



Boardroom or War Room: An Expectational Analysis of CFO – Executive Board Relationships in Adventist Local Conferences

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ABSTRACT

The Board of Directors represents the highest level of organizational governance. The basis of this paper was instigated by the thought that the perceptions of SDA Local Conference leadership consequentially impact how the relationships of CFOs and their Executive Boards are viewed based upon perceived expectations. Data was collected from a purposeful sample of N=399 at fifty-seven SDA Local Conference in the NAD. Response rate was 55%. A Mixed-Methods sequential exploratory research design was used.

Keywords: Board Governance, CEO (Chief Executive Officer/President), CFO (Chief Financial Officer/Treasurer), Executive Board Members, General Conference (GC), leadership, North American Division (NAD), perceptions, CFO-CEO relationships, Sarbanes-Oxley Act (SARBOX), Seventh-day Adventists (SDA)

INTRODUCTION

CFO-Executive Board Relationships in SDA Context:

The Seventh-day Adventist (SDA) Church, as world-wide organization, has continued to experience exponential financial growth and expansion (Adventist World – NAD 2013, p. 5). This continual organizational proliferation has dramatically influenced and re-shaped how conferences are governed; specifically the Chief Financial Officers (CFOs/Treasurers) and Executive Board relationships. While the North American Division (NAD) Working Policy (2015-2016) and the SDA Accounting Manual (2011) accentuate the expected functional and governance relationships of conference CFOs (Treasurers) and Executive Boards with each other; uncertainty may still tend to exist pertaining to the amplitude of their relationships, and its sway in terms of outcomes in areas of organizational efficiency, effectiveness and productivity.

As with any business or organization entity (for profit and not-for profit); SDA local conferences are not immune from the effects and influences of changes in governmental legislations occurring in domestic and global environments and societies. Therefore, complimentary and favorable CFO and Executive Board relationships expectations (Buckingham and Coffman, 1999) must be clearly defined, encouraged, established, nurtured and sustained; especially in SDA local conferences to realize its objectives and purpose (mission).

LITERATURE

The Emerging Role and Responsibilities of the CFO

The evolution of the CFO's role has continued to expand significantly in scope and responsibility primarily in response to the result of the increasing complexity in government(s) requirements and regulation(s) in addition to pressures in corporate industry

competition in global business environments, markets and societies to secure and sustain marketability and profitability for their organizations (Karabus, 2017; Kulshrestha, 2017). According to Ode (2016), the CFO, in most organizational sectors, is considered as the second in command to the CEO (Whiteman, 2015). During the 1990's, the CFO role begin shifting from more of traditional and functional accounting, reporting and financial management duties to engaging in greater duties such a being a strategic partner and corporate leader with more emphasis shaping strategy and driving innovation, strategic thinking, ensuring regulatory compliance, managing risk and looking to create and increase organizational and shareholder's value (Littlewood, 2017; Vollmer, 2017; Williams, 2012; Steinhoff and Price, 2011; Corporate Finance, 2005).

In the future, expectations of CFOs will continue to change as new challenges occur as societal influences impact how business operate. Uncertain and unforeseen internal and external environmental domestic and global forces on organizations will require CFOs to authentically and openly communicate wider transparently and demonstrate more leadership effectiveness while focusing more on medium and long-term growth aspects in their industries without negating the importance of short-term challenges such as company's cyber-security, new business models, profitability, meeting operational goals and objectives, and technology innovations (Holley, 2017; Vercic and Zerfass, 2016; Westfall, 2015, Dotlich, 2006).

The Role and Function of the Executive Board

According to Holley (2018) "the role of boards and the issues they oversee have expanded amid the accelerated rate of change, disruption and transformation that defines today's business environment". The purpose of the board and board service in corporate America has also evolved over twenty years ago from a perceived position of cushiness, "morning presentations by management", "liquid lunch", "cigars" and "a place for glory where people were recognized"; to being held to highest level of commitment and service to governance in addition to having a broader understanding of business, economic, governmental industry issues impacting the organization such as creating and increasing company marketability and sustainability, crisis management, compliance (SARBOX), maximizing shareholder and stakeholder value and wealth, profitability, addressing risk and regulatory challenges, investing in social responsibility and strategic oversight (Merker, 2018; Raymond, 2018; Banerjee and Kaya, 2017; Madhani, 2017; Talaulicar, Judge and Mallon, 2017; Venkatraman, 2015; Colvin, 2013).

