Montemorelos University

Faculty of Business and Legal Sciences

FACTORS IMPACTING ON THE FINANCIAL PERFORMANCE OF CONFERENCES IN THE NORTH AMERICAN DIVISION OF SEVENTH-DAY ADVENTISTS

Thesis
presented in partial fulfilment
of the requirements for the degree
Doctorate in Business Administration

by

Daniel L. Honore

May 2019

ABSTRACT

FACTORS IMPACTING ON THE FINANCIAL PERFORMANCE OF CONFERENCES IN THE NORTH AMERICAN DIVISION OF SEVENTH-DAY ADVENTISTS

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Main advisor: Pedro Gonzales Urbina

DOCTORAL THESIS ABSTRACT

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Title: FACTORS IMPACTING ON THE FINANCIAL PERFORMANCE OF CONFERENCES IN THE NORTH AMERICAN DIVISION OF SEVENTH-DAY ADVENTISTS

Researcher's name: Daniel L. Honore

Name and degree of main advisor: Pedro Gonzales-Urbina, Ph.D. in Administration

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Problem

The empirical model in which capital investment, strategic management, financial risks, financial administration are predictors of financial performance, as perceived by conference administrators in the North American Division.

Methodology

The research was empirical quantitative, descriptive, exploratory, explanatory and transversal. The study population was made up of 59 conferences in the North American Division of Seventh-day Adventists. An instrument was administered to 100 conference officials from the described population. The substantive statistical process was based on regression analysis, performed in SPSS 20.0.

The constructs for the five instruments used were done through factorial analysis techniques (with explained variance levels of over 64%, which are acceptable) and the reliability, measured with the Cronbach alpha coefficient for each instrument, was acceptable (with the lowest explained variance levels of .882). For the analysis of this hypothesis, the statistical technique of multiple linear regression was used.

Results

The model was validated with the sample of conference executive officers identified above. The capital investment and financial risk variables are good predictators of financial performance, according to the perception of conference officials in the North American Division. When evaluating the influence of independent constructs through the standardized beta coefficients, it was found that the best predictor is financial risk followed by capital investment, but the prediction of strategic management and financial administration did not have a meaningful result.

Conclusion

It is recommended that administrators of conferences in North America pay attention to the capital investments made and financial risks in the elaboration of plans to foster growth and development. Administrators should deepen their knowledge of corporate management principles to better utilize these constructs to maximize gains that will advance the mission of the church and minimize risks while reaching optimal financial performance. The constructs of strategic management and financial administration are not good predictors of financial performance.

FACTORS IMPACTING ON THE FINANCIAL PERFORMANCE OF CONFERENCES IN THE NORTH AMERICAN DIVISION OF SEVENTH-DAY ADVENTISTS

Tesis
presentada en cumplimiento parcial
de los requisitos para el título de
Doctorado en Administración
de Negocios

por

Daniel Lamartine Honore

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DEDICATION

This work is dedicated to my loving wife Fritze, in recognition of her unqualified support during the academic journey and doctoral path in scholarship, and to my Advisor, Doctor Pedro Gonzales Urbina, for facilitating me in striking the proper balance between professional obligations and academic pursuits.

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It is with awe that I celebrate the culmination of an arduous, rigorous and challenging academic journey. I thank God Almighty for granting me the perseverance to complete this body of work despite moments of self-doubt and discouragement. I can meaningfully say “His grace and mercy brought me through”. In addition to Divine providence, I must also acknowledge individuals whose selfless encouragement propelled me to the finish line.

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Our cohort was composed of committed individuals seeking to improve themselves through knowledge acquisition. I thank all of my fellow students for creating an environment of mutual support free of egotism and competition. There were two classmates who went out of their way to prevent me from falling by the wayside: Ainsworth Joseph and Ligia Holmes. To them I will forever be grateful.

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CHAPTER 1

INTRODUCTION

Background

The following sections provide a brief compilation of definitions of the latent variables of this research: (a) Capital Investment, (b) Strategic Management, (c) Financial Risk (d) Financial Administration and (e) Financial Performance.

Capital Investment

The purpose of capital investment is to create additional value and income for shareholders of a firm by generating economic benefits which exceed the cost of acquiring the same. Investment capital should only be earmarked towards assets which maximize the value created (Agar, 2005). Capital budgeting and investment principles apply to both for-profit and non-profit institutions.

The principal difference between both is that in the private for-profit enterprise, the shareholder equity is valued by the difference of value of assets and liabilities as dictated by market conditions, whereas in the non-profit arena, the increase in value gained from capital investments are retained and used to support the mission of the organization (Goldberg & Prottas, 2017).

In order to diminish risks created by market volatility a firm can divide a capital investment project into multiple stages and engage in gradual increments of investments. In such approach the value of venture capital is founded on future growth

rather than cash returns from the initial investment (Cong, Junzo, & Huiming, 2015).

Good asset management involves optimizing costs, risk performance, resources and benefits over a period of time. Managers must be aware of the inherent risks connected to decision making. Normal priorities of asset management include keeping stakeholders satisfied through substantial returns on investments while properly overseeing compliance, sustainability, cost, and risk management through the life cycle of a given asset (Latunde & Bamigbola, 2018).

Strategic Management

The purpose of adequate strategic management is to ensure stability and growth within any given organization, firm or entity. “Proper management of government budgets ensures sustained economic growth of the governed entities” (Garcia Lopez, 2014). Administration thus serves as a bridge connecting leadership, in formulation of goals and policies, and the collective organization in which these factors come to fruition.

Storing’s (1965) study of Leonard D. White, a pioneer in the field of strategic management, concluded that administration consists basically of the four following assumptions: (a) "administration is a single process substantially uniform in its essential characteristics wherever observed" (b) "the study of administration should start from the base of management rather than the foundation of law" (c) “administration is an art in transformation to a science" and (d) "administration has become and will continue to be the heart of the problem of modern government" (p.95).

It is the responsibility of administrators to achieve performance goals through the implementation of strategic planning which produces results, affects the external environment and meets the needs of stakeholders. Successful administrators are

rewarded accordingly as their strategic goals provide basis for control and evaluation and create standards of excellence (Moynihan, 2008). Sound financial planning incorporates short term and long-term financial needs of the organization and mixes different forms of securities and means for obtaining needed funds (Sofat & Hiro, 2015).

Currently, managers are required to legitimize their actions both in terms of efficiency and their resulting outcomes. They are also expected to meet performance-reporting mandates and asked to explain performance of their programs or lack thereof. Increasingly they must produce more with less (Moynihan, 2008). Given the swiftness of modern day transactions, timely reporting of financial statements is essential. This means that it is of vital importance for decision makers to have information available before it lapses in usefulness in influencing decisions (Ismail & Chandler, 2003).

In order to insure consistency and reliability in strategy, financial institutions and organizations have sought to implement industry wide accounting standards. United States president Woodrow Wilson held that “administration lies outside the proper sphere of politics. Administrative questions are not political questions. Although politics sets the tasks for administration, it should not be suffered to manipulate its offices” (Wilson, 1941). Generally Accepted Accounting Practices (GAAP) is an attempt to implement uniform industry-wide accounting and management practices. The term infers that a standard set of rules and practices has been used to standardize financial statements, both within and outside of the company as means to assist investors and creditors better compare companies. Firms are expected to adhere to GAAP principles in reporting financial information (Arline, 2015).

Standardized accounting practices may vary according to the entity's role as a private corporation, public entity or a non-profit agency. While private companies would be expected to follow GAAP, the Federal Government has its own accounting system which disperses its management functions amongst three agencies. The financial management responsibilities of the executive branch are distributed to the General Accounting Office (GAO), the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury). The General Services Administration (GSA) and Congressional Budget Office (CBO) are given specific roles by the legislative branch (Tierney, 2007).

In the not-for-profit arena entities also follow standardized accounting practices tailored to their organizational missions and visions. The Seventh-day Adventist Church, for example, has developed its own accounting manual designed to create uniformity within all levels of church administration. Its stated purpose reads:

> "The primary purpose of this manual is to provide a standardized system of accounting and financial reporting in compliance with generally accepted accounting principles for the global church, assist denominational accountants and treasurers to prepare financial statements that will provide meaningful information to church administrators, committees and constituencies, as well as enhance the audit function of the church (Seventh-day Adventist Church, 2011)"

Despite efforts to implement across the spectrum of standardized financing strategy principles, these attempts often fail to reach the desired outcomes for several reasons. At times corporate financial statements call for estimates and judgement calls which can be erroneous even in good faith. Comparison metrics between companies are not always accurate in judging values in companies especially for fast moving innovative firms. Occasionally, managers and executives may be incentivized to deliberately misstate financial statements and positions (Sherman & Young, 2016).

Financial Risk

Constant changes in financial market conditions and prices rise to increase financial risks. These risks include interest rate hikes, foreign exchange fluctuations, as well as variations in the prices of commodities and equities. Financial risks also encompass systemic challenges and volatility in liquidity. Organizations are subject to potential financial impacts from the interaction of one or a combination of several risk factors which can result in significant losses (Horcher, 2005).

Implementation of Enterprise Risk Management (ERM) is quickly emerging as a newer method to assess risks. This approach is suited to managing business risks according to the unique circumstances and needs of a particular industry. It also involves situations resulting from internal conditions or external factors that negatively impact the profitability of an enterprise. ERM calls for responses to shifts in data, assumptions or analysis which have a destructive impact on a company's use of assets in meeting financial goals (Hampton, 2011). Risk Management aids decision-makers in reaching informed decisions founded on adequate and systematic assessment of risks within the context of a given financial institution (Cumming & Hirtle, 2001).

Upon embarking on active risk management initiatives, financial institutions should consider implementation in a manner which optimizes their daily business functions. Unless both the positive and negative effects are taken into account, the risk management effort may fail due to a lack of actual reduction in risks, higher costs and lower compliance than anticipated. Causes for these failures can include high coordination costs, unsatisfactory internal service delivery or insufficient funding. A positive effect may be lower costs from the combining or synergizing with other projects (Grinsven, 2010).

It is incumbent on managers to fully grasp the knowledge of their particular industry through active research which augments knowledge needed to facilitate transformational innovations of organizational culture and better identify operational risks (Yang, Hsu, Sarker, & Lee, 2017). It is not enough for companies to rely on formal compliance with internal and external regulations and good faith ethical principles. Research demonstrates that companies lacking a shared culture of compliance face dangerous future long-term consequences through negatively impacted stakeholders (Boubaker, Buchanan, & Nguyen, 2016).

Financial Administration

Financial administration is a framework of an organization which directs the financial decision making resulting from different conditions, dynamic competitors and collection of relative reactions. Financial administration is one of the key factors in organizations and increases shareholder wealth by identifying value drivers.

The most fundamental task in the management of organizations is to direct human resources and financial assets in order to attain pre-set goals. Bryce (2017) mentions that this is true for both profit and not-for-profit entities. As a management tool, financial administration allows an organization more efficient use of resources in choosing a desired future through articulation of its goals and objectives even during dynamic and turbulent environments (Stembridge, 2001). As such financial administration analyzes organizational capabilities and environmental conditions then seeks to create plans which respond to said conditions and plans to match the firm's capabilities with those conditions (Montanari, Morgan, & Bracker,1990).

Harrison and St. John (1994) mention that the financial administration process

encompasses several steps as follows:

1. Basic Financial Planning: A process in which a firm conducts budgetary planning from within along with ensuing financial strategies.

2. Forecast Based Planning: The firms examine external forces to predict environmental factors which may impact it in the future.

3. Externally Oriented Planning: Firms devise strategies which respond to market conditions and competition.

4. Financial Administration: Firms seek to develop and maintain distinctive competence and sustainable advantages while securing the future.

A strategic plan serves as a road map indicating where the organization or business is headed including goals and objectives. It further delineates the actions required of management to reach the planned goals. Elements of a successful plan include vision, mission, financial performance and comprehensive strategies to be used in meeting objectives (Stembridge, 2001).

As opposed to mere financial administration, strategic planning is implementation of the plan developed through the four-step process described above. Once formulated the plan must be implemented and subsequently evaluated. This evaluation examines internal strengths and weaknesses and works to generate alternative strategies as needed (David, 2011).

Financial Performance

There is no unanimous opinion as to the number and type of indicators needed for observation and evaluation of financial performance. The term refers to indicators which emerge from the analysis and observance of a firm's financial statements. As such,

financial performance is a representation and overall measurement of a firm's fiscal activity (Danila, Horga, Coman, Coman, & Stanescu, 2017).

The measuring of performance reflects the health and overall wellbeing, or illness of the firm. They alert of symptoms indicating a problem. They further stimulate competent managers to intervene in a timely fashion with corrective answers to problems. Every organization, regardless of size or mission is compelled to measure progress in periodic intervals (Uyar, 2010).

Such performance evaluation aids in implementing strategy, modifying behavior, communicating expectations, monitoring progress and evaluating employees. They further serve in motivating employees through rewards and sanctions (Vanderstede, Chow & Lin, 2016). Financial performance is the basis for predicting approaches for future development of the company. Managers are thus expected to base their decision making on rigorous assessment of performance and financial records (Mihaela, 2016).

In light of varying circumstances, standards are needed in order to ensure consistency through the auditing process. The use of data analysis contributes to this process rendering it more effective. The use of technology helps in reducing the time needed to execute a financial procedure and further accelerates the process of professional reasoning and identifying nonconformities (Botez, 2018).

How companies approach valuation can greatly impact and generate interest to outside observers including analysts, management and investors. Markets can be influenced via personal biases and speculation. For example, agency risks create moral hazards in which fiduciary duties take a secondary seat to profits (Thomas & Gup, 2010). Fraud in financial statements negatively affects the economy, erodes

confidence in the stock market and damages the general public's faith in the business environment (Xiao-Bo et al., 2018).

Definition of Terms

In this section, the definitions of some of the key terms used in this study will be shared. The following terms were operationalized in this research:

Financial Performance: A subjective measure of the fiscal status of a firm resulting from its management of business assets as reflected in its return on investment, return on assets and value added.

Capital Investment: Funds invested in a business for the purpose of advancing business objectives. It also involves the acquisition of assets which will generate returns to the firm.

Strategic Management: An integral part of an organization's plans which outlines the manner in which the enterprise will finance its operation in pursuit of meeting present and future objectives. It also stipulates the fiscal policies to be used in meeting those objectives.

Financial Risk: The possibility that stakeholders will lose funds invested in a company due to inadequate cash flow and debt obligations. It includes any downside risk which leads the firm to insolvency.

Financial Administration: The process in which an organization defines its goals, objectives and priorities and establishes the sequence in which those goals will be reached and the mechanisms for implementing the formulated strategy.

Theoretical Background

Capital Investment to Financial Performance

Capital investment provides liquidity which enables companies to function without cash flow challenges. Venture capitalists contribute to the U.S. economy through investments into public and private firms. During a 25 year period beginning in 1980, capital investment in nonpublic companies reached $394.6 billion. These investments allow firms the privilege of high valuations in public equity. Venture capital has facilitated the expansion of several industries through innovation and the access to patents. In spite of this, there is a negative relation between venture capital and stock returns (Loughran & Shive, 2011).

Besides efficient management practices, an adequate working capital policy can considerably improve the overall financial performance of a company. While expectations of returns on investments, proportionate to costs, is normal, additional funds invested in the firm are also expected to produce earnings. A study comparing the working capital policies of multinational manufacturers in Pakistan and that of domestic firms concluded, through multiple regression, that a conservative working capital policy is the most effective. Domestic companies tended to be more aggressive than the multinationals due to statutory requirements of the Central Bank of Pakistan regulating liquidity requirements. The findings are relevant and applicable to multinational and domestic manufacturers who operate in the developing world (Shah, Hansu, & Butt, 2016).

Throughout the world corporate venture capital is being invested in private companies by non-financial corporations. This infusion of investment cash allows firms

to expand operations through development and expansion. The Chinese economy has witnessed rapid growth as the result of a domestic venture capital influx (Lei & Jun, 2016) China now boasts the world's largest and fastest venture capital market. This is attributed to a growing capital supply made available through government programs, the availability of financial intermediaries who create relationships between venture capitalists and investors, and stimulation of entrepreneurship through a favorable regulatory environment (Lin Lin, 2017).

One of the major ways in which capital investment works to enhance financial performance is when used in furtherance of research and development (R&D). A study of the Istanbul Stock market measured 145 Turkish manufacturing firms, during a five year period from 2008 - 2013, based on the intensity of research and development investments and the resulting impact on financial performance. These companies were classified according to their level of technology from high to low. The study found a positive effect of (R&D) on financial performance and recommends maintaining R&D funding at level even in the face of recession. In this sense R&D can be used as a reliable measure of financial performance (Ayadin & Karaaslan, 2014).

Strategic Management to Financial Performance

The highest objective of financial management is the maximization of profits and wealth to stockholders and business proprietors. This is achieved through optimal profitability and liquidity. Managers attain profitability by ensuring stable income or sustainable growth by means of cost control, pricing, sales quantity, inventory and expenditures (Kitonga, 2008).

Profitability's inherent priority is a reflection of its income earning abilities and

the measurable results of a business. Investors and stakeholders are not likely to risk or commit financial resources without the expectation of profitable earnings. Accordingly, sound financial management is essential in effective utilization of resources resulting in gains (Girmay, 2017).

Profitability is further affected by the effective management of working capital or lack thereof. Non-effective administration of capital will end in erosion of profit margins. Profitability is enhanced with increased inventory and decreased accounts payable while the inverse harms profit. All organizations must define the management tools and practices which are essential for them to operate as healthy and profitable ventures (Wangari, 2017). Such critical practices include, but are not limited to budgeting, financial reporting and internal controls.

The implementation of operational financial tools raises expectations of improved organizational performance. Typically, there is causal relationship between operating expenses and revenues. As firms react to increasing demands with additional resources it is expected that they will improve. Integrating efficient practices into operations, however, will allow an organization to increase revenues while simultaneously cutting costs but maintaining similar revenue levels (Bennet, 2019).

Financial Risk to Financial Performance

Numerous studies have indicated that companies which employ sound risk management practices attain their objectives for better financial performance and suffer less financial distress. It is therefore in the interest of firms to manage risks by preparing for them and pre-empting them when possible (Krause and Tse, 2016). Efficiency in the management of risks further contributes to growth by diminishing overall operation costs.

Accordingly, the risk management should not be perceived as an expense but rather as a practice that adds value and increased returns to the firm.

The banking industry has incorporated effective risk management as a foundational principal of bank administration. For this reason, the Basel Committee on Banking Supervision has adopted the Basel Accords as means of governing risk management within the banking system (Sensarma & Jayadev, 2009). As such, risk management efficiency is factored in when evaluating the institution's strength.

The collapse of major financial institutions in the United States in 2008, and their effect on other institutions throughout the world, exposed weaknesses created by systemic risks. This has led to financial institutions seeking to better understand and assess the systemic risk exposures that they face. A study conducted on the banking system in Kenya revealed that systematically important banks in the country are in a position to trigger contagious defaults in other banks should they themselves fail. Understanding this risk should prompt banking managers to apply more rigorous systemic risk assessment practices (Hong, Allan, & Qian, 2018).

A study assessing the banking sector of Nigeria found that corporate performance is impacted by its nature of governance. Public enterprises tend to be inefficient due to a lack of market discipline. In these enterprises, managers place their personal interests above those of the company as a result of lack of efficient market monitoring (Akindele, 2012). There is thus a relationship between ownership structure and economic performance. This study found a positive relationship between bank performance and risk management. It also concluded a correlation between better corporate governance and better risk management. Bank profitability is enhanced as

the result of better risk management practices which emanate from improved corporate governance (ibid).

