. He or she may then have several senior staff members who are responsible for the various functional areas and carry titles descriptive of those functions, such as:

- vice president for business affairs or business manager;
- vice president for facilities or director of physical plant;
- vice president for auxiliary services or director of auxiliary services;
- vice president for human relations;
- budget officer;
- director of investments, trusts, and real estate; and
- chief financial or business officer of a campus in a multicampus system.

Typically, these staff members manage large offices or departments and are deeply involved in day-to-day operations.

In smaller institutions, the CFO may have the title of vice president for business and finance, director of business affairs, or business manager. Those who report directly to the CFO may carry such functional titles as:

- associate or assistant vice president;
- controller;
- director of procurement or purchasing agent;
- director of personnel or human resources;
- director of physical plant; or
- director of auxiliary services (in some institutions, part of student services).

The degree to which the functional areas are separately headed or combined under individuals with these titles is generally determined by size and complexity. The key staff members listed immediately above are involved in the hands-on operation of their areas.

Beyond the formal organization and its direct reporting relationships, the CFO may have shared responsibility, on a “dotted-line” basis, for decentralized business functions located in schools, departments, or institutes. Some institutions have found it effective to move elements of the business function out of a central unit in order to better serve their internal customers. In these arrangements the CFO usually maintains responsibility for coordinating the business function.
campuswide, while facing the challenge of not having direct authority over the people who actually do the work.

Regardless of staff size, in the manager role the CFO takes on responsibilities common to all managers, such as organizing and structuring the work that must be performed through clear definition and delegation of job responsibilities. Equally critical is capable and effective supervision of the workforce, including team building. The CFO has an obligation to select well-qualified people, develop their skills, inspire their commitment, evaluate their performance and reward them fairly. The manager must stress accountability; in doing so, it is more productive to impart positive tactical and strategic reasons for doing something than to rely on threats. Failure to manage employees effectively will ultimately result in poor performance of the CFO’s area, no matter how well structured the unit is from an organizational perspective. The CFO must set the standard and the example for personnel in his or her administrative area.

The CFO must provide supervisors with opportunities to learn how to motivate and retain staff and to develop a strong service orientation in their work. It is also important that the CFO actively seek to bring talented minorities and women into the organization and provide equal opportunities to develop their skills and abilities to the fullest. Among the benefits of diversity in the workplace are that people of multiple backgrounds can give richness of perspective and insights not possible otherwise.

Of particular value are the wide variety of professional development activities available through on-campus and off-campus classes, seminars, conferences, and workshops. In addition, the Internet and video conferencing open a vast array of training and professional development opportunities. At the regional and national level, specialty-specific professional organizations provide many programs satisfying both people-oriented and technically oriented needs.

Changes in the Manager Role

Pressures on higher education to manage cost, quality, and productivity have steadily increased. Institutions are being held more accountable than in the past for measured performance in both administrative and academic outcomes such as graduation and retention rates. These and other outcomes are also accreditation issues. In this environment it is often expected that the CFO will lead efforts to improve institutional effectiveness. Satisfying this expectation has been greatly eased by the adoption of tools from the business world that target improvement
opportunities. Some examples of the kinds of tools that have been used include the following:

- **Business process improvement**: involves evaluating the flow of work across the institution, often across traditional functional lines, with the aim of streamlining basic business processes.

- **Continuous quality improvement**: uses certain principles and practices to continuously identify and implement improvements in the way the institution does business, involving everyone in the institution with making improvements in programs and services.

- **Benchmarking**: compares the institution to similar institutions on key performance indicators to identify the best way—the “best practice”—to perform a particular business or financial function. Once identified, these best practices, typically focused on more production-oriented functions like procurement or accounts payable, are then implemented across the campus.

- **Balanced scorecard**: a management tool that translates institutional strategy into a set of related performance measures that assess progress toward attaining strategic objectives.

Regardless of which tools are used, the CFO should look to effective business practices both within and outside of higher education administration, including new models and those that are tried and true to assure prudent, contemporary, and efficient management.

