Changing Role of the Chief Business Officer (CBO)

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Changing Role of the CBO

Higher education challenges have broadened the presidents’ and governing boards’ expectations of the top financial position. The role is evolving from:

- Manager to a collaborative leader
- Thinking and acting tactically to thinking and acting strategically
- Focusing solely on accounting to strategic financial analysis and planning, and
- Integrating the multiple functions typically found in a CBO portfolio
### CBO’s Most Important Duties

<table>
<thead>
<tr>
<th>Task Description</th>
<th>CBO</th>
<th>President</th>
<th>Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing institution’s resources</td>
<td>77.1%</td>
<td>77.5%</td>
<td>86.8%</td>
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<tr>
<td>Strategic thinking and decision-making</td>
<td>38.7%</td>
<td>34.2%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Leading change and fostering innovation</td>
<td>21.4%</td>
<td>18.6%</td>
<td>7.6%</td>
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<tr>
<td>Supporting the president and managing up</td>
<td>16.6%</td>
<td>23.6%</td>
<td>10.3%</td>
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<tr>
<td>Engaging community in financial decisions</td>
<td>12.8%</td>
<td>14.7%</td>
<td>5.6%</td>
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Results from TIAA_CREF/NACUBO Survey of CBOs – Spring 2014
Changing Role of the CBO

With most universities facing huge challenges in their business models, it is more critical than ever for CBOs to be educators

- Need to help key stakeholders understand the financial status of the institution
  - Board Members
  - Faculty
  - Students
  - Staff
CBO – Essential Characteristics

• Transparent
  - Work openly and effectively with faculty, staff, students and administration in development of the budget
  - Budget is no longer centrally developed
  - Demonstrate to stakeholders that priorities outlined in the strategic plan are being funded

• Strategic Vision
  - Have the ability to manage a budget based on strategic goals
  - Have the ability to translate vision into actionable goals and objectives, and financial plans.

• Partnering with key institutional leaders and stakeholders
CBO – Essential Characteristics

• Ability to craft an inclusive financial process
  - Budget process and model have to take into consideration the institution’s mission, vision, revenue sources, and programmatic needs

Requiring skills and expertise in the many (sometimes new) areas:
  ° Understanding of all funding streams and cost drivers (traditional role)
  ° Understanding of, and ability to manage, debt
  ° Ability to provide guidance on endowments
  ° Ability to work effectively with the enrollment management team
  ° Knowledge of infrastructure issues, (increasing discussion surrounding whether facilities are properly maintained and meet the needs of the programs)
  ° Ability to provide information in a user-friendly format, such as a dashboards
CBO – Essential Characteristics

- Ethical
- Technology Savvy
- Change Catalyst
  - Must be able to manage change, not just react to it
- Community Outreach Partner
  - Work with the president and community officials to redevelop deteriorating areas and bring new jobs to the community
- Succession Planner
  - This is increasingly important with the graying of the profession
Profile of Today’s CBO

- White
- Male
- 56 years old
- Married
- Advanced degree
- 8 years at current institution
- Satisfied with job
- Higher education experience

Results from TIAA_CREF/NACUBO Survey of CBOs – Spring 2014
Succession Planning

TIAA_CREF/NACUBO Survey of CBOs – Spring 2014 revealed the following:

- 100% of participants said that succession planning is key to the long-term viability of their organization

What percentage do you think have no formal succession plan in place for their role?

- 60% plan to leave their position within 5 years

What percentage do you think have no formal succession plan for their direct reports?
Changing Role of the CBO

Some examples from VCU helps illustrate this new role is already the expectation at many of our institutions

- Strategic Planning
- Strategic Enrollment Management
- Campus and Facility Master Planning
- Research, Engagement, and Economic Development
- Development of a New Budget Model
Changing Role of the CBO – Teach and Explain Financial Information to Key Stakeholders and Have Transparency in the Budget Process

• The university community should understand how the budget is put together
  - What forces drive and affect the budget
  - What constraints we work within

• The University Budget Advisory Committee (UBAC) was formed and has worked over a two year period to increase the knowledge base surrounding VCU’s budget process
Changing Role of the CBO – Teach and Explain Financial Information to Key Stakeholders and Have Transparency in the Budget Process

- All major stakeholders are represented on the UBAC, e.g. deans, faculty and students
- The next step for VCU is the development of a new budget model with broad participation from the University community in FY 2015
Changing Role of the CBO – Teach and Explain Financial Information to Key Stakeholders and Have Transparency in the Budget Model

VCU launched a project to transform its budget model

- VCU’s new budget model is being designed specifically for VCU – built for our culture, values, goals and principles. The president-appointed steering committee will lead the university through a transparent and inclusive of developing the new budget model.

- A New Budget Model Task Force formed, they will do the “heavy lifting” and provide the open access to the project

- Consultant hired to assist with developing and implementing the new model

- Goal is to have new budget process in place for FY17
Changing Role of the CBO – Strategic Vision and Transparency in the Budget Model

The new budget model, as a vehicle to allow VCU to fund and operationalize our strategic plans, should:

• Create structures to incentivize revenue generation, entrepreneurship and collaboration

• Link academic authority and financial responsibility

• Enhance student learning and further the research mission

• Attract, retain and support students, faculty and staff

• Nurture academic integrity

• Be implemented with collegial compassion
Changing Role of the CBO – Manage Debt & Endowments

- Formed Structures Task Force (FSTF)
  - Comprised of financial leaders from all VCU entities, including the VCUHS and affiliated foundations (entities)
  - Resulted in RFP for selection of external investment manager that is now used by VCU, VCU Health System and affiliated entities (except two)
  - Created formal, uniform management agreements between VCU and entities
  - Developed investment policies and updates to existing policies
  - Increased endowment management fees to better support development activities
  - Reduced custody fees across the enterprise
Changing Role of the CBO – Manage Debt & Endowments

- A study of spending and resulting improved cash management increased investment in higher yielding Short Duration Funds resulting in increased revenues of over $1.0M in FY 2013

- Endowment returns for the consolidated entity increased by 13% in FY14

- VCU has stopped using the state bond pool and instead issues its own debt to better time the market and conduct competitive sales

- VCU is using a line of credit to match donor funded capital projects

- Alternative financing options may prove to be options for future housing financings
Changing Role of the CBO – Work Effectively with Enrollment Management Team

- Successful Tuition Restructuring
- Future Perfect Model for Long-term Planning
- Enhanced Revenue Projections
- Additional funding for student financial aid
- Student Affordability
Changing Role of the CBO – Infrastructure (Facilities and Organizational)

- Benchmark Facilities Management – Sitelines
  - Led to VCU Board approving institutional funding for maintenance reserve ($1M in FY15)
- Facilities Master Planning
- Residential Life Master Planning
- Infrastructure Technology
- Human Resources
Preparing Yourself For the CBO Role

• Engage in continuous learning

• Look for opportunities to stretch yourself – volunteer for campus committees, task forces, and special projects.

• Cross boundaries

• Planning

• Leadership

• Human Resource Development
Key Take-Aways

• Spend time with your key stakeholders

• It is not their responsibility to understand us; we have to be accessible to them and help them understand the finances of the institution

• A parting thought about budgets

*The budget is not just a collection of numbers, but an expression of our values and aspirations.*  Jacob Lew