Risk management effects on financial performance are not limited to for profit commercial enterprises. They are just as crucial for nonprofit and governmental entities. For example, a report issued by the US Government Accounting Office found that the federal loans underwritten by the Federal Housing Administration (FHA) were at greater risk of default if the borrower had benefited from down-payment assistance. The delinquency rates for loans with non-seller funded down-payment sources was 49 percent higher nationally than for similar loans without this assistance (Federal Housing Authority, 2006). The probability that loans with nonprofit seller-funded down-payment assistance resulting in insurance claims for the agency was 76 percent higher in its national sample. The report contained a number of recommendations that could help the FHA manage its risks through the elimination of down-payment assistance or more stringent borrowing requirements.

Financial Administration to Financial Performance

Financial administration is a tool used by companies in order to become more competitive in the marketplace. The suitable implementation of financial strategies allows companies to increase efficiency and innovation with the goal of optimizing financial performance through profits. When adequate strategies are applied by management, industries tend to have positive effects on the overall organizational and financial performance (Marques et al., 2014). Knowledge of industry specific strategies will enable managers to engage stakeholders as they seek the implementation of new initiatives.

Innovation generated through research and development often plays a key role in expanding a company's ability to expand production and increase revenue. A study of the relationship between innovation and performance in Tunisian companies found a significantly positive relationship between research development and financial performance. This led to the conclusion that companies desirous of financial growth must first seek to improve their financial standing through the use of new technologies and ideas (Ezzi & Jarboui, 2016).

A systematic quality improvement strategy utilized for the improving of performance is total quality management (TQM). This is a management philosophy that places a heavy emphasis on continuous improvement, long-range planning and thinking, customer satisfaction, process redesign and other competitive approaches. TQM is not limited to the corporate world and can readily be applied by any organization including service, manufacturing, non-profit and government. TQM seeks better relationships with both customers and suppliers as a means to efficiency and better bottom line financial performance (Kurt & Zehir, 2016). A study of medium to big size firms in Turkey engaged in this philosophy found that TQM and financial performance are strongly related.

Thorough implementation and integration of a strategic plan by a firm, seeking to ameliorate financial performance, requires communication of said strategy at all levels of the company. The employees must fully understand the particular role that they are expected to play in order for the plan to work and for the firm to meet its financial objectives. Such comprehension can be measured by requesting that the employee repeat or articulate the stated goals back to management (Hodes, 2018). It

is then management's responsibility to periodically meet with employees to evaluate overall progress and to determine whether desired goals and deadlines are being reached. Successful execution of a strategic plan will allow the company's activities to be aligned with corporate plans resulting in improved financial performance.

Problem Statement

Existing research demonstrates and supports the premise that sound financial practices in the areas of financing strategy, financial administration, financial risk and capital investment all have a positive impact on the overall financial performance of a company. A study examining the impact of similar variables on insurance companies in Kenya corroborated that corporate governance had a positive and statistically significant effect on the financial performance of said companies. The study further revealed that the joint effects of working capital management, capital budgeting techniques, capital structure and corporate governance is greater than the individual effect of financial management practices on the same companies (Nyongesa, 2017).

A similar study was conducted in Pakistan, testing the effects of financial management practices on organizational performance. In this case, the variables tested on performance included: investment appraisal, financial assessment, capital structure, dividend policy and working capital. While not identical to the variables in the present thesis, they are close enough to suggest a probable similar outcome. The study concluded that all five independent variables have a positive and significant impact on the organizational performance and growth of the Pakistani corporate sector (Hunjra, Butt, & Ur-Rehman, 2010).

Effective financial management is a significant challenge facing administrators

throughout the corporate world especially in difficult times of economic stagnation and recession. The challenges which create obstacles in management do not limit themselves to the realm of for-profit corporate environment. They are just as challenging, if not more, for the non-profit agencies including religious organizations and institutions.

The Seventh-day Adventist Church (SDA) is not exempt and has witnessed the collapse and loss of educational and health institutions within its organization. In certain instances, conferences have engaged in involuntary staff reductions to regain control over their finances. These situations underscore the necessity of having, in management, individuals who understand the effective management principles that lead to optimal financial performance for the church and its institutions.

Weigly (2016) states that one of the laments often cited by new conference presidents is their lack of understanding of financial management principles to prepare them for their newly acquired responsibilities. Individuals who admitted feelings of inadequacies consisted of those who had ascended to their presidential positions from the pastoral ranks. “Former pastors were the most explicit in revealing perceived deficiencies in their understanding of certain management practices necessary to lead effectively as president” he concludes.

The present research considers four factors which presumably directly impact the overall financial performance of organizations including the church. These include: capital investment, strategic management, financial risks, and financial administration.

Religious institutions more than ever are seeking to implement “best practices” aligned with successful businesses in the United States. The Catholic Standards for

Excellence, which commits adherents to policies and sound fiscal procedures in management, governance, fundraising and human resources, has been adopted by hundreds of Catholic dioceses, congregations and nonprofits across the nation (Healey & Brough, 2013). Reader (2006) echoes the need for the establishment of a bridge that brings the management practices of religious organizations, and particularly the Church of England, into stronger relationship with standard management practices in the secular world.

The SDA Church embraces Christian Stewardship as one of its fundamental beliefs. Belief 21 states:

> Stewardship -We are God's stewards, entrusted by Him with time and opportunities, abilities and possessions, and the blessings of the earth and its resources. We are responsible to Him for their proper use. We acknowledge God's ownership by faithful service to Him and our fellow human beings, and by returning tithe and giving offerings for the proclamation of His gospel and the support and growth of His church. Stewardship is a privilege given to us by God for nurture in love and the victory over selfishness and covetousness. Stewards rejoice in the blessings that come to others as a result of their faithfulness. (General Conference of Seventh-day Adventists, 2006, p. 301)

The basic definition of a steward is that of an individual entrusted by another to manage his property. The steward seeks to manage property on behalf of the owner in manner that avoids loss. The stewardship concept applies not only to persons on an individual level but also to the corporate management of the church of the funds entrusted to its care.

The literature provides evidence that finances nonprofit organizations are fraught with unique challenges and risks that can undermine mission and negate growth. Special concern should be given to losses severe enough that they jeopardize the mission of the institution. (Griswold & Jarvis, 2014). Trustees of organizations

occasionally find themselves wondering in hindsight how risks exceeded reasonable levels.

In order to strengthen the financial performance of church entities it is essential for church management to understand the variables capable of predicting success when followed. The funds of any organization, religious or not religious, for profit or non-profit, can be measured for effectiveness. In order for an organization to increase assets and attain a good financial performance, it is essential to have highly qualified employees in the top managerial positions where they can make optimal decisions (Almajali, Alamaro et al., 2012). Akuamoah-Boateng and Kanyandekwe (2013) recommend the organization of annual workshops to sharpen the managerial and leadership skills of Adventist pastors and others in positions of leadership, as well as performance evaluations to assess and improve performances.

What remains unclear from the literature are the factors which influence managers and executives to make managerial and organizational decisions using the financial tools of sound management as identified by the independent variables of this research. The literature is replete with studies which demonstrate relationships in which the relevant management tools and strategies impact financial performance. Few studies exist however, to explain their specific impact on financial performance within the Seventh-day Adventist Church. As such, this study attempts to fill this gap in knowledge in order to provide a better understanding of what affects financial performance in the Church.

Research Problem

The problem to be investigated in this study is the empirical model in which Capital

Investment, Strategic Management, Financial Risk, and Financial Administration are a predictor for Financial Performance as perceived by administrative officers of local conferences in the North American Division of SDA.

Proposed Model

It was discovered during the review of the relevant literature, that the following factors may have an impact on the financial performance of organizations. They are depicted in the hypothesized model shown in the diagram in Figure 1. The researcher theorizes that there are four variables namely: capital investment, strategic management; financial risk; and financial administration, which all impact the fidelity of the financial performance measure which is often implemented as an internal control measure to assist in the management of an organization.

In this model, the independent variables are Capital Investment, Strategic Management; Financial Risk; and Financial Administration while the dependent variable is Financial Performance.

Significance of the study

The main purpose of this study is to know the direct effect of the following variables toward Financial Performance (FP): Capital Investment (CI), Strategic Management (SM), Financial Risk (FR), and Financial Administration (FA).

Hypothesis

In order to provide statistical evidence and scientific support to the conclusions, the present study states the following hypotheses:

$H_{1:}$ capital investment, strategic management, financial risk, and strategic

management are predictors for financial performance.

Research Objectives

In accordance with the research aim, the following research objectives were set:

1. Build a questionnaire directed to local conference administrators in the North American Division for measuring whether capital investment, strategic management, financial risk, and financial administration management are predictors for financial performance.

2. Assess the variables involved in the study: capital investment, strategic management, financial risk, and financial administration and financial performance.

3. Explain the direct effects of relevant variables on financial performance at conferences in the North American Division.

4. Evaluate the linear relationships between each of the predictor variables (capital investment, strategic management, financial risk, and financial administration) and financial performance.

5. Formulate hypotheses concerning the relationship between the variables and financial performance from a review of the existing literature.

6. Test hypotheses concerning the relationships between the variables and financial performance.

7. Explain the direct effects of relevant variables on financial performance on local conferences in the North American Division.

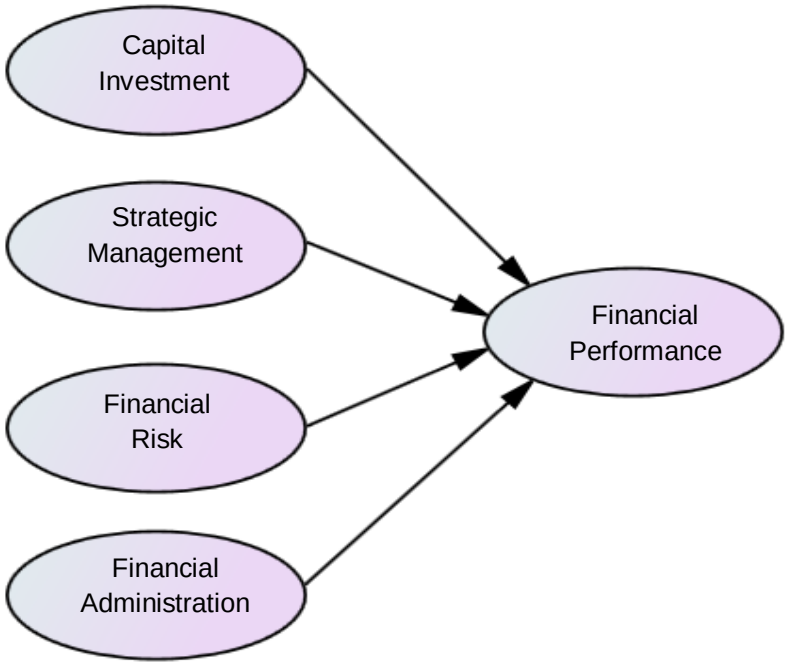


Figure 1. Model of factors affecting financial performance

Significance of the study

The literature provides evidence that the mission of non-profit organizations is put at risk by unexpected financial losses. (Griswold & Jarvis, 2014). Their vulnerability is exacerbated because unlike corporate entities which generate income through commerce, they are dependent on charitable donations. It is thus incumbent on management to comprehend the strategic management and management principles endemic to their industry in order to obtain utmost financial performance within its given organization (Marques et al., 2014).

Generally, businesses have been found to use the best practices and management principles to maximize income and secure a strong financial performance. Non-profits, including religious organizations follow the same models (Healey &

Brough, 2013). There has been much research done in relation to the impact of these best management practices on the financial performance of for profit and non-profit entities. The research demonstrates a global pattern of strong financial performance when such practices are followed. These include insurance companies in Kenya (Nyongesa, 2017), Pakistani companies listed in the Karachi Stock exchange (Hunjra, Butt, & Ur-Rehman, 2010), the banking sector of Nigeria (Akindele, 2012), and Jordanian insurance companies (Almajali, Alamaro et al., 2012). In each of these cases the independent variables had a positive impact on financial performance.

In order to have optimal performance in any organization, the top managerial level must become qualified through adequate training enabling them to make correct decisions (Ibid). One of the frustrations expressed by new SDA conference presidents is a lack of understanding of management principles for their acquired administrative duties (Weigly, 2016). Many of the challenges facing conference administrators in the NAD have financial roots. Accordingly, a study of the factors that affect the management, as it relates to financial performance, is in order.

The findings of this study may lead the researcher and NAD conference administrators being studied, to a better understanding of the factors that affect financial performance. Literature on capital investment, strategic management, financial risk, and financial administration is well developed. The same can be said of financial performance in general. While it is essential to know the impact of financial performance in an organization, it is also critical for conference administrators to know and understand the variables as well as the impact they have in conferences achieving optimal success with their financial goals. There is no literature on how the variables in

this research affect financial performance in local conferences. This means that research is required, is original and will add to the dearth of research in this area. Hopefully it will encourage further study in the field. Conferences in the NAD will be briefed on the nature of the study, its purpose, and then will be asked to reply and submit the completed questionnaire as consent acknowledging their understanding of the purpose of the study and for their participation in the research.

Limitations

In the development of this research, some relevant constraints are considered as follows:

1. The application of the instrument requires the participation of third parties.

2. Financial constraints and time challenges.

3. The administration of the instrument depended on the time disposition of the senior officers of conferences in the NAD.

4. There is variety of cultures in the conferences where the instrument was administered.

Delimitations

Here are some delimitations that were considered relevant in the preparation of this research:

1. The instruments will be answered by executive officers of NAD local conferences.

2. The research is limited to the 59 conferences that encompass the vast territory of the North American Division.

3. The research was not proposed to resolve the possible difficulties detected.

Assumptions

Below are some assumptions considered in the preparation of this research:

1. It is expected that the participants responsibly answered the instruments and that they had sufficient time to test each instrument.

2. The theoretical basis of relations between constructs is based on authors who know the subject.

3. The research used as the basis of relationship between constructs for this research is empirical study, prepared with scientific rigor and is significantly acceptable.

4. It was assumed that the indicators of each instrument were interpreted correctly.

Philosophical Background

The Seventh-day Adventist Church is one of three denominations which emerged in the United States during the late nineteenth century. The others include the Mormons and Jehovah's Witnesses (Lockhart, 2007). From its humble beginnings in New England to formal organization in Michigan two decades later, Adventism has experienced exponential growth throughout the globe. Today approximately twenty million believers in 215 countries identify themselves as members of the Seventh-day Adventist Church (Knight, 2006).

Undoubtedly multiple factors have allowed Adventism to transcend international borders and ethnic boundaries (Knight, 2006). The conviction that the distinctive three angels message should reach every nation, kindred, tongue and people, fostered a

religious culture in which the entire world was thus perceived as a mission field. The convictions and self-perceptions of the pioneers however could not have, of themselves, propelled a worldwide religious movement without the development and implementation of an Adventist theology of Christian stewardship. This philosophy contributed to our understanding of the health message, the Sabbath and Christian education. Furthermore, the understanding of Christian stewardship fueled the creation of a financial infrastructure to fuel the engine of growth (Burt, 2010).

Adventism's global reach has materialized due in great part to the generous support of its adherents and their belief in a philosophy of systematic benevolence based on the principles of Christian stewardship. The church owns assets valued at over $20 Billion. (Lockhart, 2007) It operates the largest educational system in the Protestant World consisting of 7,792 schools including 172 universities and colleges. The church owns and operates 175 hospitals and 385 clinics around the world. Its religious publications are printed in 62 publishing houses. Nearly 20,000 pastors minister to the needs of 81,000 organized churches and 69,000 companies (Adventist, 2015). The 229,000 individuals serve in some capacity as employees of the Seventh-day Adventist Church. Even non-Adventist religious scholars have taken notice of Adventism's economic strength.

> The Adventists' exceptional rate of giving enables the church to raise, and spend, more money than states like, Idaho, the Dakotas, Wyoming, or Vermont. If Adventism were a country, its global income, which was $1.7 billion in 2001, would place it 152 out of 208 in the World Bank rankings of world economies. (Lockhart, 2007, p. 123)

Modern studies confirm that Adventists in the United States contribute to their church at higher levels than other Christians. The Per Capita giving of American

Adventists surpasses that of any other mainline denomination. In the year 2000 the per capita giving of Adventist members in North America to the church amounted to $1,122. This ranks higher than contributions to other denomination by their respective members. Parishioner per capita giving to other religious bodies in the United States for the same period reveal that Southern Baptists were at $529, the Church of the Nazarene $1,004, United Methodists $571, Assemblies of God $931 and Episcopalian $929 (Lockhart, 2007).

The rate of giving in the North American Division renders it the breadbasket for the world church. As a religious movement, the Adventist Church has attained significant success across the globe. Certainly its adherents view it as a divinely inspired movement blessed by God. One, however, cannot underestimate the financial contributions and sacrifices made by its members in fueling its growth. This generosity is based on the Adventist Theology of Christian Stewardship and its underlying principles (Burt, 2010).

Foundations of Adventist Stewardship

The steward seeks to manage property on behalf of the owner in manner that avoids loss. The Adventist world view defines God as the owner. Biblical support for this notion is found in Psalm 24:1,2 “The earth is the LORD's, and the fullness thereof; the world, and they that dwell therein. For he hath founded it upon the seas, and established it upon the floods.” This passage reinforces the notion that God, as creator, owns the earth and everything in it (Canright, 1878). Other texts also support the concept of God as the owner. “In Psalm 50:10-12 God claims ownership over everything: “For every beast of the forest is mine, and the cattle upon a thousand hills.

I know all the fowls of the mountains: and the wild beasts of the field are mine. If I were hungry, I would not tell thee: for the world is mine, and the fullness thereof." In Haggai 2:8 God makes a similar claim about the gold and silver being His.

Since God is the owner, He has the authority to entrust His property to whomever he deems fit. We find the first assignment of stewardship responsibilities to man at the end of the creation narrative when God places Adam as the manager of Eden and gives him directions concerning his stewardship. Genesis 2:15-17 tells us "And the LORD God took the man, and put him into the garden of Eden to dress it and to keep it. And the LORD God commanded the man, saying, of every tree of the garden thou mayest freely eat: But of the tree of the knowledge of good and evil, thou shalt not eat of it: for in the day that thou eatest thereof thou shalt surely die."

The achievements of this worldwide movement have materialized as the result of the funds which flow into the treasury from faithful stewards on a regular basis. This tenet of stewardship holds that all faithful Adventists should return a tithe, or ten percent of their income, as required by God from the Children of Israel in Leviticus 27:30 "And all the tithe of the land, whether of the seed of the land, or of the fruit of the tree, is the LORD's: it is holy unto the LORD".