Customer or client service initiatives involving assessment, goal setting, and training in customer service skills continue to grow in use. Because the units headed by the CFO are generally service units whose customers are internal to the institution, the ethic of providing the highest quality service to attain the highest levels of customer satisfaction is particularly relevant. All improvement initiatives involve eliminating rework and other non-value-added steps in a process to reduce transaction processing time and costs. A special challenge is balancing the service/satisfaction ethic with the responsibilities that finance and business units typically have for regulatory compliance, accountability, and cost efficiency. While there may be some tension between these commitments, the CFO can ensure that staff members have opportunities to acquire and enhance their skills in customer service, conflict resolution, and communication. These are skills that enable both ends to be met.

**The Change Leader Role**

Colleges and universities constantly undergo change. For example, curricula
are always being redesigned, new instructional materials are being introduced, and new computer systems are installed. The question is: with all of this change going on, why is a separate change leader role needed? The answer concerns the nature of the changes being made. These day-in-day-out changes are generally local and incremental—they reflect a specific improvement in a specific department or function. But there is another class of changes—those that are fundamental, affecting basic values and assumptions, and pervasive, affecting the entire institution—that calls for a new CFO role.

But what is meant by fundamental change? One example comes from the growing number of for-profit schools that are based on a centralized model of curriculum. Instead of following the long-standing tradition of having individual faculty members develop their own courses, these schools develop courses in central curriculum development groups. Course content becomes more standardized and quality control more consistent. While this may or may not be an appropriate model for most higher education institutions to follow, the point is that traditional colleges and universities are facing direct competition in the marketplace from schools following approaches that differ radically from tradition.

The changing marketplace is but one driver of change that institutions must address; there are many others. Responding effectively to these multiple external drivers of change creates the challenges of the change leader role.

**Personally Coming to Terms with Change**

Fundamental change is difficult for everyone. Challenging basic perspectives and modifying long-held beliefs do not come easily. Therefore, the first task of change leadership involves coming to terms with our own beliefs and feelings about change—exploring how we will be affected by change, examining our own attitude toward change, and evaluating our personal investment in pushing for change. Beyond looking at our reactions to change, it is also useful to consider our own contribution to creating or sustaining the situation that produces the need for change in the first place; to begin facing our own accountability. It is easier for others to accept their accountability when we acknowledge our own first.

**Shifting Our Mindset**

Leading fundamental change goes against the grain of normal CFO thinking. CFOs are technical problem solvers and implementers: they learn how to quickly move to solve problems that have relatively well-defined answers. However, in the arena of fundamental change, clear answers do not exist. The task involves setting
the stage for working collaboratively around difficult issues—to have a different conversation about the issues than we have in the past. Providing easy answers and quickly reducing the distress people may feel, natural to the CFO as technical expert and manager, conflicts with the need to engage people from across the institution. Effectiveness, then, requires working against this natural tendency, a tendency that is actually rewarded in some parts of the CFO’s position.

Moving into New Arenas

Presidents, by nature of their position, and chief academic officers, by nature of their direct connection with the faculty, generally play the lead role in any institutionwide change efforts. It requires both courage and political skills for the CFO to move into this arena. Having the support of the president in creating fundamental change is obviously very helpful, but this support alone will not eliminate all difficulties. Organizations resist change and maintain their equilibrium by pushing back against those who try to create change. As the spokesperson for the “business side” of the university, any attempt by the CFO to lead change may well be greeted with skepticism by the faculty.

With these challenges, one might question the desirability of even assuming the change leader role. After all, being a change leader sounds demanding, intimidating and, perhaps, not very rewarding. The temptation is always to take the easier path and focus on one’s own areas, departments, and units. However, perfecting one’s own operation while ignoring the greater challenges that face the institution represents a classic case of rearranging deck chairs. True accountability for the CFO can come about only through a willingness to put the well being of the institution first, and that of his or her unit, or self, second. Working through these conflicts creates both the ultimate personal test for a CFO as well as the ultimate opportunity for personal learning and development.