The success of executive boards in fulfilling its functional role and responsibilities as the center and foundation of an entities' governance significantly impacts the financial outcomes and overall operating performance, effectiveness and efficiency of the corporation and organization (Malik and Makhdoom, 2016). Gwin, Lesueur and Sanders (2018) noted the complexity of today's business climate and culture requires boards to accelerate their functional strategy capacity) into areas such as (1) Working Board (Portfolio Investor Strategy); (2) Thinking Board (Customer Intimate Strategy); (3) Responsive Board (Execution Engine Strategy); and (4) Inspiring Board (Talent Magnet Strategy) to develop specific approaches to be proactive in the oversight of establishing and monitoring the strategy initiatives of the business they serve to ensure that the well-being of the shareholders and stakeholders are maximized (Moran, 2016). It is also essential and vital to a company's competitive advantage, marketability, operating performance and sustainability that boards' composition be representative of the stakeholders, communities and consumers that the company serves, and include people with diverse backgrounds, orientations, abilities and professions to attract future investors and customers (Toumi, Benkraiem and Hamrouni, 2016; Bhuiyan, 2015; Boerner, 2015; Swedberg, 2015; Dingle, 2014).

The Impact of Sarbanes-Oxley Act (SARBOX) on CFO-Board Relationships

According to McCann (2017) the Sarbanes-Oxley Act of 2002 was primarily incorporated to address and institute mechanisms for controlling financial scandals in business and corporations. Heffes (2007) stated a significant part of the CFO's job is to communicate with the executive board of directors, and the Sarbanes-Oxley Act of 2002 made the CFO's reporting to the executive board even more critical to the corporation. In addition to the CFO's accountability and reporting to the executive board, the passing of Sarbanes-Oxley was also enacted to minimize business and corporate fraud, improve financial reporting quality, enhance board accountability, governance and independence, create and ensure compliance officer independence, cultivate maintenance of CFO and board relationships and protect company assets (Holly, 2018; Snell, R. 2017; Franklin, 2016; Aquilio, 2016; Joseph, 2015; Krishnan, Gopal, Raman, Yang and Yu, 2011).

However, adaptation and implementation of the legislature of Sarbanes-Oxley has not been an easy transition for some board of directors due to the necessity of being influenced and undermined by social ties with the CEO and/or CFO; board members requiring a deeper knowledge and understanding of the business operations and processes above just getting the financial reports due to excessive information; and it has also created numerous challenges for businesses to meet compliance (Linden, 2012; Krishnan, Raman, Yang, and Yu, 2011; Krell, 2006; Krell, 2005).

METHODOLOGY

A mixed methods research design (Creswell, 2014) was used in this study. Creswell (2003) "defines mixed methods research by incorporating the definition that focuses on collecting and analyzing both quantitative and qualitative data in a single study" (p. 210). A sequential exploratory design involving qualitative (Eriksson and Kovalainen, 2008; Nardi, 2003) and quantitative (Elsbach and Bechky, 2009) methods was utilized first in interviewing presidents and treasurers from four exemplary SDA Local conferences, and then secondly the collection and analysis of the survey data collected from a purposeful sample of N=399 at fifty-seven SDA Local conference throughout North America (Bermuda, Canada and USA). A 55% response rate was realized. The primary focus of this paper is quantitative pertaining to the study topic. ANOVAs, Likert Scale and Student-Newman-Keuls Post-Hoc Test were the primary statistical analysis used for each of the survey questions pertaining to the treasurer's relationship to the Executive Board.