On most Sabbaths, while tithes and offerings are collected at the local church, most Adventists will hear the familiar Bible text from Malachi 3 which reads "Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the LORD of hosts, if I will not open you the windows of heaven, and pour you out a blessing, that there shall not be room enough to receive it". As interpreted by the church the storehouse consist of the local conference. The rationale

for this interpretation is that in biblical times tithes brought into the temple were stored in the treasury from which the priests and Levites received their sustenance. Accordingly, it is thought those who devote their lives to ministry should be supported from the tithes brought by worshippers to the local church. Since pastors receive their remuneration from the local conference, the Seventh-day Adventist organization has determined that the local conference constitutes the storehouse today (Reid 2000). A position paper, on the use of tithe, published on October 14, 1985 by the General Conference directs:

> *The "Storehouse" or "Treasury" of the Seventh-day Adventist Church.* According to Scripture, the tithe is the Lord's and is to be brought as an act of worship to His storehouse. The Seventh-day Adventist Church accomplishes this by sending the tithe to the conference treasury through the church in which the person's membership is held. (2006; General Conference Secretariat, 2016)

Since Adventist policy dictates that “all” tithes should make their way to the local conference it is understood that local churches are not authorized to use tithe funds for any local purpose. The General Conference Working Policy States:

> The tithe is to be held sacred for the work of the ministry and Bible teaching, including conference/mission/field administration in the care of the churches and field outreach operations. The tithe is not to be expended on other lines of work such as church or institutional debt paying or building operations. (General Conference, 2005-2006, p 671)

The Seventh-day Adventist Church manual stipulates that one hundred per cent collected in the local congregation must be forwarded to the local conference for the sustentation of the gospel ministry. Local congregations are periodically audited to insure that they comply with this denominational policy. Churches which are found to be out of compliance can be mandated to reimburse the higher organization for unremitted tithe funds. The withholding of tithe funds by a local church can be deemed

to be an embezzlement of funds since it is assumed that a well-informed Adventist member intended to direct this portion of his giving to the local conference. If a local church treasurer or administrator does otherwise such action is fraudulent because it deprives the giver from having his gift used as intended. The SDA Church manual stipulates:

> Tithe shall not be used in any way by the local church, but held in trust and remitted to the conference treasurer. Thus tithe from all the churches flows into the conference treasury, and percentages are forwarded to the next-higher level in accordance with General Conference and division working policies to meet the expenses of conducting the work of God in their respective spheres of responsibility and activity. (SDA Church Manual p. 136)

The Seventh-day Adventist Church manual, endorses the “storehouse” concept which holds that the Biblical storehouse of Malachi 3 is the North American Division policy dictates how tithes funds are collected at the local church and distributed at all levels of the organization.

Despite the general worldwide success finances have led to the demise of Adventist elementary schools and boarding academies in the NAD. Adventist members have also mourned the loss of church owned hospitals. The bankruptcy of the Boston Regional Medical Center (Cong, 1999) and that of the Parkview Adventist Hospital in Portland, Maine in 2015 (Brogan, Fishell, & Fawell, 2015), left the northeastern United States without the presence of Adventist healthcare. The church also absorbed a morale blow when Atlantic Union College, Adventism’s oldest tertiary institution, lost its accreditation from the New England Association of Schools and Colleges (NEASC) in 2011. NEASC cited its concerns with the college’s finances more so than academic quality in denying reaccreditation to the institution (Carmichael, 2011). The financial collapse of the Review Herald Publishing Association (Aines, 2014) and its fusion into

the Pacific Press in 2014 further helped cement the perception that Adventist entities are an endangered species.

Adventist Institutional Decline in the Northeastern United States

Adventist Hospitals-Several Adventist Hospitals and medical institutions have shut their doors due to financial hardship. The northeastern United States has been severely affected by this situation. In February 1999, the Boston Regional Medical Center, a 187 bed facility in Stoneham, Massachusetts filed for bankruptcy to protect itself from creditors. In its heyday the institution boasted three hundred beds (Kong, 1999). The hospital had been established in 1902 after local Adventist laymen and medical professionals wrote to Ellen G. White soliciting advice on establishing an institution to serve the Greater Boston area. In response to a vision she received, she personally approved the purchase of a former hotel and its surrounding acreage in the town of Stoneham after finding it to be far enough from the city center (White, 1904).

By the time administrators rushed into bankruptcy court, red ink was bleeding to the tune of sixty million dollars in arrears (Kong, 1999). Creditors had ceased delivering food and supplies. And the two health insurance companies providing health coverage to hospital employees cut off coverage when the hospital could no longer pay the insurance premiums on their behalf. In the process of bankruptcy the Church lost the secondary school on the hospital campus as well a church building connected to the hospital. Former employees joined a line of creditors in the process to salvage whatever retirement benefits they could from the liquidation of facility's assets.

The church, as a whole, suffered damage to its reputation when Adventist management practices which led to the financial collapse of the hospitals were called

into question by the local media. The Boston Globe, for example wrote an expose which questioned the judgement of the Chairman for the Boston Regional Medical Center who happened to be the president of the Southern New England Conference. It depicted him as living large on luxuries funded by the hospital as patients' needs were neglected and the institution bled dry (Kong, 1999). This too has weakened the faith of regular members in the leadership of the church leading many to conclude that too many pastors and not enough managers were handling the affairs of the church and its institutions.

In June 2015 the Parkview Hospital in Portland, Maine, operated by the Northern New England Conference of Seventh-day Adventists also went into bankruptcy and found itself sold to another entity (Brogan, Fishell, & Fawell, 2015). The last Adventist hospital in the northeast, the Hacketstown Hospital in New Jersey was sold on April 1, 2016 to a non-church medical company (Koestenblatt, 2016).

The Education System

The Adventist Education System in North America has also faced its challenges. One of the biggest setbacks in Adventist education occurred on July 31, 2011 when Atlantic Union College (AUC), announced that it was closing its doors due to loss of its regional accreditation from the New England Association of Schools and Colleges. The loss of accreditation meant that other tertiary institutions would no longer recognize academic credits from its courses and that students were no longer eligible to receive federal financial aid in the forms of government grants and guaranteed student loans (Knott, 2010).

The college, founded in 1882, was Adventism's oldest institution of higher learning and reached a peak of over 900 students in the 1950's (Carmichael, 2011). At closure, 450 students were forced to find alternate educational plans and nearly all 120

faculty and staff were immediately laid-off. One would expect that an institution of higher learning could lose its accreditation over an inferior or failing academic product. This, however, was not the case with AUC. The nursing program, for example, enjoyed high esteem as the result of its graduates obtaining 100% passing rates for their nursing boards (Parrish, 2009). Its demise was prompted by accrediting agency's faith in the college's financial viability. Concerns over the finances had resulted in it being placed on probation during three separate occasions during the school's final decade (Carmichael, 2011). Despite receiving financial subsidies from the Atlantic Union and its six local constituent conferences, to the tune of four million dollars, per year, it was unable to meet all of its financial obligations.

AUC reopened for classes in the 2014-2015 academic year after obtaining approval in from the Massachusetts Department of Higher Education to offer two bachelor level degree programs on its campus, one in Theology, the other in Biology/Health Science (O'Connell, 2015). The school also offered certificate programs such as in culinary arts, medical coding, tax preparation and religion. Despite all efforts the most recent iteration of Atlantic Union College closed permanently in the summer of 2018.

The loss of a historic college is not the only blow to strike Adventist Education in North America. Adventist elementary and secondary schools are also struggling to remain operational. For several decades a trend of declining enrollment has taken hold throughout the North American division. Between 1980 and 2005 attendance in Adventist schools decreased by twenty percent, from 53,304 to 42,710 respectively (Glover-Alves & Lashley, 2010). Current estimates suggest that 70% of Seventh-day Adventist students in North America attend non-SDA schools. Dr. George Knight paints a bleaker picture:

> "Adventist education has held a central place in the building of a unified church, which since 1863 has spread throughout the world. And yet, Adventist education is not keeping up proportionately with the growth of church membership. In 1945, the ratio of students in Adventist schools to church membership was 25 per 100. That figure remained somewhat constant until 1965. But since that time, the ratio has dropped off precipitously, to 15 per 100 in 1985 and 9 per 100 in 2000. At the same time, more non-Adventist students are enrolling in our schools, which makes the actual ratio of Adventist students to members closer to 5 per 100." (Knight, 2006)

Some question whether the emergence of charter schools funded by public funds is creating disadvantageous competition at the expense of Adventist and other private schools. A recent study in Michigan suggests otherwise finding no evidence to substantiate such claims (Chakrabarti & Joydeep, 2016).

Declining enrollment has led to the collapse of Adventist schools across the Division. Increased costs of rooming and board, as well as, shifting attitudes towards Christian education among Adventists have wreaked havoc in the finances of these schools. During a 40 year period between 1967 to 2007 eleven boarding academies in the United States were closed mostly due to financial hardship (Seibold, 2015).

On January 11, 2015 the constituents of the Ohio Conference voted to close down its boarding school: Mount Vernon Academy after the school had accumulated a debt of over three million dollars as its enrollment dwindled to thirty-five students (Seibold, 2015). The vote would become effective six months later at the end of the academic year unless the debt could be retired through an aggressive fundraising drive, not including the sale of assets. MVA was the second oldest existing academy in the US founded in 1893. Conference leaders felt they could no longer spend $3 million per year for 35 students.

One month after the vote to close Mount Vernon, the Texas Conference

Committee voted to close down the Valley Grande Academy, a K-12 school in Weslaco, Texas following an indebtedness topping one million dollars (Read, 2015). The narrative parallels that of MVA and the other eleven previously mentioned boarding academies closed during a longer period. Elementary schools supported by local churches have not fared better. The high cost to local congregations to fund small schools have proven a cash drain starve other local church ministries.

When the Seventh-day Adventist Church was formally organized in 1863 it consisted of approximately 3,500 members living entirely in the United States. Nearly 150 years later exponential growth has brought it to 20 million members. Despite the many challenges and stresses which impact the church on a daily basis, any external objective observer would have to conclude that what the Adventist church has accomplished in a relatively short period of time is phenomenal (Lockhart, 2007).

At a time when the tithe dollar is limited in the type projects it can fund, it is incumbent on leadership to find alternate sources of revenue to finance and develop projects which advance the mission of the church. If properly monetized, existing assets can generate the funds needed to endow future financial stability for Adventist congregations and schools.

Effective stewardship demands that the assets entrusted to the Church by its Master, be invested to produce growth. Unless properly used, invested and developed, Adventist institutions will continue to flounder in a downward spiral towards collapse and extinction. It is incumbent for the church to reach optimal financial performance through sound financial use of capital investment, strategic management; financial risk; and financial administration.

Organization of the Study

This research is arranged in five chapters. In Chapter I, there has been a presentation of the background of the problem, the relationship between the variables, the investigation to be carried out, the problem statement, the definition of terms, the research hypothesis, the research questions, the objective of the investigation, the justification, the limitations, the delimitations, the assumptions and the philosophical background. The remaining sections of the research paper are structured in sequential chapters.

Next, in Chapter II, a review of pertinent literature which relates to capital investment, strategic management, financial risk and financial performance is presented.

Chapter III points out the overall research methodology for the study. This includes the research design used for the data collection, research sampling, data collection techniques, data analysis methods in the measurement instrument, the validity, the reliability, the operationalization of the variables, the null hypotheses, the operationalization of the null hypotheses, the research questions and limitations of the chosen method.

In Chapter IV, the nature of the analysis procedure is described and the findings are presented in relation to the research hypothesis, the behavior of the variables and the analysis of the main model.

Finally, in Chapter V a summary of the study is presented, along with the results, the conclusions, recommendations and paths for future research.

CHAPTER II

LITERATURE REVIEW

Introduction

This chapter is a review of the literature on the variables considered in this study and which were introduced in Chapter I. The purpose of the review is for the researcher to establish the existing literature on the variables in order to identify any existing gaps upon which to base this study and inform the research. This chapter commences by providing some brief definitions of financial performance and then seeks to investigate each variable individually. This will be followed by a thorough overview of any existing relationships among the constructs. Included here, also, will be references made to previous research carried out on the various constructs and the relationships that exist among them.

A combination of database searching and “snowballing” was used to identify relevant literature in this study. Electronic searches were conducted using search applications such as Google, Google Scholar, Sage Journals, Ebsco Host, Education Resource Information Centre (ERIC), ProQuest databases and Academic Search Complete. The following search terms or combinations of terms were used: capital investment, financing strategy, financial risk and financial administration.

The snowballing technique, which consisted of reading the reference lists of relevant studies that the researcher located in the databases, was particularly effective

in locating additional sources that were applicable to the review.

Financial Performance

Importance

In recent times, Laitinen (2002) explained that the primary characteristic of financial performance is the ability to draw a conclusion of a firm's financial condition by assessing its stability, vitality and profitability. It is further defined as the measurement of the results of said firm's policies and operation in monetary terms.

The level of a company's financial performance serves in assessing success or failure in achieving corporate goals. Performance increases when the firm reaches its value goals. The most important element in the evaluation of performance is defining which indicators are relevant to evaluators and to compare results with previous performance and as opposed to those of competitors within the industry. (Strouhal, Stamfestova, Kljucnikov, & Vincuroval, 2018). The quality of the evaluation depends on consistency within the industry in order to enable decision making. Often the measurement and evaluation of financial performance is limited to the area of profitability and yet other elements include liquidity, activity and indebtedness. Indicators of profitability encompass return on equity, return on assets, profit margins and net income.

In order for companies to assess their financial performance it is imperative that fiscal records contain reliably accurate information. This demands that such records of earnings be produced in a transparent manner. Earnings quality denotes the capacity of reported earnings to mirror the firm's true earnings and also the effectiveness of the reported earning to predict future earnings (Gissel, Giacomino, & Akers, 2005). The

primary goal of reliable financial reporting is to allow decision makers, such as investors, the ability to predict the future earnings and cash flows of an enterprise. Under the United States Generally Accepted Accounting Practices (GAAP) financial statements must be of high quality and transparency. They must faithfully represent real conditions of the company (Schipper & Vincent, 2003).

Dimensions

The quest for transparency has ignited a debate centered on whether GAAP regulations, in their proper application could counteract Wall Street greed. Many would argue that even when properly applied, GAAP provisions are more form than substance while negating the intended spirit of transparency (M2 Press, 2009).

In the interest of a levelled playing field for global trade, there has been a transition from following GAAP provisions to implementing guidelines ushered through the International Financial Reporting Standards (IFRS) for a standardized international approach to transparency and comparability. Said standards have transformed how financial performance is measured and interpreted by publically accountable enterprises. Canadian companies began their transition to IFRS in 2011 through the application of measurement and disclosure requirements (Colapinto, 2012).

While the United States has resisted changing from GAAP to IFRS, it is anticipated that over the next ten years 150 countries will adopt IFRS. The resistance from the United States is due to concerns of implementing a singular accounting language as expressed by the Securities and Exchange Commission. The technical accounting differences between the two accounting standards include the importance of revenue recognition, the lease accounting treatment and the

classification of impairment assets (Lemus, 2005).

Not all elements of performance are measured through financial metrics. Most users of measurement systems do accentuate financial measures. There is however a forward-looking element of nonfinancial measures which has been a factor in developing performance measurement systems composed of both financial and nonfinancial measures. Research indicates that a bias exists in corporate circles for individuals who are confronted with multiple measures of organizational performance to make decisions based on their impressions of financial results thereby distorting their perception of performance founded on the remaining nonfinancial metrics. (Dunk, 2005).

Because senior managers rely on their knowledge base and are adept with financial measures, they may be overwhelmed with the uncertainty of returns from utilizing nonfinancial measures and avoid incorporating them. They may be further compelled in that direction by shareholders or boards of directors who are more concerned with the bottom line (Delen, Kuzey, & Uyar, 2013).

Despite efforts to standardize global financial performance measures, some shortfalls remain. Capelle-Blanchard and Petit (2013) lament the lack of adequate tools to measure the financial performance of socially responsible companies in Europe due to the uneven application of restrictive criteria and the lack of negative consequences for firms that violate internal norms. Investors are lured to socially responsible enterprises with the hope that these would outperform non-practicing firms. This would suggest that socially conscious investors would reject enterprises with poor nonfinancial performances even if their financial performance surpasses others. Monetary inducements however have the perverse effect of discouraging altruistic

financial behavior (Capelle-Blanchard & Petit, 2013).

Capital Investment

Importance

Capital investment (CI) enjoys a key role in propelling companies to success in the market. The risks associated with CI can be reduced by dividing the investment process into multiple steps of gradual stages. Throughout the investment process the market is influenced by multiple factors that create uncertainty and which can adequately be addressed through the application of robust, effective and timely decision making (Cong, Junzo, & Huiming, 2015). Because they often rely on incomplete information, firms may be better served by investing in stages.

The uniqueness of capital investment rests in the fact that it allows an enterprise, with an important growth potential, not only access to cash but also some technical assistance in the management of the funds. Private equity professionals monitor firm management, share their know-how, and insure profitability. In essence they share a portion of the risks from the enterprise. CI is a lifeline to businesses which are unable to obtain traditional financing because of risks deemed unsafe by conventional banking within the banking sector. Their willingness to bear some of the risk is rewarded with higher earnings at the moment of exit from the enterprise (Pougue & Berndsconi, 2013).

Venture capital (VC) has become a vital and important source of funding for entrepreneurs and startup companies whose innovative projects could not advance without a large-scale financial infusion. The uncertainty, incompleteness of accounting records, or lack of fixed assets render them unattractive to the traditional financing sources in banking and securities agencies. In the past decade the VC industry has

demonstrated dynamic growth throughout the world. In the first half of 2016 the total amount of VC investing reached $53.9 billion. As such, this remains a viable and indispensable tool for the sustainable growth of global economy (Zhang, Xiang, Ding & Chen, 2017).

Innovative firms seek venture capital because they are resistant to external financial constraints that conventional financing options would impose. The inherent risks borne by venture capitalists require that they evaluate the continuation or termination of any given project. These decisions are influenced by assessing financial risk, market risk, technological risk and management risk. If performance of the enterprise is unsatisfactory, VC is forced to reconsider the controllability of a specific risk area. If doable, the VC will attempt mitigation over termination of further funding. VC can also opt to refuse future investment if market risks increase (Prelipcean & Boscoianu, 2011).

Dimensions

Good asset management involves optimizing costs, risk performance, resources and benefits over a period of time. Managers must be aware of the inherent risks connected to decision making. Normal priorities of asset management include keeping stakeholders satisfied through substantial returns on investments while properly overseeing compliance, sustainability, costs and risk management through the life cycle of a given asset (Latunde & Bamigbola, 2018). A study to understand the impact of variations of long term investments on working capital computed 255 non-financial Brazilian companies with publicly traded stock and determined that there is no expectation of a trade-off between liquidity and profitability due to the fact that

investments in fixed assets affect the treasury and influences Need Working Capital (NWC). Investments in fixed assets and NWC served to reinforce long term funding sources (Reis & Santos, 2017).

VanHorne & Wachowicz, (2005) stipulate that managers are forced to confront certain key decisions in executing their responsibilities. They must determine the adequate level of working capital and identify the source of its financing. A determination must also be made about the level of liquidity risk which the company can absorb. The firm must also be cognizant of how increasing or decreasing in liquid assets, impacted by current liabilities, improve or hinder the company's stable operation. Having too much liquidity available may decrease profitability while not having enough may destabilize the firm. This requires a thorough understanding of the company's operation and the tweaking of components to deliver low liquidity risks combined with high profitability.

A study by Shahzad, Fareed & Zulfiqar (2015) sought to research the impact on firms' profitability caused by the working capital management practices in the non-financial sector. The study found that financial managers can increase profitability by increasing size of firms in terms of sales. Profits could also be increased by lowering debt ratio and also by increasing receivables collection periods.

Guler (2007) advocates for the placement of organizational safeguards in order to prevent individual biases, subject to political and institutional influences, from undermining effective decision making. This is based on results which demonstrate that VC firms are less likely to discontinue investments if they participate in more than three rounds of financing, even when the returns decline with each round. This is a call for

managers to avoid coercive pressures from co-investors and partners and base their funding decisions on sound financial norms.