Strategic planning can be an important tool for the change leader. Used effectively, it provides a way to identify the institution’s change agenda. However, the key is to use the strategic plan as a place to begin a dialogue about change rather than simply as a way to sell a preconceived notion of what the institution should become. A well-crafted strategic plan, one that does more than justify the status quo, can help guide the difficult resource allocation decisions that must be made. Furthermore, since many business and finance functions, such as capital planning and budgeting, have a long time horizon, it is particularly important to have a strategic plan in place. For example, the capital planning process often involves anticipating enrollments, academic program developments, and student support
needs five to 10 years in the future. Depending on the institution, the CFO participates in the strategic planning process or may actually guide and implement the process and provide the link between planning and budgeting. In either case, it is essential that the CFO become an advocate for strategic planning. (For a full discussion of this subject, see chapter 2, Planning, and chapter 3, Implementation Strategies and Outcomes Assessment.)

As a change leader the CFO is challenged to devise new strategies for accomplishing institutional goals. He or she must be innovative and entrepreneurial. An example is seen in the rise in outsourcing as an expense control strategy. In outsourcing, an organization focuses on its mission and competencies, and relies on contracted services to perform functions that are not integral to its core values. In higher education, the core competencies are teaching, research, and public service. Institutions may consider that certain business services such as facilities management, food service, and bookstore management are not core competencies. Rather than manage and staff these activities internally, as has traditionally been the case, more and more institutions are reviewing internal versus external providers of services. In some cases this will require the CFO to shift from being a service manager to being a service negotiator and contract administrator. If it is objectively determined that outsourcing is appropriate for the institution, through a comparison of cost and quality of internally versus externally produced services, then the CFO can take steps to lead the institution in that direction. The result for the campus should be services of higher quality at reasonable cost.

Aware of how businesses transform themselves to enhance competitiveness, and knowledgeable about business tools that enable these transformations, CFOs are in a key position to help their institutions succeed in the increasingly competitive environments of higher education. Thus, the modern CFO will often be involved in arrangements with business corporations, government agencies, public interest organizations, and consortia of institutions of higher education, to tap knowledge, strategies, and technologies that may be transferred and used to enhance the institution’s performance, resources, and competitive position.

**COMPETENCIES REQUIRED FOR SUCCESS**

Each of the three roles that the CFO plays requires different competencies to perform at the highest level. Each role, in fact, tends to draw on a different cluster of competencies.

For the advisor role the CFO must have sound technical skills and knowl-
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dge. Less obvious, perhaps, is the need to continually update and expand that technical expertise. Because the half-life of knowledge is shorter today than ever before, reliance on obsolete information and understanding produces obsolete advice. Therefore, the CFO must continually update and expand his or her knowledge and acquire new knowledge. This calls for staying current on the latest in business thinking, as well as the latest developments in technology and their potential for enhancing institutional effectiveness.

A second competency in the advisor role is the ability to build teams and improve relationships. As the CFO advises on a wider range of issues to a more diverse set of stakeholders on campus, collaboration and the ability to build effective relationships across organizational lines become critical. The CFO must understand issues from multiple perspectives, must build relationships effectively, and must think synergistically to become a highly effective member of the institution’s leadership team.

For the manager role, the competencies move from the technically oriented to the people-oriented realm, where leadership and communication skills are vital to effectiveness. The CFO must have strong people skills: the ability to select, develop, and empower the people who are part of the team—people whose skills complement those of the CFO. An appreciation of workforce diversity is a principal goal in building an inclusive organization. Research has shown that respect for all individuals has a demonstrable effect on bottom-line performance. So it is in higher education. The CFO must invest in people in order to enhance their performance in a predictable and positive way.