RESULTS

Research Question 1b: Is there congruence between the perceptions of the presidents, treasurers and executive board members as they relate to the way the roles, responsibilities and relationships of the treasurers have changed?

Quantitative Findings

The results summary of question 1b pertaining to the treasurer's relationship to the Executive Board is presented with the means for the individual groups (presidents, treasurers, and board members). It should be noted that the Likert Scale used ranged from 1 (strongly disagree) through 5 (strongly agree). The higher the mean score, the more respondents agree with the survey questions.

Individual Group Means for the Treasurer's Relationship to the Executive Board

Questions of Treasurer's Relationship to the Executive Board

		Presidents	Treasurers	Board Members
30	Relationship of treasurer changed from past, present, future.	3.23	3.53	3.63*
31	Relationship is enhanced by providing accurate reports.	4.49	4.62	4.61
32	Credibility is built by presenting simplified reports.	4.63	4.67	4.58
33	Failure to follow board directives can create adversity.	4.43*	4.05	4.34*

*Denotes pairs of groups significantly different at the .05 level.

Pertaining to Question 30; the relationship of the treasurer to the board has changed over the years and will continue to evolve in the future (The total group mean of 3.54 indicates that the three groups tended to agree with this statement).

Pertaining to Questions 31; the treasurer's relationship with the board is enhanced by providing accurate and timely financial statements (The total group mean of 4.59 indicates that the three groups tended to strongly agree with this statement).

Pertaining to Question 32; a treasurer builds credibility with the board by presenting simplified financial reports with full disclosure (The total group mean of 4.60 indicates that the three groups tended to strongly agree with this statement).

Pertaining to Question 33; failure to carry out the board's directives in a timely manner can create an adverse relationship between a treasurer and the board (The total group mean of 4.30 indicates that the three groups tended to agree with this statement).

Qualitative Findings

A Researcher's Observation on CFO/Executive Board Relationships in SDA Boardrooms:

According to Brown (2005, pg. 102-103) "As the researcher, I was able to observe and record detailed notes (Appendix G) of the executive board meetings of each exemplary conference where the treasurer was responsible for presenting financial reports to the board. The treasurers' relationships with their executive boards during the meetings I observed were pleasant and responsive. A bond between the two groups was visible.

It became quite evident that the treasurers were very competent and skilled in financial leadership and management. They all did an outstanding job of presenting the financial reports, supporting their presidents, and contributing to the non-financial agenda items of their conference. In each case, after the treasurer presented his or her report, the president and members of the board expressed their appreciation to the treasurer and the treasury department for the outstanding work they were doing as reflected in the treasurer's report. There was a great deal of positive humor and verbal exchange between the treasurer, president and board members in each conference which resembled a partnership between the three sectors of the conference leadership team. The board members listened intently to the reports and asked questions, made comments, and eventually voted to accept the treasurer's reports".

IMPLICATIONS AND CONCLUSIONS

In summary, the results of the questions pertaining to the expectations of the treasurer's relationship to the executive board indicate and support that the treasurers and executive boards are experiencing changing relationships, and that the treasurer's relationship with the executive board is enhanced by the degree in which the treasurer reports to the board and responds to board directives. The executive board is the governing body of an organization, and the CFO is ultimately accountable to the executive board as it pertains to the position's role and functioning responsibilities. Essential to establishing and maintaining CFO efficiency and productivity is having effective and feasible working relationships that fulfill the governmental legislative requirements of the Sarbanes-Oxley Act (SARBOX) where applicable. Therefore, the effective communication and understanding of corporate leadership expectations are foundational in the maximization of the CFO and executive board relationships especially in fostering and facilitating the well-being of all its stakeholder and subsidiaries. The selection of the "right" fit CFO and the "right" fit individuals to serve on the executive board is necessary to achieving positive results in the boardroom atmosphere. Whereas poor selections in any of the areas mentioned above may create a war room atmosphere, and equipoise the advancement of an effective and efficient operating environment that fulfills and represents in a measurable manner the organization's mission of climate and culture.

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