The literature reflects a scarcity of research regarding capital investment for religious organizations and institutions. Because capital investment and venture capital relate to corporate business dealings, all literature is oriented toward secular commercial activities. Still, one might have expected to find research of modern business interests founded on religious principles. Chircop, Johan & Tarsalewska (2019) have found that in the United States there is a positive relation between religiosity and risk aversion and that VC located in more religious counties make less risky investments. This aversion to risk was found to be stronger in areas with higher presence of Protestants than Catholics. Religiosity is also related to a higher predilection for exiting the VC investment through the means of an initial public offering.

There is hardly any literature based on Christian views of investment and even within Christian circles there is no straightforward position on the appropriateness of investing. Within the Bible's more than 800 texts about financial matters, arguments for and against investments can be made (Porter, 2013). In the Gospel of Matthew (Matthew 6:19-21) Jesus admonishes:

> "Do not store up for yourselves treasures on earth, where moths and vermin destroy, and where thieves break in and steal. 20 But store up for yourselves treasures in heaven, where moths and vermin do not destroy, and where thieves do not break in and steal. 21 For where your treasure is, there your heart will be also."

He also instructed his disciples not to "store for yourselves treasures on earth, where moths and vermin destroy and where thieves break in and steal"

Later in the same chapter (vv. 25-29) He declares:

> "Therefore, I tell you, do not worry about your life, what you will eat or drink; or about your body, what you will wear. Is not life more than food, and the body more than clothes? Look at the birds of the air; they do not sow or reap or store away in barns, and yet your heavenly Father feeds them. Are you not much more valuable than they? Can any one of you by worrying add a single hour to your life? "And why do you worry about clothes? See how the flowers of the field grow. They do not labor or spin. Yet I tell you that not even Solomon in all his splendor was dressed like one of these."

These texts could be used by some to argue that Christianity is anti-investment. There are a number of Biblical passages that would seem to encourage investment. The most prominent is the parable of the talents in Matthew 25 which appears to promote industry and investment (Leone, 2018).

There are partnership social contracts within Islamic societies that readily lend themselves to VC and CI principles. These include the mush: raka (joint venture) and mush: raba (investor-entrepreneur partnership) in which former capital and labor combine mutually beneficial economic activity. The former incorporates a mechanism to grow an enterprise with the parties sharing profit and loss. These concepts remain in present day Islamic financing and undergird the principles of modern Islamic banking system (Cebeci, 2015).

The absence of overt institutional religious VC firms is not necessarily an aberration as faithful believers have fallen prey to Ponzi schemes and other fraudulent scams that penetrated religious circles. To avoid being victimized, church members and congregations are warned to avoid investing in companies in which a board member has a personal interest (Hammar, 2009). Investment decisions should be reviewed by the entire board and not left to a single individual

claiming to have inside or exclusive business knowledge.

Religious organizations and individual members defrauded in investment scams are often victims of a crime of affinity which occurs because the scammer has some sort of affinity to his prey whether ethnic, religious or social. The biggest Ponzi scheme in history involved Bernie Madoff who was widely revered as counselor in the service of Jewish institutions. He was entrusted with the fortunes of thousands of Jews and non-Jews as well Jewish and non-Jewish institutions. By the time his empire collapsed he had lost $65 Billion entrusted to his care (Berkowitz, 2012).

The Seventh-day Adventist Church has not been exempted from fraudulent losses. In 1981 a number of church entities across the nation lost a sum of nearly $20 million and individual members; $20 Million to what would become known as “the Davenport Affair” (Wilson, 1982). This was a Ponzi scheme based on supposed investments in real estate to furnish post office stores.

Strategic Management

Importance

In establishing priorities every organization must develop a plan that will allow it not only to pursue its mission objectives, but one that also creates a road map detailing the financing tools needed to complete the journey. The strategic management of organizations vary according to the nature, culture and objectives of the entity. The first task of a financing strategy is determining the values of an enterprise’s assets and then calculating the cash flows generated by the entity (Modigliani & Miller, 1958). Since cash flows are dependent on assets, value investing, and financing cannot be said to be fully independent. The key is for every organization to develop a financing strategy

that generates cash needed to carry out objectives.

Working capital risk (WCR) within companies must be factored in a manner that promotes growth. A suitable strategy can assist firms in increasing performance. During a twenty-year period of economic expansion (1997-2007) South American firms with short term bank debt were found to have a lower return on equity. Companies with intermediate policies performed remarkably better in the succeeding financial crisis period of 2008-2012 firms that financed (Baños-Caballero, Garcia-Teruel & Martinez-Solano, 2014).

Banks play a pivotal and central role in the financing universe and require their own Strategic Management in order to remain viable. Most often lending institutions impose institutional constraints on loans to limit their own risks. In certain instances, a constraint might be the requirement of compulsory insurance to cover the potential loss from a default. Banks may also offer borrowers a menu of options for financing with different terms and costs for low risk and higher risk borrowers. High risk borrowers may opt for a classical deposit contract in which said deposit serves as security for the credit sought. Banks cannot escape risk by completely refusing to finance bad projects as this would have an adverse effect and jeopardize the entire banking system (Martel, & Mokrane, 2003).

For entities involved in supply chain financing with capital constraints certain factors should be taken into consideration. The two modes of capital to be considered are the retailer's prepayment financing mode (RPFM) or the procurement contract financing mode (PCFM). The former calls for the retailer to place an order in advance at a discounted price and make a prepayment. The manufacturer is able to obtain

financing from a bank when production quantity is unable to satisfy the second order of the retailer. Under PCFM manufacturers obtain financing from commercial banks based on the executed contract with the upstream supplier (Wang, Huang & Ding, 2016). A study of both factors show that the profits of the retailer, manufacturer and the entire supply chain can increase when the discount coefficient meets certain requirements with RPFM. The research further showed that the manufacturer obtains a greater optimal production volume by using its own capital under PCFM (Ibid.). This allows manufacturers to make optimal decisions to meet strategic goals.

Supply chain financing can also be enhanced by opting for wholesale price contracts with finite loans as this would be more effective than operating with infinite loans under the perspective of contract coordination and risk aversion. From a managerial point of view this is mutually beneficial to retailers, by allowing them to relax payment terms, and to manufacturers whose cash flow streams improve. Such an approach also ameliorates the efficiency of the entire supply chain (Yan & Sun, 2015).

Dimensions

Across the globe strategic management is sought to improve life conditions through institutions in the developing world. Significant research literature exists exploring the need and avenue for strategic management in the areas of education, health care, development of infrastructure and technology. The strategies themselves are as diverse as the challenges they seek to confront. Cali, Makinen & Derriennic, (2018) studied the health financing strategies (HFS) of eight countries in the developing world to explore how these efforts could be strengthened and expanded to more developing nations lacking adequate health care. The study found that the countries

involved have been successful in creating coalitions of stakeholders, including the private and public sector, as well as politicians and that these groups are having detailed and technical debates on implementing health financing reforms.

Duggal (2007) calls for a complete overhaul of the healthcare system in India with all financial and human resources transferred from centralized government to local districts that will elaborate district plans with input from local community. The plan calls for regulatory and accreditation oversight to insure the participation of the private health sector. Under this approach, planning would be bottom-up with the state and central government agreeing to changes in the financing mechanism while yielding total autonomy to district health systems. Once funded, the local authorities would demand appropriate capacity building in the management of the restructuring of the healthcare system.

Abdullahi & Abdulkareem (2017) recommend a new financing strategy for universal basic education in Nigeria in which school managers would intensify commercial-based income through the use school facilities. According to their study, schools would generate funds from facilities rental, sale of school uniforms and as well as the merchandising of arts and crafts in the promotion of sustainable development. Agricultural based income would increase through the students' involvement in farming activities ranging from fishing and animal husbandry. The income earned from these activities would not only provide income to improve universal basic education in Nigeria, but it would also further sustainable development and serve as a model of innovative strategic management for other developing nations.

Religious organizations are seeking innovative ways to find new financing strategies. The Seventh-day Adventist Church encourages philanthropy of its members

not only through the weekly contributions of tithes and offering but also through the use of wills and trusts. The church has a well-established Trust Services Department whose main mission is to promote giving through estate planning. Members are encouraged to remember church entities through estate planning and establishment of trusts. “Systems also can consider external capital sources, including philanthropy and joint ventures (particularly public/private partnerships).” (Damon & Wong-Hammond, 2013). Philanthropic contributions are generally classified under two categories: recurring and nonrecurring. Gift instruments in this program include wills, gift annuities, life-estates and trusts. The benefits of using these tools include tax shelters, asset protection under elder law provisions, income from trusts and the satisfaction of benefiting a loved cause while still alive.

Increasingly donors are no longer satisfied in just giving. They derive satisfaction from knowing that their contribution is being used in manners that advance their values and objectives. They also seek accountability in ensuring that their contributions are used as directed (Wagner, 2015). One study found generation X to be one third less generous than pre-World War II generation (Bhagat, Loeb & Rovner, 2010).

Religious organizations, as well as other non-profit entities, are increasingly leveraging assets such as real estate to maximize revenue and fund mission (Van Brackle, 2011). The fact that a non-profit agency, or even a religious entity turns to profit generating ventures does not negate its non-lucrative status or missional objectives. To the contrary, the emergence of non-profit organizations engaged in for-profit ventures, stimulates growth in the overall financial growth resulting in the creation of a fourth sector to the economy (Patten, 2017).

Non-traditional elements to achieve these goals include the selling of real estate property, leaseholds, in which the property reverts to the owner after expiration of a long term lease, the sale of development rights to property (Abuhoff, 1988). As other proprietors, non-profit organizations have a constitutionally protected right to do with their private property as they deem fit and convenient. Challenging financial times require new strategies for the survival of non-profits. “Those entrusted with managing the organizational risk of non-profits must be vigilant in determining reserves on hand, payroll expenses, benchmarking, and future plans.” (Jones, 2016). The monetization of assets is a valuable tool that can be used at any time to generate dollars (Letourneau, 2015). Nonprofits such as schools or hospital sell real estate property to raise cash. Some investment firms even encourage their clients to liquidate real estate assets and obtain a higher return on the resulting cash investment (Ugolik, 2015).

The costs of repairing and maintaining antiquated infrastructure in New York City requires cash infusions which pose a challenge to struggling congregations. These ornate facilities, some built decades ago in the gilded age, require expensive maintenance and repairs. This prompts religious leaders to maximize their assets in a hot real estate market. "You can't be a successful member of the clergy in New York unless you know how to take advantage of the land market," says Mitchell Moss, a professor of Urban Policy and Planning at New York University" (Giammona, 2014).

The Trinity Episcopal Church, in Manhattan, has amassed a real estate fortune over several centuries through acquisition and management of real estate assets. Its current holdings included 5.5 million square feet of office space in the SoHo neighborhood. The Church’s real estate arm, Trinity Real Estate, recently announced

plans to venture into residential development through the construction of four residential towers in Hudson Square and one near Wall Street. While this initiative creates risks, it significantly expands a church owned real estate portfolio valued at more than three billion dollars (Geiger, 2014). Religious bodies are increasingly sensing the benefits of funding mission through profits reaped from astute use of real estate investment. In Philadelphia, the Mormon Church is constructing a 32-story tower containing 258 apartments, 13 townhouses and street level retail shops (McCrystal, 2014).

One disadvantage of monetizing real estate assets through sale is that once alienated, land is forever gone or must be repurchased at a subsequent and most likely higher price. One monetization tool that can be used to avoid the permanent alienation of land is the ground lease. Under this arrangement, the real estate asset is rented out for a long period of time during which the tenant enjoys the rights of the owner in exchange for periodic payments to the owner. At the end of the specified period the asset returns to the owner. In the United States leaseholds can last up to 99 years. Subject to the specific contract which created the leasehold, the owner may be required to reimburse the lessor for improvements to the property minus depreciation (Fomenko & Artemenkov, 2016).

Leasehold agreements must be structured in such a way that will minimize tax liability for the owner. If for example, rents are paid in a lump sum manner this could result in a considerable and immediate capital gain for the landlord producing a sizable tax obligation (Nix & Knight, 2016). Likewise, reimbursement payments to the owner for improvements made on behalf of the lessor must be specifically classified as such, to avoid the appearance that the owner is receiving additional cash benefits in the form of rent.

Zoning laws, especially in densely populated large cities, dictate the size of buildable structures which can be erected on said sites. Any spatial development rights unused by an owner, is potentially a convertible asset which can be sold to generate cash (Jones, 2015). Known as “air rights” these assets are increasingly being used by non-profits to generate revenue.

In New York City, the River Park Trust, a non-profit corporation that operates the 14-acre pier 40 along Manhattan’s waterfront, is seeking to generate revenue for the repair of nearly one-thousand piles which support the pier. The cost of such an undertaking is expected to cost over $104 million. In order to finance the project, the Trust has entered into an agreement with a private developer to sell its air rights which consist of 550,000 square feet of buildable space. The execution of the deal would create 450,000 square feet residential condominiums and 100,000 square feet commercial/retail space (Anuta, 2015). This is a mutually beneficial arrangement which fosters economic development by alleviating the growing need for housing, generating new business opportunities through commercial space, fundraising hard cash for the non-profit entity and sparing taxpayers from having to fund the project.

Air right negotiations can be complicated by local building and zoning regulations. Ambitious projects may require approval from local community boards. In many cases achieving maximum development of airspace may require that a property be rezoned because the intended development is not allowed per local zoning regulation at the time. This requires rigorous attention to detail and patience as any change in specifications in response to a zoning board ruling can significantly alter the bottom line and scope of any given project. Such was the case when New York’s history

historic Grand Central Terminal was purchased by real estate magnate Andrew Penson with the anticipated goal of developing airspace over the station (Geiger, 2013). Penson's objectives were threatened when the City of New York sought to set a $250/sq foot price for development on air rights requiring zoning changes to accommodate larger buildings than foreseen in existing zoning laws. Penson sued the city demanding $1.5 billion while claiming that prices in the open real estate market could fetch twice the price imposed by New York (Geiger, 2017). The parties reached an out of court settlement which will allow for the construction of a 61-story tower known as Vanderbilt Tower (Levitt, 2016).

In addition to zoning issues, non-profits and churches have joined with developers to oppose city regulations which would set a minimum price on the cost of air rights in Manhattan's midtown east section. This is the neighborhood surrounding Grand Central Terminal. Religious organizations argue that having a minimum price imposed by the City would harm sales, and thus revenue generating proposals, if the market rates were to fall below the set floor price. Furthermore, they argue, reduced sales would mean reduced income for the City. On its end New York City seeks to claim up to 40% of the revenue generated by the transaction of air rights in the neighborhood (Anuta, 2016). These funds, which in essence amount to a tax, would be placed in the neighborhood's public realm improvement fund and be used for upgrading streets and sidewalks. The City fears that not setting a minimum price would result in depressed air right values with non-profits relinquishing benefits guaranteed by set bottom price. This in turn would mean less funds for the City (Anuta, 2016).

A few blocks away, in the Theater District, the City has sought to impose a floor

price of $346 per square foot on air rights sold by theaters that are seeking to generate funds. This represents an increase of 400% over the $17.60 previously taxed as flat rate per square foot. The funds collected through this tax are reinvested in the community with the New York funding subsidies for smaller theaters through the Theater Subdistrict Fund. As their counterparts in the religious community, theater owners perceive these actions as detrimental to their own revenue generating efforts. Since a zoning change in 1998, New York's theater owners have earned nearly $200 million by leveraging air rights. The current City administration of Mayor Bill DeBlasio has also included discussion about air rights in its plans to add 66,000 affordable housing units as part of the mayor's goal of having and preserving 200,000 such units throughout the entire city.

While the bulk of air rights transactions in the United States have been based in New York City, the notion is now spreading to other cities and municipalities in the United States and beyond. Recently the Massachusetts Bay Transportation Authority (MBTA) announced a request for bids for air rights over its Silver Line station in Boston's Seaport District. The sale of 3,939 square feet of space, tiny by New York standards, is expected to bring a minimum bid of $1.2 million (Goodison, 2014).

Given the numerous opportunities and tools which exist for the maximization and monetization of real estate assets, it is imperative that the non-profits wishing to optimize income, avoid getting entangled contractual obligations which could jeopardize their mission and assets. It is not uncommon for experienced builders and developers in New York City to offer religious congregations and other entity's not well versed in complex real estate transactions to collaborate in joint ventures with a

promise to evenly divide profits. It is imperative for the non-profit to obtain its own legal counsel before entering into any such agreement. Failure to do so may leave the non-profit in a disadvantaged position in which it bears all the risk without having a reciprocal benefit. (Pagliari, 2015). For example, the developer and the non-profit establish joint-venture in which the asset is transferred to the newly created entity. A loan is taken on the property to allow for the construction of the proposed project. The previously unencumbered property is now subject to a mortgage and can be foreclosed if the developer runs into to financial hardship and is unable to complete construction. Up to this point the developer has not risked or invested anything substantial into the project and will lose nothing if the same collapses. In this case the non-profit will have lost its asset without a strong chance at recovery. It is thus incumbent on all parties to have adequate legal representation and understand the details and scope of the agreements that they are executing (Layak, Punj et al., 2013).

In order to protect the charitable purposes of not-for profit corporations, the State of New York seeks to protect non-profit organizations and religious groups by requiring approval from the State Attorney General's office before approving joint venture agreements or transfer of property rights from a non-profit (New York State, 2018).

The basic law of supply and demand can dictate eradication of entire neighborhoods despite well intentioned development, including dictating the establishment of market rate construction (Goldberg, 2013). Whole communities disappeared as lower income individuals could no longer afford to reside in neighborhoods they had called home for decades. In modern times the process which displaces neighborhood residents, as opposed to genuinely improving the life of a

community is known as gentrification (Salam, 2014). Churches will need to balance these factors as they seek new Strategic Management.

Financial Risk

Importance

Since economy is subject to constant change, each organization must anticipate and plan how to respond to the fluctuating financial climates and its inherent fiscal risks to private and public companies. In both types of organizations, management must react to risks. Management of scarce resources in both types of organizations encompasses the same rules of economic rationality. Both private and public confront similar risks in addition to those tied to specific types of activity and diverse financing methods (Jiraskova, 2017).

Economic risks are statistically significant in creating equity volatility with substantial effects and magnitudes for companies. Bartram, Brown and Conrad (2011) found that the volatility of equity returns decreased according to the size and age of the firm. Large and mature firms operate in a more stable environment and are more likely to have adequate risk management programs that contribute to lower financial risks. Volatility tends to decrease with capital expenditures. The study also found that firms with higher profitability and lower profit volatility have lower equity volatility.

The notion of risk relates to a potential event which transforms into losses for market participants be they financial institutions, investors or debtors. Risk is generated in the uncertainty which exists in relation to the value of assets and their pricing volatility. The greater the uncertainty, greater is the risk (Gonzales Urbina, 2017).

There exists a variety of applicable models and approaches for the reduction

potential threats and mitigation of losses. The detection of threats to companies can be enhanced through appropriate actions to thwart losses and foster healthier decision making. A sound assessment of financial risk combined with thorough understanding of conditions will result in favorable outcomes such as insolvency reduction, lower bankruptcy rates and less financial hardship. Accordingly, the implementation of a financial risk assessment model allows companies to apply an early diagnosis of financial crisis and take proper countermeasures to eliminate threats (Li, Cheng, Cheng, Wang, & Zhang, 2018).

In order for organizations to confront risks all departments within the company must work in an intentionally cohesive manner. In many companies it is still a practice for the departments to work in isolated silos in which they manage their particular risk. The enterprise risk management approach calls for a move from traditional practice by creating teams from different areas that strategize to handle risks. Such a team may be referred to as a financial intelligence unit whose primary role is to predict and eliminate potential risks to the company (Kline, 2014).