In the role of change leader, the CFO must master a complex set of more abstract competencies: ability to think “out of the box,” anticipating opportunities, creating a shared vision, and embracing change. These skills are central to crafting a strategic agenda—a long-term, big-picture direction for change. They must be complemented by interpersonal skills and emotional intelligence to involve others in, and gain their commitment to, the CFO’s goals. Regardless of the role—advisor, manager, or change leader—the ability to communicate effectively and the sensitivity to recognize when communication is needed are vital attributes. The CFO must be able to deal with diverse audiences and constituencies—faculty, students, parents, alumni, donors, legislators, and the local community—in advancing the institution’s mission, often under circumstances that are stressful or unfamiliar for the people involved. Skillful and considerate communication by the CFO then becomes a key instrument for serving both the institution and its constituents’ interests. More and more, CFOs are involved in local and
regional projects as colleges and universities reach out to their surrounding communities for mutual support and filling of needs. These activities bring to bear other sets of political and communications skills.

**PREPARATION AND QUALIFICATIONS**

Mapping out the preparation process for becoming a CFO is difficult. As mentioned above, the role is complex, involving many different competencies, and is, if anything, increasing in complexity. At the same time, there is no clear career path for the CFO—movement “up the ladder” is often as much a question of opportunity and initiative as it is smoothly advancing from one position to the next. Nonetheless, some general patterns can be identified.

Some CFOs advance from within the profession, acquiring experience and passing performance tests along the way. This career progression through increasing levels of responsibility may be obtained within the same institution, by moving to another, similar one, and/or by moving to successively more complex institutions, having once attained the level of CFO. In public institutions, it is particularly important that a future CFO acquire experience working with agencies of the state’s legislative and executive branches.

The downside of a career limited to higher education can be the risk of being unacquainted with techniques and perspectives from other settings that might be constructively brought to higher education administration.

When outstanding candidates are not developed from within or recruited from other well-managed institutions, a person with a state or federal government background or from private business may be a viable candidate for CFO. When this happens, the new officer must learn the institution’s history and culture and be able to understand and appreciate the unique role that faculty play in the institutional environment—and how things get done. Under these circumstances, a seasoned CFO from a similar institution can be of immeasurable help as a mentor and role model.

Whatever the source, it is important that the future CFO gain a wide variety of experiences to match the job’s diverse challenges. This points to some advantage in moving across different areas in business services rather than spending one’s early career in a particular specialization or functional “silo” in the organization. Work experience that combines both for-profit business as well as higher education experience is an advantage. Many people in higher education administration come from other backgrounds.
In earlier years of the profession, it was common for the CFO to be an accountant by training, because financial aspects of the position were such an important part of the officer’s total responsibilities. While this aspect remains important, other responsibilities have increased in both depth and breadth, so that the accounting function no longer dominates. An undergraduate degree in accounting, finance, business, or management is the most common educational background for business officers. Many also hold a master’s degree in business administration (M.B.A.) and/or a certified public accountant (C.P.A.) certification, while a Ph.D. or other advanced degree is becoming increasingly frequent. An advantage of the Ph.D. is that it can help establish a peer relationship with the faculty and thus help to bridge the gap between administration and faculty.

CONCLUSION
Driven by competition and other external forces, colleges and universities are experiencing rapid and fundamental change. The traditional work of the CFO, as an advisor and manager, has focused on providing fiscal and operating stability to the institution. Without diminishing the important and continuing need for those functions, in times of great change, reliance on maintaining the status quo can be counterproductive or even damaging. New visions combined with effective change processes are needed.

Institutions will change. Whether that change represents a threat or an opportunity for renewal depends, to no small extent, on the quality of institutional leadership. As a key member of the leadership team, one who brings a unique set of knowledge and skills to the institution, the CFO must move into a new role, one that actively promotes and leads change. By doing so, he or she will be positioned to guide the changes that the institution must make to grow and prosper.

REFERENCES AND RESOURCES
Management Process


Management Tools


Higher Education Futures


THE ROLE OF THE CHIEF FINANCIAL AND BUSINESS OFFICER


Change Management