Under the traditional risk management model, the risk manager was solely responsible for the assessment and management of risks. This consisted of determining all levels of risk and then applying industry-wide conventional risk management strategies to control losses, purchasing insurance to cover losses and filing claims arising from said losses. The firm's attorneys then played the role of contracting products to counter liability claims and the human resource department was responsible to supervise employee safety and workers' compensation plans while treasury supervised financial operation (Weston, Conklin, & Drobnis, 2018). The

enterprise risk management model brings all of these elements together with the chief risk officer serving as the designated person for assessing and evaluating all of the firm's risk and carrying out the recommendations of the taskforce.

Dimensions

As with previous variables, the practical findings of the literature must be applied according to the intricacies of each industry. For example, reinsurance is a strategy that insurance companies use to manage risks. Its strategic use leads to an effective risk mitigation solution and increases the stability and profitability of an insurance company. An insurer transfers its risk to a reinsurer through the use of quota share, stop-loss, excess of loss and surplus reinsurance products. Insurers continuously search for reinsurance strategies which will further diminish their risks (Cong & Tan, 2016).

In the banking industry a risk assessment evaluation is based on different factors. One of a bank's main functions is borrowing money and lending it other entities including companies, governments and private individuals. Banks serve as intermediaries of those who deposit funds and those who borrow those funds for their affairs. In doing so they profitably manage risks, while specializing in timing, duration and amounts. One of the most important types of risk that banks encounter is credit risk. The way in which a bank organizes its granting process determines its risk level. Elbannan & Elbannan (2015) measured the operating performance of banks by using a scorecard approach and found that operating performance and market valuation in Egyptian banks are associated with higher risk disclosure. Banks accustomed to providing high level of disclosures are better valued by market participants for their increased disclosures.

Financial Administration

Importance

Financial Administration (FA) is an instrument which allows organizations to adapt to their dynamic environments through a process of restructuring and reorganization of action plans. It begins with an assessment of the organizations present state in relation to structure, mission, budget, human resources and programs. It helps an entity chart a course of where it wants to go and how to reach that destination. Time and energy spent in strategic planning (SP) should not be deemed wasted because a successful effort will ultimately increase operational efficiency in a competitive environment. (Dogan & Simsek, 2017). A potential obstacle to effective SP is the possible resistance of individuals in the organization to the process due to negative sentiments at the inception of the process. In order for SP to succeed it must have the support and belief of people within the organization.

Though celebrated as significant element in the organizational success it is often approached as a token gesture. There is a tendency to mentally disconnect SP from the day to day procedures of successful operation (Cervone, 2014). Employees may perceive that although SP is a necessity, their role in the plan is not highly valued. As a result, organizations are forced to overcome skepticism and indifference throughout the SP process.

SP and management will allow an institution to reach aspired goals while simultaneously meeting social and community expectations, anticipating future problems and exploiting emerging opportunities. In essence it creates a road map to empower the organization to arrive at the desired destination. The hardest step in the

SP process is implementation. A fruitful adoption of the plan depends on the capacity of managers to inspire employees' cooperation (Simyar & Osuji, 2015).

The fashion in which firms reach balance in critical mission are challenges that can only be answered within the entity's SP process. Oversimplification can reduce SP to an exercise that begins and ends with simply operational planning (OP). Though sharing similarities SP and operational planning are not synonymous. OP's primary goal is to improve current operations, i.e. adapting practices to better serve customer needs. SP, however, has a goal to realign institutional and human resources to intentionally change the organization for the better. Examples would include restructuring human personnel or realigning budgetary resources to better match priorities. A completed SP cannot be strategic if it has unreasonable number of goals and objectives (Hellmich & Feeney, 2017).

Effective SP demands the coordination and integration of the various cells that comprise an organization. The area in which SP contributes most is in getting different units to blend together for a common objective. The interconnectedness promoted and synchronized through SP is of crucial importance in facilitating social interactions of the company and further aids in the implementation of strategies. For the process to advance it requires recognition and legitimization of the stakeholders who make up the organization. This meshing of goals and objectives may realign boundaries and penetrate hierarchical levels (Felype-Neis, Fernandes-Pereira, & Antonio-Maccari, 2017).

Implementation of a strategic plan starts with the creation of task forces that analyze goals and develop SMART (Specific, Measurable, Attainable, Relevant and Time-bound) strategies and plans. An action plan is composed of timeline and identifies

who is responsible for each task, what is involved and the necessary resources. SPs normally cover a time span of three to five years and should be assessed regularly for adherence. Assessment metrics should be part of the plan. The results should be shared with team members (Buck, 2016).

SP plays an intrinsic role in the functions of an organization including the establishment of key values of said entity and coordinating collective efforts in order to cement core values and goals in alignment with stated mission (Falluca, 2017).

Dimensions

Some of the literature questions the effectiveness of SP. Cosby (2018) Laments that although a necessary tool, SP is used especially at senior management levels and that despite of the effort and research invested into an SP it often ends up on a shelf for the next few years until it is time to update it again. Mintzberg (1994) proposes that the "SP" label is used to describe many activities that have little to do with planning. SP, as widely practiced, shuts intuition and creativity required by authentic strategic thinking.

Given the contradictory views provided by literature, Song, Im, Bij, and Song, (2011) conducted research to determine whether SP enhances or impedes innovation and firm performance. The empirical evidence revealed that more SP and newer product development (NDP) lead to better performance. Firms with organizational redundancy were found to benefit more from SP than those with less redundancy. An increase in R & D intensity serves to boost new product development and also strengthen firm performance. Conversely, the study revealed that SP impedes the number of NPD projects in the larger firms.

Relationship and study among variables

Capital Investment and Financial Performance

The positive relationship between capital investment (CI) and financial performance has been demonstrated by a number of research studies cited in this research. Venture capital has facilitated the expansion of several industries through innovation and the access to patents (Loughran & Shive, 2011). The Chinese economy has witnessed rapid growth as the result of a domestic venture capital influx (Lei & Jun, 2016). Funds invested in research and development can be used as a reliable measure of financial performance (Ayadin & Karaaslan, 2014). Shah, Hansu and Butt (2016) determined that Domestic companies tended to be more aggressive than the multinationals due to statutory requirements of the Central Bank of Pakistan regulating liquidity requirements. As such, capital investment is essential in driving capital performance.

A study of the banking sector in Pakistan has identified internal financial factors' effect on bank's profitability during the period of 2008 to 2013. Its findings concluded that higher capital contributes towards bank's profitability, but its impact is not significant. Deposits and investments have a significant positive impact on bank's profitability (Bilal, Rukh, & Qureshi, 2016).

Increasingly, throughout the world socially minded investors are seeking returns on investments that reflect their social and ethical views while generating income compatible with their conviction. Social impact investment is founded on the desire to produce social change while simultaneously earning returns and advancing social goals. Causes which have induced this type of investment include: environmental

causes, clean energy, reduction of reliance on fossil fuels impact and other social objectives (Abrahams, 2018).

An analysis of impact investments provides insights which demonstrate that the impact investing market is a legitimate and credible option for growth. When compared with other conventional investment choices, their returns compete favorably with market rate returns. Even when invested into small funds they do not underperform in comparison with larger funds. As with conventional investments, the impact investment market includes opportunities for individuals with differing risk preferences, investment strategies and target returns. Financial performance is but one part of the allure that motivates socially conscious individuals to pour investment resources into the causes that they hold dear while reaping healthy market rate returns (Mudaliar & Bas, 2018).

The literature has repeatedly shown that capital investment tends to have a positive impact on financial performance. However, not all CI is positive. We have found instances where too much investment results in overcapitalization. When this occurs, it leads to non-efficient use of resources and outright waste. Douglas, Garret, & Rhine, (2009) conducted research on the effects of overcapitalization in the electric utility sector. They cite error in overestimating future demand as a possible cause for a glut in the production of electricity. Once the utility has too much available cash they might engage in a number of unnecessary activities. These include: resisting joining efficient power plants and building new plants instead, holding on to unneeded infrastructure, expensive endeavors such as underground distribution systems, selecting capital-intensive expenditures for pollution abatement and being willing to overpay for equipment.

Overcapitalization can occur in any industry. Health Financial Management,

(2014) found that hospitals with excess revenues were not reinvesting in upgrading their facilities. Rather they used cash to pay down debt while leaving equipment and infrastructure to age and depreciate. Such a course is not sustainable and will eventually force the hospitals to investment in capital improvements.

Strategic Management and Financial Performance

Unsurprisingly, the literature has consistently confirmed a relationship between the financing strategy of a firm and its financial performance. Depending on the financing option used, that relationship can be positive or negative. In empirically analyzing the leverage and sales performance in 115 industries during a 30-year period, Campello (2006) finds that "moderate debt taking is associated with relative-to-rival sales gains; high indebtedness, however, leads to product market underperformance." The creditors' valuation of assets in liquidation was used to identify financial leverage.

A study to investigate the effectiveness of innovation financing used structural equation modeling to determine the impact of innovation financing, technology innovation competency and financial performance on SMEs in Korea. The results showed that innovation financing increases technological innovation competency and the business performance of SMEs in Korea (Lee, Lee, Kim, Kim, & Im 2019).

A similar study in Sweden, sought to examine the relationship of debt level and performance of SMEs in that country. However, in this study three-stage least squares and fixed-effect models were used on a cross-sectoral sample of 15,987 SMEs. The research confirmed that debt ratios, whether short term or long term, negatively affect firm performance in the form of profitability (Yazdanfar & Öhman, 2015). Accordingly,

it is incumbent on SME owners and managers to find their satisfactory debt level.

Increasingly firms are funding their organizational operations through the emerging strategy of supply chain finance (SCF) by taking advantage of their supply chain relationships to maximize cash flows. By combining practices such as shrinking inventories, faster collection of receivables and delaying payment to suppliers, Huff and Rogers (2015) found, that through the use of Inventory Theory, strategic changes in the management and financing of inventory "have the largest and longest-lasting impacts on the firm's financial performance" while simply changing the company's payment terms produces only short-term effects.

Definitive Healthcare data has been used to study the associations between investments in health information technology and the financial performance of hospitals. This study found that health technology expenses and capital expenses have a positive association with hospitals' return on assets and productivity (Wang, Wang, & McCloud, 2018). Additional effects generated by the investments include electronic health records adoption and quality measure which in the long run also increase both operational and financial performance.

Nguyen and Rugman (2018) examined a multinational subsidiary to determine whether a firm specific advantage (FSA) is attained by the firm reinvesting its own earnings through internal equity financing. This is a practice used mostly to fund innovation, research and development and other management skills. It also represents a strategic financing tool. By using data from British subsidiaries in six emerging countries in South East Asia, researchers found that internal equity financing acts as an FSA to enhance subsidiary performance. Secondly, they found that 90% financing sources in

British subsidiaries originate from internal funding and that using this financing strategy has a significant positive impact on the financial performance of the subsidiary.

Colombo and Murtinu (2017) conducted research to study the impact of independent venture capital (IVC) and corporate venture capital (CVC) on the economic performance of European high technology firms from 1992-2010. The researchers used a new longitudinal dataset sponsored by the European Commission known as VICO. The study established that both types of IVC and CVC investment improve the financial performance of the portfolio firms and that this was mainly due to the large sale increases.

The literature has shown that strategic management has a strong causal relationship with financial performance. Owners, managers, stockholders will continue the pursuit of profit maximization to obtain optimal liquidity and profitability. In the meantime, they will have at their disposal a variety of strategic financing tools to achieve strong financial performance.

Financial Risk and Financial Performance

Companies will find it in their best interest to protect themselves from the risks associated to their particular industry. The banking industry is one that is continually assessed to protect against potential future losses. In studying the impact of credit risk management on performance, Serwadda (2018) studied commercial banks in a sample of 20 banks in Uganda for a ten-year period. Through descriptive statistics, correlation analysis and regression, the study confirmed that credit risk management has an impact on the financial performance of commercial banks in Uganda. It found that banks could be exposed to large amounts of illiquidity and financial crisis and thus their performance

was influenced adversely by non-performing loans. The researcher admonishes banks to improve their credit risk management procedures not just to earn additional profits but to maintain a qualitative asset portfolio with attention given to non-performing loans as well. Before advancing credit to customers banks must design appropriate credit policies that address all necessary risk conditions.

In order to analyze how systemic risks in financial markets are impacted by the exposure and contribution of financial institutions, researchers employed three indicators of financial institutions' exposure to systemic risks. These included the systemic risk index (SRISK), marginal expected shortfall (MES) and conditional Value-at-Risk (CoVar). They then used panel data of 31 financial institutions in Taiwan for a period ranging from 2005 to 2014 for an empirical study. Focusing on systemic risk, the researchers sought to understand the dynamics of volatility, interdependency and risk during the last financial crisis. The results revealed that the three measures used are similar in identifying systematically important financial institutions despite their different definitions of contributions to systemic risk (Lin, Sun, & Yu, 2018).

In order to better assess financial risks to companies Zhang, Tadikamalla and Shang (2016) propose the creation of a more comprehensive method of credit-risk evaluation based on dynamic incentives. The steps to this process commence with a model built on the firm's current financial standing followed by implicit incentive model and subsequently developed by focusing on the trend of the company's past performance. The two models are then integrated through application of geometric procedure. Validation of the proposed approach was applied to 12 publicly traded companies using 24 quarters and 20 indicators. The proposed integrated evaluation

model outperformed “conventional models by better reflection of the key credit-risk management concept of ‘motivation and guidance’”.

The reduction of financial risk to firms can be enhanced to insure better financial performance through the diversification of portfolio. Shu Ling, Soushan, Penm and Terrell, (2005) studied the theory that diversification reduces the return variance and the probability of failure of a portfolio. The researchers investigated diversification measure by means of the Hershman-Herfindahl index and applied the ‘diversification index' by scaling systematic risk with stock return variance of individual banks. The study assumes that risk flowing from firms’ specific risk is small because of banking’s high diversification index (a high R^2). By examining the effects of diversification risk and financial performance and testing the causality between diversification, risk and financial performance, of Taiwan’s banking industry, the researchers found a strong link between diversification, risk and financial performance. The empirical results suggest diversification as a motive for risk reduction and enhanced performance in Taiwan’s banking industry.

The literature has established that individual risk can be reduced through diversification. Li (2016) seeks a better understanding of the relationship between diversification and systemic risk since there is an assumption that diversification within financial institutions benefits stability of the financial system. The study adopts both linear and nonlinear Granger causality test in order to analyze the causal connection between diversification and banking systemic risk using banking data from China. The empirical results revealed no linear or nonlinear causal relationship to banking systemic risk from diversification.

Assessments of risk factors for the performance of banks, have traditionally used return on equity (ROE) as the primary metric in the banking sector. Moussu, and Petit-Romec (2017) seeks to test the legitimacy of ROE as an adequate measure in banks and finds a very strong association between ROE and bank standalone and systemic risks during banking crises. The researcher concludes that ROE is indeed a reliable chief performance measure in banks but that it can also constitute a good proxy for risk exposure of banks and their vulnerability to crises. This outcome is unique to banks as the association between their main performance measure and risk is not seen or found in companies other than the banking industry.

Battaglia and Gallo (2015) examine whether boards of directors and corporate governance mechanisms are associated with a better bank performance during the 2007-2008 period for a sample of Chinese and Indian banks. The research measured bank performance by Tobin's Q, return on asset (ROA), return on equity (ROE) and price-earnings ratios (P/E). The study found irrelevance of the standard board's variables related to the risk committee. A positive relationship was found between the size of the risk committee and ROE and ROA. This suggests that banks with larger risk committees have a better performance as it relates to profitability. Nonetheless, market valuation and expected market growth are larger for banks with smaller risk committees. More specifically, the researchers found a negative association with the size of risk committee and positive association with the number of meetings of the risk committees.

Researchers have also sought to scrutinize the effect of supply chain risk management (SCRM) on performance. In the process, operational efficiency and

flexibility are also examined. The authors also explored the moderating role of supplier integration in the SCRM and operational performance relationship. Adopting a survey-based methodology and using data from an international survey, the study applied structural equation modeling and latent moderated structural equations. The results indicated that SCRM has positive influences on both operational efficiency and flexibility. SCRM also has an indirect effect on financial performance. Additionally, supplier integration enhances the impact of SCRM on operational flexibility, but it does not moderate the SCRM and operational efficiency relationship. As such, the study supplies managerial understanding on risk management and supplier integration (Shou, Hu, Kang, Li, & Park, 2018).

Financial Administration and Financial Performance

Financial administration is one of the most crucial and important activities related to management in the field of higher education. The challenges posed by harsh resource constraints require financial administration in decision making in order to respond to increased expectations and accountability (Welsh, Nunez & Petrosko, 2005). In the retailing industry, strategic planning assists in controlling processes which better align with the firm's financial strategy. This enables companies to benefit from competitive advantages while formulating strategies, linking them to their own endemic focus areas and enhancing the company's financial performance (Elgazzar,Tipi, Hubbard, & Leach, 2012).

Kukalis (1991) determined that for financial administration to be effective companies must design their internal systems in such a way as to reflect the enterprise's specific situational setting in the particular design. For example, the highly

competitive pharmaceutical industry requires the implementation of strategy that is relevant to the goals in light of market condition. The designing, compiling and implementation of strategy must align with defined objectives. The managers in the field must be informed that decision making and selection of strategy in any level of the organization must be in harmony with higher or lower levels within the company. As such, managers should avoid decisions or strategies made independently of their strategic management (Mohammadzadeh, Aarabi & Salamzadeh, 2013).

Wang, Holmes, Oh and Zhu (2016) sought to predict future firm performance by confirming a positive relationship between older and longer tenured CEOs being more complacent and less aggressive. The findings demonstrated the opposite and instead found a positive relationship between older and longer tenured CEOs having stronger networks and better access to resources.

Communication flows throughout the organization are essential in monitoring the level of progress toward strategic initiatives. Executives should quiz department heads about specific steps taken to attain financial administration goals. This will help identify gaps in skills as well as the need for supplemental training while motivating department heads to hone their skills (Kirk, Holmes, & Pink, 2012). This approach empowers department heads by granting them autonomy to make informed decisions about issues such as staffing levels and inventory, without managerial oversight.

In analyzing theoretical and empirical literature on strategic process, Dinsmore, (2017) tabled 134 studies from a PsycInfo search ranging from 2011 to 2016 in order to explain the relationship between strategic processing and performance in academia. The resulting findings were that “less is known empirically about the developmental

nature of strategic processing; quality and conditional use explain performance more consistently than simply frequency of strategy use; and, numerous person and environmental factors shape the degree to which certain strategies are effective for certain learners" (Dinsmore, 2017).

CHAPTER III

METHODOLOGY

Introduction

Following a review of the literature in relation to goals and objectives of the research question, this chapter seeks to describe the methods and procedures used in order to answer the research question and provide the tools required to test the previously elaborated hypothesis. The research seeks to enhance the existing body of literature by expanding prior research done on the subject and identifies issues not previously covered by research thereby justifying its purpose (Kuada, 2012). By building on previously conducted research there exist possibilities that said research may be confirmed, replicated, improved, validated or even contradicted (Godwill, 2015). It is also conceivable that the current research may stimulate future researchers to further expand knowledge acquired from this work by applying similar methodologies.

This chapter is composed of the description of the methodology used during the investigation and addresses the design of the study, which includes: (a) the type of research, (b) the study population, (c) the sample, (d) the measuring instrument, (e) the null hypotheses, (f) the data collection and (g) the data analysis.

Type of Investigation

This is a quantitative investigation. According to Creswell and Creswell (2017),

this description is used for studies in which researchers seek to propel the relationship between variables by posing questions and articulating hypotheses. Objectivity requires that methods and conclusions be tested for bias before being recorded and accepted as quantitatively valid.

Statistical analysis is an essential and unavoidable component of quantitative research. The lack of adequate variable measurements can result in confusion to researchers and cause misapplication of the results of the conducted research (Kee, Osman & Ahmad, 2013).

This study can also be described as positivist in that it seeks to draw conclusions from the empirical data collected as part of the quantitative process. The goal of logical positivism is to strengthen empiricism through observational testing of the variables. This logic holds that in order for a statement to be validated it must be verified through empirical data (Corry, Porter & McKenna, 2019). Increasingly, researchers are shifting away from the rigidity of statistical positivism, in favor of realist paradigms, finding that strict adherence to the premises of positivism tends to generate minimal new knowledge in research (Chirkov & Anderson, 2019).

A deductive approach is more often linked to the positivist view and quantitative view which tend to perceive reality as an element which can be measured validly and reliably through the use well established scientific principles. It follows that researchers ought to create and maintain a certain level of separation from the subjects in order to uphold neutrality and reach value-free conclusions (Soiferman, 2010).

The culmination of a quantitative, positivist and deductive process requires a hypothesis which is used to prove assumption based on the interrelatedness of the

variables or lack thereof. A functional hypothesis must be testable in order to determine elements which may be right or wrong. Testing is necessary in most research studies to determine whether the variables can be compared to each other (Toledo, Flikkema & Toledo-Pereyra, 2011).

The investigation was transversal and cross-sectional (Setia, 2016). The outcomes and participants were studied at the same time between the months of August 2018 to November 2018. This enabled the study of the relationship between the variables based on a uniform set of criteria set for the study. The study is also descriptive in that it provides relevant information about the prevalent commonalities of the population studied without seeking to predict or manipulate an outcome. It further seeks to generate hypotheses through description of variable relationships (Swatzell & Jennings, 2007).

Population

For research purposes, a population is composed of a group of individuals who possess one or more common characteristics which formulate the point of reference for the researcher's interest. The study population requires specificity because this will enable extrapolation or generalization of the results to the rest of the population (Arias-Arias-Gómez, Villasís-Keever, & Miranda-Novales (2016). In this research study, the population consisted of the executive officers of the 59 conferences of the North American Division of Seventh-day Adventists and Church presidents of Adventist tertiary institutions within the same territory.

Sample

Sampling is necessary because an investigator rarely has the opportunity, time,

or resources to study a complete population of individuals. Instead researchers will identify and enlist a sample of the population to reach general conclusions about the entire population (Boushey, Harris, Bruemmer, & Archer, 2008). The major challenge of selecting a sample is securing one that is representative of the entire target population.

Bii & Onyango (2017) assert that the goal of the sample survey is to develop strategies that produce the best representation of an entire population through the use of statistical inferences about the variables surveyed. The sample size relates to the number of individuals or units selected in order for the researcher to glean data or information from. While an inappropriate sample size can result in erroneous findings, and also hinder the correct structure of a questionnaire, there is no consensus to define what constitutes an adequate sample size (Anthoine, Moret, Regnault, Sébille, & Hardouin, 2014). Of all the 190 individuals contacted for the survey, 100 responded giving a response rate of 53%.

Measuring Instruments

Science education research often involves the adoption of existing, or the development of new, instruments to measure phenomena of interest. In selecting an instrument the researcher must consider and evaluate the relevance of the instrument to the specific research questions and its quality. Different types of instruments include scales and tests. The former are used to measure affective constructs such as attitudes, whereas the latter measures cognitive features such as knowledge and comprehension of science topics (Taber, 2018). Measuring instruments include various devices including surveys, tests and questionnaires.

Variables

Variables are conditions or characteristics to which values are ascribed by the researcher who seeks to observe how they respond to manipulation or controls. Variables are empirical phenomena which take on different values and properties according to their measurements. Generally, variables are divided into two broad categories. In research they are described as dependent and independent variables. One of the greatest goals of research is to ascertain the causes of phenomena which presume a cause and effect relationship between the independent and dependent variable (Flannelly, Flannelly, & Jankowski, 2014).

The variables used in this research were: (a) dependent variable (financial performance), (b) criterion or independent variables (capital investment, strategic management, financial risk and financial administration).

Instrument development

Elaborated below, is a description of the process used in developing the instruments used in the present study. In consecutive order:

1. A conceptual definition of the variables collaborative relationships was made.

2. The variable relationships of collaboration were dimensioned.

3. Scripts relevant to the purpose of the study were determined for presenting a standard set of questions and response options using a Likert scale.

4. After the instrument was formed, the assistance of an expert writer in the field was requested for review.

5. The instrument then continued to validate content in terms of field testing for relevance and clearness; two (2) experts in the field and five (5) tertiary education

providers were provided with the evaluation tool, showing the name of the variable and the indicators. Each indicator or item had a five-point Likert scale to assess relevance and clarity.

6. After the validity test, the final instrument that was used in this study was derived and consists of three sections: (a) general instructions, (b) general information and (c) variables, with 97 statements.

7. After approval from the advisor, the data was collected.

The instrument used is shown in Appendix A.

Instrument validity

Proper evaluation of complex research requires the construction of valid and reliable instruments. Researchers must use methods which guarantee consistency when observing variables through the use of said instruments (Cobos-Aguilar et. al., 2011). Recent advances in the field of methodology constantly search for elaboration of instruments through quality criteria.

The reliability of an instrument is measured by the extent to which the said instrument is able to produce the same result as it is used repeatedly. Over time, measuring instruments must agree as re-tests are conducted. The results are compared correlated to the original test to provide a measure of stability. Any correlation coefficient with a value of ± 0.4 is acceptable as a moderate association (Lai, 2013).

Content Validity

The validation process of the content of the instruments was as follows:

1. Several interviews were conducted with my advisor to find out his opinion on

the measurement of the variables and to confirm if my method of inquiry into the literature which guided how I measured my variables was appropriate.

2. The literature was reviewed in different databases on the variables financial performance, capital investment, strategic management, financial risk and financial administration.

3. Then, taking into account the list of dimensions and criteria of the instrument to be proposed, in agreement with the advisor, those that would be used in the instrument were selected.

4. Consultations and reviews of the research were carried out by the advisors.

5. Clarity and relevance were evaluated with the help of two experts in the subject.

Validity of the constructs

The Factorial Analysis Procedure was used to evaluate the validity of the constructs of financial performance, capital investment, strategic management, financial risk and financial administration presented in this section. The results of the validation of each variable are presented below. Next, the statistical tests of the factor analysis for the constructs are presented.

Financial Performance

The instrument of financial performance control was made up of fourteen indicators (FP1 to FP 14). The factorial analysis procedure was used to evaluate the validity of the financial performance construct (see Appendix B). In the analysis of the correlation matrix, it was found that the majority of statements have a positive

correlation greater than .4. Most correlations make the factor analysis appropriate.

Regarding the sample adequacy measure KMO, a value very close to the unit (KMO = .844) was found. For the Bartlett sphericity test, it was found that the results (X^2 = 670.106, *df* = 91, *p* = .000) are significant (shown in Appendix B). The Financial Performance instrument showed an anti-image correlation = .921 which means that it is good.

Regarding the extraction statistics by main components, it was found that the commonality values (Com_{min} = .377; Com_{max} = .759), the 14 items are superior to the extraction criteria (Com = .377). In relation to the total variance explained, a confirmatory analysis was carried out with three factors, explaining 63.86% of the total variance (shown in Appendix B). The criterion is 50% so the results seen for the construct exceeds the minimum established standard.

As for the rotated factorial solution, the Varimax method was used. Table 1 presents information comparing the relative saturations of each indicator for the three factors of financial performance.

The first factor was constituted by twelve indicators as follows: “Salaries paid to workers. (FP13)”, “Overall financial standing of the conference. (FP14)”, “Costs of goods and services provided by the conference (camp, education, bookstore, conventions etc. (FP15)”, “Tithe income. (FP11)”, “Conference operating costs. (FP10)”, “Investment in machinery and equipment. (FP9)”, “Quality of goods and services provided. (FP6)”, “Non-tithe income. (FP12)”, Numbers of employees (Pastors, teachers, camp staff, office staff etc.). (FP3)”, “Numbers of organized churches and missions. (FP1)”, “Full use of conference owned facilities and real

estate. (FP4)" and "Development of new conference programs. (FP8)".

The second factor was constituted by one indicator as follows: "Inventory levels. (FP2)" The third factor was constituted by one indicator as follows: "Investment in innovation research and development. (FP5).

Table 1

Rotated Matrix of Financial Performance

Indicators	Factors		
	1	2	3
Salaries paid to workers.	.759		
Overall financial standing of the conference.	.754		
Costs of goods and services provided by the conference.	.739		
Tithe Income.	.727		
Conference operating costs.	.662		
Investment in machinery and equipment	.622		
Quality of goods and services provided.	.618		
Non-tithe income.	.617		
Number of employees (pastors, teachers, camp staff, office staff etc.).	.598		
Number of organized churches and missions.	.589		
Full use of conference owned facilities and real estate	.567		
Development of new conference programs	.555		
Inventory levels (Office space, classrooms, maintenance etc.)		.607	
Investment in innovation, research and development			.620

Capital Investment

The construct of capital investment was made up of three indicators (CI1 1 to CI3). The factorial analysis procedure was used to evaluate the validity of the capital investment construct. In the analysis of the correlation matrix, it was found that the majority of statements have a positive correlation greater than .4 thus making the factor analysis appropriate (shown in Appendix B).

Regarding the sample adequacy measure KMO, a value close to the unit (KMO = .679) was found. For the Bartlett sphericity test, it was found that the results (X^2 =209.009, *df* = 3, *p* = .000) are significant (shown in Appendix B). When analyzing the anti-image covariance matrix, Performance instrument showed an anti-image correlation = .711 which means that it is good.

For the extraction statistics by main components, it was found that the commonality values equal 1.000 for all 3 items. (Com_{min} = .1.000; Com_{max} = .1.000), A confirmatory analysis was carried out with two factors, explaining 83.888% of the total variance (shown in Appendix B). The criterion is 50% so the results seen for the construct exceeds the minimum established standard.

As for the rotated factorial solution, the Varimax method was used. Table 2 presents information comparing the relative saturations of each indicator for three factors of capital investment.

The first factor was constituted by one indicator as follows: “A detailed analysis of investment options is conducted comparing projected profitability and risks (C11)”.

The second factor was constituted by one indicator as follows: “Projects are generated to sustain long term investments (CI3)”.

The third factor was constituted by one indicator as follows: “Analysis of investment options is performed to expand goods, services and technologies offered by the conference (C12)”.

Strategic Management

The construct of strategic management perception was made up of sixteen indicators four indicators (SM1 to SM17). The factorial analysis procedure was used to evaluate the validity of the budgetary control construct. In the analysis of the correlation matrix, it was found that the majority of statements have a positive correlation (shown in Appendix B).

Table 2

Rotated Matrix for Capital Investment

Indicators	Factors		
	1	2	3
A detailed analysis of investment options is conducted comparing projected profitability and risks	891		
Projects are generated to sustain long term investments		899	
Analysis of investment options is performed to expand goods, services and technologies offered by the conference			741

Regarding the sample adequacy measure KMO, a value close to the unit (KMO = .867) was found. For the Bartlett sphericity test, it was found that the results (X^2 = 610.431, df = 91, *p* = .000) are significant (shown in Appendix B). When analyzing the performance instrument showed an anti-image correlation = .943 which means that it is good.

For the extraction statistics by main components, it was found that the commonality values (Com_{min} = .511; Com_{max} = .839), the 16 items are superior to the extraction criteria (Com = .300). In relation to the total variance explained, a confirmatory analysis was carried out with two factors, explaining 66.162% of the total variance (shown in Appendix B). The criterion is 50% so the results seen for the construct exceeds the minimum established standard.

As for the rotated factorial solution, the Varimax method was used. Table 3 presents information comparing the relative saturations of each indicator for two factors of management perception.

As for the rotated factorial solution, the Varimax method was used. Table 3 presents information comparing the relative saturations of each indicator for the five factors of Strategic Management.

The first factor was constituted by eight indicators as follows: “Annual goals are defined. (SM9)”, “Investments are made to maintain an adequate financial capital. (SM11)”, “Financial results are measured. (SM8)”, “An analysis of financial indicators is carried out for financial projections. (SM10)”, “The alternatives of long term financing are analyzed to stimulate investment, growth for expansion of the institution. (SM15)”, “Financing is accepted from providers. (SM14)”, “The need for financing through banks/financial institutions is usually planned. (SM7)”, “Policies are designed in order to fulfill the financial plan. (SM3)”.

The second factor was constituted by six indicators as follows: “Programs are designed in order to fulfill the financial plan. (SM2)”, “A budget is set in order to accomplish the financial plan. (SM4)”, “The finance department/committee set specific objectives that

will help achieve the financial goals (investments and financing). (SM5)", "Financial plans are generated in your institution. (SM1)", "The use of surpluses from previous periods is analyzed as a source of financing for growth development activities. (SM17)", "The interest costs of the institution are analyzed before requesting any credit. (SM16)".

The third factor was constituted by two indicators as follows: "Programs are designed in order to fulfill the financial plan. (SM2)", "A budget is set in order to accomplish the financial plan. (SM4)".

Table 3

Rotated Matrix for Strategic Management

Indicators	Factors		
	1	2	3
Annual goals are defined.	.774		
Investments are made to maintain an adequate financial capital.	.731		
Financial results are measured.	.716		
An analysis of financial indicators is carried out for financial projections.	.709		
The alternatives of long-term financing are analyzed to stimulate investment, growth for expansion of the institution.	.563		
Financing is accepted from providers.	.526		
The need for financing through banks/financial institutions is usually planned.	.438		
Policies are designed in order to fulfill the financial plan.	.266		
Programs are designed in order to fulfill the financial plan.		.772	
A budget is set in order to accomplish the financial plan.		.710	
The finance department/committee set specific objectives that will help achieve the financial goals (investments and financing).		.686	
Financial plans are generated in your institution.		.652	
The use of surpluses from previous periods is analyzed as a source of financing for growth development activities.		.165	
The interest costs of the institution are analyzed before requesting any credit.		.226	
Financial instruments are invested long-term.			.637
Dynamic evaluation methods are used for investments.			.533

Financial Risk

The construct of financial risk participation was made up of three dimensions and twenty-nine indicators (FR1 to FR 33). The factorial analysis procedure was used to evaluate the validity of the budgetary control construct. In the analysis of the correlation matrix, it was found that the majority of statements have a positive correlation (shown in Appendix B).

Regarding the sample adequacy measure KMO, a value close to the unit (KMO = .866) was found. For the Bartlett sphericity test, it was found that the results (X^2 = 1703.828, *df* = 406, *p* = .000) are significant (shown in Appendix B). When analyzing the Performance instrument showed an anti-image correlation = .804 which means that it is good.

For the extraction statistics by main components, it was found that the commonality values (Com_{min} = -174; Com_{max} = .809), the 29 items are superior to the extraction criteria (Com = .300). In relation to the total variance explained, a confirmatory analysis was carried out with two factors, explaining 63.735% of the total variance (shown in Appendix B). The criterion is 50% so the results seen for the construct exceeds the minimum established standard.

As for the rotated factorial solution, the Varimax method was used. Table 4 presents information comparing the relative saturations of each indicator for the three factors of financial risks.

The first factor was constituted by sixteen indicators as follows: “Certify quality control levels periodically evaluated. (FR18)”, “Operational processes matching the level of the strongest competitors. (FR19)”, “Corporate commitment to achieving

proposed objectives. (FR6)", "Investment and research and development in order to maintain competiveness. (FR17)", "Competitive products and services. (FR20)", "Open discussion of new ideas to improve business management. (FR7)", "Use of viability studies to evaluate new projects. (FR4)", "We enjoy optimal allocation of resources to execute corporate plans. (FR1)", "Periodic evaluation of personal performance. (FR12)", "We have awareness of existing risks in business practices. (FR2)", "Existence of an adequate work environment. (FR14)", "Effective cost control in internal processes. (FR16)", "Periodic evaluation of achieving goals as contained in business plans and budgets. (FR8)", "Periodic development of business strategies, plans and objectives. (FR3)", "Conference ability to attract and retain quality personnel. (FR11)", "Existence of clear job description and competencies required for work position. (FR13)"

The second factor was constituted by seven indicators as follows: "Optimal management of investments. (FR 31)", "Creation of cash flows allow an efficient management of liquidity. (FR28)", "Efficient management of payments to providers. (FR30)", "Adequate and orderly control of income and expense. (FR27)", "Efficient billing of receivables. (FR29)", "Extension of credit to individuals and entities to sustain productivity. (FR33)" and "Optimal management of finances. (FR32)".

The third factor was constituted by six indicators as follows: "Investments in fixed assets and cutting edge technologies. (FR24)", "Proper functioning of communication and information systems. (FR22)", "(Adequate performance of accounting system. (FR26)", "Quality facility for users. (FR23)", "Adequate maintenance of equipment. (FR25)" and "Production of reliable data for decision making. (FR10)".

Table 4

Rotated Matrix of Financial Risk

Indicators	Factors		
	1	2	3
Certify quality control levels periodically evaluated.	.809		
Operational processes matching the level of the strongest competitors.	.747		
Corporate commitment to achieving proposed objectives.	.702		
Investment and research and development in order to maintain competiveness.	.692		
Competitive products and services.	.680		
Open discussion of new ideas to improve business management.	.680		
Use of viability studies to evaluate new projects	.665		
We enjoy optimal allocation of resources to execute corporate plans.	.629		
Periodic evaluation of personal performance.	.609		
We have awareness of existing risks in business practices	.600		
Existence of an adequate work environment.	.586		
Effective cost control in internal processes.	.532		
Periodic evaluation of achieving goals as contained in business plans and budgets.	.531		
Periodic development of business strategies, plans and objectives.	.524		
Conference ability to attract and retain quality personnel.	.514		
Existence of clear job description and competencies required for work position.	.450		
Optimal management of investments.		.778	
Creation of cash flows allows an efficient management of liquidity.		.747	
Efficient management of payments to providers.		.731	
Adequate and orderly control of income and expense.		.725	
Efficient billing of receivables.		.673	
Extension of credit to individuals and entities to sustain productivity.		.659	
Optimal management of finances.		.594	
Investments in fixed assets and cutting edge technologies.			.816
Proper functioning of communication and information systems.			.775
Adequate performance of accounting system.			.646
Quality facility for users.			.622
Adequate maintenance of equipment.			.573
Production of reliable data for decision making.			.449

Financial Administration

The construct of financial administration performance was made up of sixteen indicators (FA 1 to FA 18). The factorial analysis procedure was used to evaluate the validity of the organizational performance construct. In the analysis of the correlation matrix, it was found that the majority of statements have a positive correlation (shown in Appendix B).

Regarding the sample adequacy measure KMO, a value close to the unit (KMO = .867) was found. For the Bartlett sphericity test, it was found that the results (X^2 = 610.431, *df* = 91, *p* = .000) are significant (shown in Appendix B). When analyzing the Performance instrument showed an anti-image correlation = .919 which means that it is good.

Table 5

Rotated Matrix of Financial Administration

Indicators	Factors		
	1	2	3
Financial plans are generated in your institution	.774		
Programs are designed in order to fulfill the financial plan	.765		
An analysis of financial indicators is carried out for financial projections	.705		
Individuals are designated to achieve the established goals of the financial plans.	.686		
Financial results are measured.	.675		
The finance department/committee set specific objectives that will help achieve the financial goals (investments and financing).	.664		
Policies are designed in order to fulfill the financial plan.	.540		
Dynamic evaluation methods are used for investments		.826	
Financial instruments are invested long-term		.741	
The alternatives of long term financing are analyzed to stimulate investment, growth for expansion of the institution		.712	
Investments are made to maintain an adequate financial capital.		.653	
Subsidies are used for development of projects.			.887
The interest costs of the institution are analyzed before requesting any credit.			.753
The use of surpluses from previous periods is analyzed as a source of financing for growth and development of projects.			.517

Reliability of the instrument

The instruments were subjected to reliability analysis to determine their internal consistency by obtaining the Cronbach alpha coefficient for each scale. The Cronbach alpha coefficients obtained for the variables are the following: (a) financial performance, .882, (b) capital investment, .903, (c) strategic management, .940, (d) financial risks , .939, and (e) financial administration, .892.

All Cronbach's alpha values were considered as corresponding to acceptable reliability measures for each of the variables (see Appendix C).

Operationalization of the variables

Table 6 shows, an example, the operationalization of the financial performance variable, in which its conceptual definitions are included as instrumental and operational, in the first column the name of the variable can be seen, in the second column, the conceptual definition appears, in the third one, the instrumental definition that specifies how the variable will be observed, and in the last column each variable is codified. The full operationalization is found in Appendix D.

Null hypothesis

Travers, Cook and Cook (2017) define the null hypotheses as “a proposition that study findings will not demonstrate an effect, but is subjected to a scientific experiment”. Typically, the null hypothesis predicts what will happen if no support is found for the theory. In essence, the null hypothesis predicts that a factor will have no effect or that no differences will be found between factors. By analyzing their data researchers must determine whether there is enough evidence to allow rejection of the null hypothesis.

Table 6

Operationalization of the variable financial performance

Variable	Conceptual Definition	Instrumental Definition	Operational definition
Financial Performance	Financial performance is a representation and overall measurement of a firm's fiscal activity. (Danila et al., 2017). The measuring of performance reflects the health and overall wellbeing, or illness of the firm.	The degree of financial performance achieved by SDA conference administrators in the NAD, was determined by means of the following 14 items, under the scale: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree	To measure the degree of financial performance achieved by SDA Conference administers in the NAD was determined by means of the following 14 items. The variable was considered as metric. To make the approach of the conclusions of this study, the following equivalence was determined for the scale used: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree

Main null hypothesis

H_0: The empirical model, in which dependent variable (financial performance), (b) criterion or independent variables capital investment, strategic management, financial risk and financial administration are predictors for financial performance as perceived by conference administrators in the North American Division which does not have an acceptable goodness of fit with the theoretical model.

Operationalization of Null Hypotheses

Table 7 shows the operationalization of one of the null hypotheses.

Table 7

Operationalization of hypotheses

Hypothesis	Variables	Level of measurement	Statistical test
H0: The empirical model, in which dependent variable (financial performance), (b) criterion or independent variables capital investment, Strategic Management, financial risk and Financial Administration are predictors for financial performance as perceived by conference administrators in the North American Division which does not have an acceptable goodness of fit with the theoretical model.	Independents A. Capital Investment B. Strategic Management C. Financial Risk D. Financial Administration	Metrics Metrics Metrics Metrics	For the analysis of this hypothesis, the statistical technique of multiple linear regression was used by the method of successive steps. The rejection criterion of the null hypothesis was for values of significance p≤ .05.

Data Collection

Questionnaires are the main instruments used in the collection of data for research surveys. A questionnaire consists of standardized question, commonly referred to as items, which seeks to collect individual data concerning one or more topics. The questionnaire establishes formal contact with the subjects of the study and is administered in standardized fashion to all participants (Lavrakas, 2008). In this study the research was conducted by means of a self-administered questionnaire distributed individually to survey participants by hand or through electronic mail in efforts to collect data from the representative sample.

Access to Respondents

With the suggestions and comments received from experts, the questionnaire was developed and distributed to North American Division conference officers at four

different official meetings during a four month period from August to November 2018. These included annual the Black Caucus meeting, the North American Division Large Conference Presidents Meeting, an Atlantic Union Conference Executive Committee meeting, and the North American Division Year End meeting.

In addition to the meetings a copy of the survey was emailed to every local conference executive officer in the NAD. Three fourths of the questionnaires were collected during the above cited meetings cited and one fourth of the survey's collected were returned via electronic mail. Three surveys were nullified for failure by the participants to fill out demographic data. After reaching the desired 100 sampling quota, the survey data was entered by the researcher into the data base.

Data Analysis

The database was formed in the SPSS for Windows in version 20.0, in order to perform the analysis of the variables in that program. Subsequently, the scores for each of the variables were obtained, following the process indicated in the operationalization of the variables. After having completed the database, descriptive statistics (measures of central tendency, variability, normality and detection of atypical and absent data) were used to clean the database and obtain demographic information, as well as to evaluate the behavior of the main variables.

CHAPTER IV

ANALYSIS OF THE RESULTS

Introduction

This study had, among its objectives, to explore whether capital investment, strategic management, financial risk and financial administration are significant predictors of financial performance, according to the perception of local conference administrators in the North American Division of the Seventh-day Adventist Church in accordance to the theoretical model identified in chapter one.

The research was considered quantitative, explanatory, transversal, descriptive, exploratory, correlational and field. The predictor variables in this research were capital investment, strategic management, financial risk and financial administration. The demographic variables were the following: age range of administrators, gender, years of service, academic level and title of position.

The outline of this chapter is as follows: (a) population and sample, (b) demographic description of the subjects, (c) cross tables, (d) arithmetic means, (e) null hypotheses, and (f) summary of the chapter.

Population and sample

The population that was observed for this research was estimated to be 190 administrators of 59 conferences in the SDA Church in North America. The research

was targeted at the executive officers who currently serve or previously served at the conference level. Three presidents of Adventist universities also participated in the survey. Data collection was done by the use of a questionnaire. The field work was conducted during the months of August to November of 2018 and workable feedback was received by 100 respondents which represented 52.6% of the population.

Demographic Description

This section contains the demographic information regarding the subjects for this research. The results presented are for the variables age range of administrators, gender, years of service, academic level and title of position. (statistical tables are shown in Appendix E).

Administrator's Age

The next information shows that 47% of the administrators were in the age group of 48-62 years of age. There were 42% who were in the age group of 63-75 years of age. Only 8% of administrators were in the age group of 47 and under. Three of the respondents did not identify their age group.

Gender

The results demonstrated that 93% of the administrators were of the male gender and 7% were of the female gender. This indicates that administrative positions in the SDA Church are heavily dominated by males.

Years of Service

It was observed that 65% of conference administrators have 31 years or more

of service to the church. 20% of administrators have 21-30 years of service. Administrators with 11-20 years of service constituted 11% of participants and only 4% of participants had 10 years or less of service.

Academic Level

It was observed that 56 % of participants have attained the academic level of a master's degree. There were 30% have earned a doctorate level degree. There were 10% who had a bachelor's degree. 3% of participants had attended college without completing a degree while only 1% had completed only high school.

Role (Title Position)

It was observed that 41% of participants currently serve as conference presidents. There are 27% of participants who serve as executive secretaries and there are 23% of participants who serve as treasurers. There are 7% of participants who are former administrators and two 2% who currently serve as departmental directors in their current roles.

Cross-tables

Institutional Findings

Gender and Age group

In the 63-75 age bracket more (39) male and less (3) female are administrators at the conference level of the SDA Church. In the 48-62 age bracket there were also more (44) male and less (3) female administrators. In both age brackets there were an equal number of female administrators in the conference level of SDA Church administration. In the 47 and under age bracket there were also more (7) male administrators compared to

less (1) female administrators. This confirms that administrative positions in the SDA Church are dominated by males (As shown in Appendix F).

Role and Academic level of education

There were more (56) individuals with a Master's level education compared to less (30) individuals with doctorates and even less (10) with a bachelor's degree achievement and small number (3) with some college level education. There was (1) individual with a high school education. There were more (18) presidents with doctorate level education compared to less (7) secretaries and even less (3) treasures and a small number (2) of former administrators at the doctoral level of education. This indicates that, overall SDA conference administrators have attained a high level of academic training (As shown in Appendix F).

Years of Service and Role

There were more (30) presidents with 31 years, or more, of experience compared to less (14) secretaries and even less (12) treasurers and a small number (2) directors with 31 years, or more, of experience. In the bracket of 21-30 years of experience, there were an equal number (8) of presidents and secretaries and less (4) treasurers in this bracket. This indicates that work experience is often a prerequisite to becoming a conference administrator (As shown in Appendix F).

Gender and Academic Level

Numerically, there were more (82) males with post-graduate degrees compared to less (5) females with post-graduate degrees. At the master's level there were more (53) males compared to less (3) females and at the doctorate level more (29) males

compared to (1) female. Proportionately, the same holds true as (82) 88% of males held graduate degrees compared to (4) 57% of females. There were (29) 31% of males held doctoral degrees compared to (1) 14% of females while (53) 57% of males held master's degrees compared to (3) 43% of females with master's degrees (As shown in Appendix F).

Age Group and Academic Level

It can be observed that across all age brackets there are more (55) individuals with Master's degrees compared to less (28) with doctorates and even less (10) with bachelor's degrees. A small number (3) had only some university training and one (1) individual had only a high school education. There were more (16) doctorates in the age 48-62 bracket compared to less (12) doctorates in the age 63-75 bracket and there were no (0) doctorates in the age 47 > bracket. At the master's level 75% (6) of the individuals in the 47> age bracket had held master's degrees, 55% (26) of those in the 48-62 age bracket held master's degrees and 52% (23) of those in the 63-75 age bracket had master's degrees. This suggests a trend in which those with masters, in the 47> age bracket, will pursue and obtain doctoral degrees with time. (As shown in Appendix F).

Arithmetic means

This section presents the results of the two highest arithmetic means, the two lowest arithmetic means, and the arithmetic mean of each construct with the exception of the capital investment construct which is limited to three total indicators.

Financial Performance

As shown in table 8 the highest arithmetic means of financial performance corresponds to the statement “Number of organized churches and missions.” (FP1 = 4.15) and “Tithe income.” (FP11 = 4.14). The lowest results were “Quality of goods and services.” (FP6 = 3.70) and “Investment in innovation research and development.” (FP5 = 3.30). The total arithmetic mean of financial performance was 3.84. It is observed that participants *agree* with *financial performance*.

Table 8

Mean and standard deviation for the construct of Financial Performance

Declaration	M	SD
FP1	4.23	.783
FP11	4.14	.792
FP6	3.70	.870
FP5	3.30	1.049
Total	3.84	

Capital Investment

As shown in table 9 the highest arithmetic means of capital investment corresponds to the statement “Analysis of investment options is performed to expand goods, services and technologies offered by the conference.” (CI2). The middle arithmetic means of capital investment corresponds to the statement “Projects are generated to sustain long term investments.” (CI3) and the lowest arithmetic means of capital investment corresponds to

the statement “A detailed analysis of investment options is conducted comparing projected profitability and risks.” (CI1). The total arithmetic mean of capital investment was 3.36. It is observed that participants agree with financial performance. This means that participants are *uncertain* of *capital investment.*

Table 9

Mean and standard deviation for the construct of Capital Investment

Declaration	M	SD
CI2	3.40	1.044
CI3	3.38	1.052
CI1	3.31	1.098
Total	3.36	

Strategic Management

As shown in table 10 the highest arithmetic means of strategic management corresponds to the statement “Mission, vision and values are clearly defined.” (SM1) and. “Periodically an analysis of external strength and weakness is performed.” (SM17). The lowest results were “Actions are consistent with the mission, vision and valules.” (SM 5) and “A SWOT matrix is used. (SM10)”. The total arithmetic mean of strategic management was 3.51. It is observed that participants agree with strategic management.

Table 10

Mean and standard deviation for the construct of Strategic Management

Declaration	M	SD
SM1	3.88	.879
SM17	3.70	.991
SM5	3.68	.875
SM10	2.78	1.168
Total	3.51	

Financial Risk

As shown in table 11 the highest arithmetic means of financial risk corresponds to the statement “Creation of cash flows allow an efficient management of liquidity.” (FR28), and “Optimal management of investments” (FR31). The lowest results were “Investment and research and development in order to maintain competitiveness.” (FR17) and “Periodic development of business strategies plans and objectives.” (FR3). The total arithmetic mean of financial risk was 3.74. It is observed that participants *agree* with *financial risk*.

Table 11

Mean and standard deviation for the construct of Financial Risk

Declaration	M	SD
FR28	4.25	.687
FR31	4.24	.588
FR17	3.26	1.001
FR3	3.22	1.106
Total	3.74	

Financial Administration

As shown in table 12 the highest arithmetic means of financial administration corresponds to the statement “Financial plans are generated in your institution.” (FA1) and “Financial results are measured.” (FA8). The lowest results were “Dynamic evaluation methods are used for investments.” (FA12) and “The alternatives of long term financing are analysed to stimulate investment, growth for expansion of the institution.” (FA15). The total arithmetic mean of financial administration was 3.76. It is observed that participants *agree* with *financial administration*.

Table 12

Mean and standard deviation for the construct of Financial Administration

Declaration	M	SD
FA1	4.41	.726
FA 8	4.14	.876
FA 12	3.27	.983
FA15	3.24	.985
Total	3.76	

Multiple regression assumptions

The analysis of the model starts with testing the multiple regression assumptions. The assumption are that no outlier is in the data, the data is normally distributed, there is no collinearity among independent variables, the date is linear and homoscedasticity.

Test of the Model

This research tests five assumptions of multiple regression. These include outlier, distribution, collinearity, linearity and scedasticity. There is no strong outlier in the data, however, there are few which are close to the boundary (see Figure in Appendix G). The distribution was normal. The dots of the data are spread along the line which indicates that the data is normally distributed in multivariate format (see Figure in Appendix G). The relationship between independent variables and dependent variable seems to be linear as the data randomly spread above and below horizontal zero line.

No collinearity was found since VIF is less than 10 (see table in appendix E). O'Brien, (2009) stated VIF is the reciprocal of the tolerance value; small VIF values indicates low correlation among variables under ideal conditions VIF<3. However, it is acceptable if it is less than 10. The independent variables appear to be unrelated.

No heteroscedasticity was found since the data is randomly spread and does not form any pattern (see figure appendix E). Therefore, it meets the assumption of multiple regression stipulating that the relationship between variables should be linear.

Null hypothesis

In this section, the results from statistical tests of the main null hypothesis for this investigation are presented. The hypothesis was subjected to selected indicators.

The null hypothesis (H_o) states that Capital Investment (CI), Financing Strategy (FS), Financial Risks (FR) and Financial Administration (FA) are not significant predictors of Financial Performance (FP), according to the perception of conference administrators in the North American Division.

For the analysis of this hypothesis, the statistical technique of multiple linear regression was used to test the null hypothesis capital investment, strategic management, financial risks and financial administration, as independent variables, predict financial performance as a dependent variable. A significant regression equation was for financial risk and capital investment (f (2,97) = 40.28, p = 0.00) with an R^2 of .442 (see Table 13).

Financial (organizational) Performance = 1.485 + .514 Financial Risk + .129 Capital Investment increased by 1.0 scale, Financial (Organizational) Performance increased by .129. Both Financial Risk (p = 0.00) and Capital Investment (p=.015) were significant predictors of Financial (organizational) performance. It is observed that only Financial Risk and Capital Investment predict Financial (Organizational) Performance since the sig. < 0.05 (see Appendix H).

The value of the standardized coefficients was the following: (a) Financial Risk .509 and (b) Capital Investment .232, this shows that the most influential predictor variable was Financial Risk (see Figure 2).

Table 13

Regression results

Model	R	R square	Adjusted R square
1. Financial Risks	.647	.419	.413
2. Capital Investment	.674	.454	.442

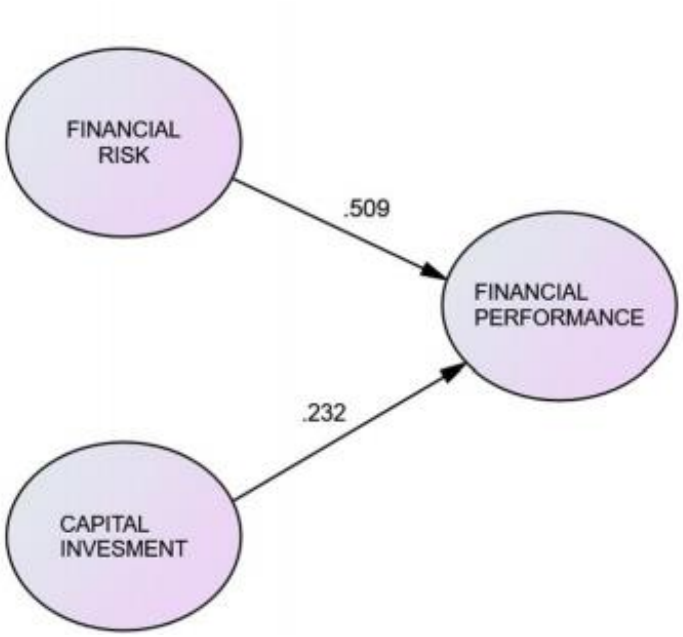


Figure 2. Model 1

Summary of the chapter

The purpose of this chapter was to present the results following statistical data analysis. Findings were presented based on each of the variables and hypotheses. In the next chapter, an in-depth discussion of these findings relating to the research question will be presented. The issues, whether new or elaborated, that have emerged from the study will be synthesized in light of the literature and notable current day examples. Additionally, conclusions will be provided to summarize the investigation.

CHAPTER V

CONCLUSIONS, DISCUSSION AND RECOMMENDATIONS

Introduction

This study explored the causal relationship of capital investment, strategic management, financial risks and financial administration as significant predictors of financial performance, according to the before mentioned theoretical foundation. The research was considered empirical, quantitative, explanatory, transversal and descriptive exploratory and field.

The independent variables were capital investment, strategic management, financial risks and financial administration, while the dependent variable was financial performance. The demographic variables were the following: years of age, gender, years of service, academic level and professional role (title).

The sample used in this research consisted of 100 respondents of Seventh-day Adventist local conference administrators in the North American Division. The predictor variables in this research were capital investment, strategic management, financial risks and financial administration, while the criterion variable was financial performance. For the analysis of the main hypothesis the statistical technique of multiple linear regressions was used.

Conclusions

This section provided the conclusions documented for this paper. It includes

conclusions made on arithmetic mean with cross-tables and null hypothesis.

Arithmetic means

This section shows the conclusions regarding the arithmetic means.

Financial Performance

The highest arithmetic mean of financial performance corresponds to the statements which demonstrate that, for operational purposes, administration is concerned about number of congregations (organized churches and missions) and the tithe income received from these sub-entities as their principal funding sources. The lower results reflected a low priority status for the quality of goods and services provided by conferences and little or no incentive for investment in innovation and research and technology. The total arithmetic mean for the variable was 3.84 and it means that conference administrators agree with the fulfilment of financial performance while remaining unsure about certain of its indicators.

Capital Investment

The highest arithmetic means of capital investment corresponds to the statement that shows that “analysis of investment options is performed to expand goods services and technologies offered by the conference”. While the lower result was that “a detailed analysis of investment options is conducted comparing projected profitability and risks”. The total arithmetic mean for the variable was 3.36 and it means that participants are uncertain as to the fulfilment of capital investment.

Strategic Management

The highest arithmetic means of strategic management corresponds to the statement that shows that “mission, vision and values are clearly defined.” and “Actions are consistent with mission, vision and values”. While the lower results were “Periodically an analysis of external strength and weakness is performed.” and “a SWOT matrix is used.”. The total arithmetic mean for the variable was 3.51 and it means that the participants agree with the fulfilment of strategic management.

Financial Risk

The highest arithmetic means of financial risk correspond to the statements that shows that “Creation of cash flows allow and efficient management of liquidity.” and “Optimal management of investments.”. While the lower results were “Investment and research and development in order to maintain competitiveness.” and “Periodic development of business strategies plans and objectives.”. The total arithmetic mean for the variable was 3.74 and it means that the senior employees agree with the fulfilment of financial risks.

Financial Administration

The highest arithmetic means of financial administration correspond to the statements that show that “Financial plans are generated in your institution.” and “Financial results are measured.”. While the lower results were “Dynamic evaluation methods are used for investment, growth and expansion of the institution.” and “The alternatives of long term financing are analysed to stimulate investment, growth of expansion of the institution.”. The total arithmetic mean for the variable was 3.76 and it

means that the senior employees agree with the financial administration.

Null hypothesis

The results of the main hypothesis are described below.

The main hypothesis states that capital investment, strategic management, financial risks and financial administration are significant predictors of financial performance, according to the perception of Seventh-day Adventist local conference administrators in the North American Division.

It was found that capital investment and financial risks are good predictors of financial performance. When evaluating the influence of independent constructs through the standardized beta coefficients, it was found that the best predictor is financial risk, followed by capital investment, but the strategic management and financial administration were not significant.

Discussion

In this section, the results are discussed and answers to the questions and initial objectives of the research by construct are presented.

Capital Investment

Agar (2005) stipulates that capital investment's primary purpose is the creation of income and addition of value for a firm's owners through the generation of economic benefits in the form of profits. Investment principles are applicable to both for profit and non-profit entities and should only be engaged in to maximize value. Goldberg and Prottas (2017) differentiate how each type of firm handles return on investments postulating that in the non-for-profit sector increase in value gained from investments

is redirected to support organizational mission while in the corporate world market conditions dictate shareholder equity.

According to Latunde and Bamigbola (2018), adequate asset management requires that managers, over a course of time, optimize costs, risk performance, resources and benefits. As such they must be vigilant of risks inherent in their decision making to ensure satisfaction of stakeholders through substantial returns on investments. In order to protect invested funds, from risks created by a volatile market, Cong, Junzo, and Huiming (2015) recommend dividing capital investment projects into multiple stages of investments in gradual stages.

Consistent with the theorists presented above, the model presented similar findings. Capital investment is a predictor of financial performance. Accordingly, efficient investment of capital will enhance the organizational financial performance of a conference.

A review of the arithmetic mean suggested that the majority was uncertain or agreed to the influences of capital investment outcomes in local conferences of the North American Division. This was consistent with the model, suggesting that Capital investment may have an influence on financial performance.

The capital investment construct was reduced to three items. The item with the highest score was “Analysis of investment options is performed to expand goods, services and technologies offered by the conference.” This suggests a perception by conference administrators of the need to invest in up to date technologies and practices as means of improving the execution of mission. While core values and beliefs of the Church remain unchanged, this reflects a willingness to improve

adaptable methodologies and resources.

The item with the lowest arithmetic means of capital investment corresponds to the statement “a detailed analysis of investment options is conducted comparing projected profitability and risks.”. This may be reflective of an aversion by religious leaders to jeopardize the religious and non-profit identity of their organizations by unintentionally transforming them into profiteering corporate firms. Furthermore, there is an assumption that, with the exception of treasurers, the other conference administrators (presidents and secretaries) come from the pastoral ranks and may lack the business knowledge avoid the risks associated with the speculative aspects of capital investments.

Strategic Management

Garcia-Lopez (2014) defines the purpose of adequate strategic management as a means to ensure stability and growth within any given organization, firm or entity. Sustained economic growth can be ensured through the proper management and government of budgets. Administration serves as a bridge bringing these factors into reality by connecting leadership, in formulation of goals and policies, and the collective organization.

Moynihan (2008) holds administrators responsible for the achievement of goals through the implementation of financing strategies geared toward producing results in favor of stakeholders while affecting the firm’s external environment. Efficient managers are rewarded when their strategic goals create excellence.

Ismail and Chandler (2003) advocate for timely reporting of financial statements because the swiftness of modern day transactions renders the vital importance of

decision makers, having accurate information available in real time, indispensable. Financial reporting must follow industry wide uniform accounting and management practices to ensure a level playing field for creditors and investors (Arline, 2015).

The research determined that the variable of strategic management is not a predictor of financial performance. A look at the arithmetic mean suggested that the majority was neutral to the influences of strategic management and its outcome in local conferences of the North American Division. This was consistent with the model suggesting that strategic management did not have an influence on financial performance.

The highest arithmetic means of strategic management correspond to the statements “mission, vision and values are clearly defined.” and “actions are consistent with the mission, vision and values.”. This self-perception of conference administrators suggests that they are passionate about achieving the missional goals of the Adventist Church and committed to its transcendental theological values. It further confirms a desire produce actions which compliment said values within their organizations.

The lowest results were “periodically an analysis of external strength and weakness is performed.” and “a SWOT matrix is used.” Consistent with observations derived from the capital investment construct above, the unenthusiastic response of conference administrators to the statements may be indicative of a certain indifference to contemporary corporate culture, by conference officials, in favor of the traditional religious culture. Continuing executive education and coaching may increase exposure of church administrators to modern management concepts serve as a bridge to prove that corporate and religious cultures need not be mutually exclusive.

Financial Risk

According to Horcher (2005), financial risk encompasses systemic challenges and liquidity volatility. The constant changes in market conditions and prices increase financial risks by subjecting organizations to potential financial impacts resulting in significant losses. Hampton (2011) writes that Enterprise Risk Management (ERM) is emerging as a method to assess risks. ERM approaches business risks according to the unique circumstances of a particular industry. It also addresses internal conditions or external factors that negatively impact the profitability of an enterprise. For Cumming and Hirtle (2001) risk management helps decision makers reach informed decisions based on adequate systematic assessment of risks within their own institutional context.

Yang et al., (2017) aver that active research augments the knowledge which managers need to facilitate the transformational innovations in organizational culture to better identify operational risks. According to Boubaker, Buchanan & Nguyen (2016), research reveals that companies lacking a shared culture of compliance, with internal and external regulations, face dangerous future long term risks and consequences which may negatively impact stakeholders.

Consistent with the theorists presented above, the model presented similar findings. Financial risk is a predictor of financial performance. Accordingly, efficient management of risk will enhance the organizational financial performance of a conference.

A review of the arithmetic mean revealed that the majority agrees with the premise that financial risk influences financial performance of local conferences in the

North American Division. This was consistent with the model which confirmed that financial risk is a predictor of financial performance.

The highest two arithmetic means of financial risks correspond to the statements “creation of cash flows allow an efficient management of liquidity.” and “optimal management of investments.”. It is not surprising that conference administrators would exude ease in addressing the “management of liquidity” since this is an area governed denominational policy. Both the North American Division Working Policy (NADWP S 24 16) and the SDA Accounting manual (802.03) define and establish the levels of liquidity to be maintained by church entities, i.e. the level of cash equivalents needed in order to short-term financial obligations. Liquidity ratios regularly appear in conference financial statements and are highlighted in their annual audit reports.

The second statement is broad enough to reflect a desire by administrators of optimal management investments.

As seen with previous constructs, the lowest results applied to indicators requiring more complex management knowledge and appeared to be less comfortable for non-treasury administrators. These statements were “investment and research and development in order to maintain competitiveness” and “periodic development of business strategies plans and objectives”.

Financial Administration

Stembridge (2001) views financial administration as a road map indicating where the organization or business is headed including goals and objectives. Elements of a successful plan include vision, mission, financial performance and comprehensive

strategies to be used in meeting objectives. The strategic plan delineates the actions required of management to reach the planned goals. He continues by stating that as a management tool, financial administration allows an organization more efficient use of resources in choosing a desired future through articulation of its goals and objectives even during dynamic and turbulent environments

David (1991) relates that as opposed to mere financial administration, strategic management is implementation of the strategic plan developed through a multi-step process. Once formulated the plan must be implemented and subsequently evaluated. This evaluation examines internal strengths and weaknesses and works to generate alternative strategies as needed. Financial administration analyzes organizational capabilities and environmental conditions and then seeks to create plans which match the firm's capabilities with those conditions (Montanari, Morgan, & Bracker,1990).

The research determined that the variable of financial administration is not a predictor of financial performance. A look at the arithmetic mean suggested that the majority was neutral to the influences of financial administration strategies and their outcome in local conferences of the North American Division. This was consistent with the model suggesting that financial administration did not have an influence on financial performance.

The highest arithmetic means of financial administration corresponds to the statement "financial plans are generated in your institution." and "financial results are measured.". While the lowest results were "dynamic evaluation methods are used for investments." and "the alternatives of long term financing are analyzed to stimulate investment, growth for expansion of the institution.".

Once again, we observe the emerging pattern, established through the three preceding independent variables, in which administrators' perceptions betray a preference for the simpler customary financial policies and practices. In this case the production of financial plans, through budgeting is fairly routine, as well as the measurements of financial results through periodic financial statements and annual audits. The more complex "dynamic evaluation methods" and analysis of "alternatives of long term financing to stimulate investment" are less popular with denominational executives and fall to the lowest priority level.

Financial Performance

A unanimous definition or opinion as to the number and type of indicators needed for observation and evaluation of financial performance eludes precision. For Danila et al., (2017) the term refers to indicators emerging from the analysis and observance a of a firms financial statements. Financial performance can thus be defined as a representation and overall measurement of a firm's fiscal activity. Uyar (2010) argues that the measuring of performance reflects the health and overall wellbeing, or illness of the firm. They alert of symptoms indicating a problem and stimulate competent managers to intervene in a timely fashion with corrective answers to problems.

Mihaela (2016) sees financial performance as the basis for predicting approaches for future development of the firm. It is expected that managers will base their decision making on rigorous assessment of performance and financial records. Vanderstede, Chow and Lin (2016) reason that performance evaluation aids in implementing strategy, modifying behavior, communicating expectations, monitoring

progress, evaluating employees and further serve in motivating employees through rewards and sanctions.

A review of the arithmetic mean revealed that the majority agrees with the premise that financial performance is predicted by financial risk and capital investment while strategic management and financial administration failed to influence financial performance. This was consistent with the model which confirmed that financial performance is predicted by financial risk and capital investment.

The highest arithmetic means of financial performance correspond to the statements “number of organized churches and missions.” and “tithe income.”. In addition to membership numbers, conferences thrive or fail based primarily on these two factors. The SDA Church manual (p.26) defines a conference as a “sisterhood of churches”. Accordingly, the number of churches constitutes the lowest common denominator in defining a conference as well as a significant element in the self-perception of a conference administrator. The tithe received represents the financial sustenance, or livelihood of the conference. Accordingly, it is not surprising for conference executive officers to rate these factors as the highest indicators of financial performance.

The lowest results were “quality of goods and services.” and “investment in innovation research and development.”. Given the low priority accorded to these items, in the perception of conference administration, it is incumbent on the SDA denomination to create professional development opportunities which stimulate conference administrators, to familiarize themselves with the best practices of contemporary business management and organizational principles. By becoming inured to a wider management culture, church executive officers will enhance their own

administrative capabilities in providing satisfactory goods and services to their constituents. These efforts can be further strengthened through research and development resulting in innovative methods to achieve mission. A contented constituency will contribute to a stronger financial and organizational performance.

Recommendations

The results of the investigation lead to some recommendations:

1. That continuing education be made available to conference administrators in the area of business management and organizational leadership in order to better equip them to make strategic business decisions which maximize gains while minimizing risks.

2. That denominational scholarships and/or subsidies be created to fund advanced academic degrees in organizational leadership, economics and business administration for conference executives, desirous of enhancing their management knowledge base, analogous to presently funded scholarships in the fields of theology and religious studies for Adventist clergy.

3. That resources from the North American Division and local unions fund scientific research and development of new and innovative initiatives by conference administrators and departmental directors in order to stimulate stronger management skills at the conference level.

4. That the higher levels of the denominational structure foster enhanced organizational and financial performance through the acquisition and/or development of information technology hardware and software to assist conference level executives in making informed administrative and financial decisions in the

assessment of investment, financial strategies and risks.

5. That seminary and undergraduate curriculums of core competencies be designed and implemented to prepare pastors for ministry, include stronger financial administration training as a means of preparing future administrators for their management roles.

6. That denominational leadership significantly increase talent pool for administrative positions at the conference level and higher levels by removing obstacles that prevent more women from serving in executive positions.

For future research

This study is in no way exhaustive. Rather it is deemed to have revealed the proverbial tip of the iceberg to understanding the perceptions of conference administrators in relation to the financial and organizational performance of their respective fields. Previous study on this topic can be deemed sparse or inexistent. Therefore, it is recommended that additional study be conducted to ascertain what other variables can predict financial performance at the conference level. This section presents some recommendations for future research to find models that contribute to improving financial performance.

1. Replicate the research, using other populations to compare the results of this investigation, studying the perception of administrators in other world divisions or at different levels of the church organization.

2. Formulate new models, where new constructs are contemplated to measure financial performance.

3. Replicate the research, using other populations in church administration,

including other denominations, to compare the results of this investigation.

4. Given the high numbers of advanced degrees among SDA conference administrators, conduct a study of the areas in which these degrees have been pursued and their impact financial performance.

APPENDIX A

INSTRUMENTAL BATTERY

INSTRUMENTAL BATTERY

I. General Instructions

The purpose of this research is to analyze the level of satisfaction experienced by North American Division conference administrators with financial structures and policies of the Seventh-day Adventist Church. This questionnaire is intended to gather data for the PhD degree in Business Administration. The information shared will help us understand the impact that the quality of the organizational culture and climate have on administrators' satisfaction; to what degree generation gap and administrative position affects the achievements of goals and how much spirituality influences the mission of the institution and fulfillment of the workers. The information you share will be maintained in the strictest anonymity and the results will be used to advance the work of the Seventh-day Adventist Church. Please answer each question honestly and follow the instructions given in each section.

Your opinion is extremely important and valuable, so we really appreciate your honest answers. The information that will be collected will be treated confidentially. After completing all the questions, kindly return the questionnaire via email to dlevy@northeastern.org

Again, thank you much for your support!

Sincerely,

Daniel Honore

Research Committee

II. Demographics

INSTRUCTIONS: Please place an "x" in the box of the answers that applies to you

Year of birth	**Select the answer that applies to you** My Year of Birth is:_____
Gender	❑ Male ❑ Female
Years of service	❑ 10 years or less ❑ 11 -20 ❑ 21-30 ❑ 31 & above
Employment	❑ Full time ❑ Part time ❑ Retired
Academic Level	❑ High School ❑ Some College ❑ Bachelor's ❑ Master's ❑ Doctorate
Type Institution	❑ Denominational ❑ Non- Denominational
Role in the organization	**Select according to your role:** ❑ President ❑ Secretary ❑ Treasurer ❑ Director ❑ Pastor ❑ Former Conference Administrator ❑ Other (Specify)_____

STRATEGIC MANAGEMENT

Below please find a series of statements relating to Financial Administration. When analyzing each statement please grade and mark an "x", on the answer that indicates your perception.

Please use the following scale

Never	Almost Never	Sometimes	Almost Always	Always
1	2	3	4	5

	Statement	Rate				
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	Mission, vision and values are clearly defined.					
2	Mission, vision and values are known by the entire staff.					
3	Mission is used to monitor performance.					
4	Policies and procedures are defined for the fulfillment of the mission.					
5	Actions are consistent with the mission, vision and values.					
6	Formulation of Financial Administration fails to occur.					
7	Resources (financial, personal and time) are allocated for Financial Administration.					
8	Strategies periodically defined.					
9	Annual goals are defined.					
10	A SWOT matrix is used.					
11	Programs are defined to achieve objectives.					
12	A person is designated to oversee every defined objective.					
13	Results are periodically evaluated.					
14	Daily activities help to accomplish the mission.					
15	Control mechanisms are defined for meeting objectives.					
16	Periodically an analysis of internal strength and weakness is performed.					
17	Periodically an analysis of external strength and weakness is performed.					

FINANCIAL ADMINISTRATION

Below please find a series of statements relating to financial administration planning. When analyzing each statement please grade and mark an "x", on the answer that indicates your perception.

Please use the following scale

Strongly Disagree	Disagree	No Idea	Agree	Strongly Agree
1	2	3	4	5

	Statement	Rate				
	How often do the following statements apply?	**1**	**2**	**3**	**4**	**5**
1	Financial plans are generated in your institution.					
2	Programs are designed in order to fulfill the financial plan.					
3	Policies are designed in order to fulfill the financial plan.					
4	A budget is set in order to accomplish the financial plan.					
5	The finance department/committee set specific objectives that will help achieve the financial goals (investments and financing).					
6	A printed financial plan document is unavailable.					
7	The need for financing through banks/financial institutions is usually planned.					
8	Financial results are measured.					
9	Individuals are designated to achieve the established goals of the financial plans.					
10	An analysis of financial indicators is carried out for financial projections.					
11	Investments are made to maintain an adequate financial capital.					
12	Dynamic evaluation methods are used for investments.					
13	Financial instruments are invested long-term.					
14	Financing is accepted from providers.					
15	The alternatives of long term financing are analyzed to stimulate investment, growth for expansion of the institution.					
16	The interest costs of the institution are analyzed before requesting any credit.					
17	The use of surpluses from previous periods is analyzed as a source of financing for growth/development activities.					
18	Subsidies are used for development of projects.					

FINANCIAL RISKS

Below please find a series of statements relating to financial risks. When analyzing each statement please grade and mark an "x", on the answer that indicates your perception.

Please use the following scale

Strongly Disagree	Disagree	No Idea	Agree	Strongly Agree
1	2	3	4	5

Statement		Rate				
(1)Risk Management in General						
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	We enjoy optimal allocation of resources to execute corporate plans.					
2	We have awareness of existing risks in business practices.					
3	Periodic development of business strategies, plans and objectives.					
4	Use of viability studies to evaluate new projects.					
5	Use of innovative tools in business management.					
Statement		**Rate**				
(2)Risks Resulting from lack of Planning and Evaluation						
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	Corporate commitment to achieving proposed objectives.					
2	Open discussion of new ideas to improve business management.					
3	Periodic evaluation of achieving goals as contained in business plans and budgets.					
4	Periodic analysis of company profitability.					
5	Production of reliable data for decision making.					
Statement		**Rate**				
(3) Risks in Human Resources Management						
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	Conference ability to attract and retain quality personnel.					
2	Periodic evaluation of personal performance.					
3	Existence of clear job description and competencies required for work position.					
4	Existence of an adequate work environment.					
5	Planning and execution of training programs for personnel.					
Statement		**Rate**				
(4) Risks in Operational Management						
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	Effective costs control in internal processes.					

2	Investment and research and development in order to maintain competiveness.					
3	Certify that quality control levels are periodically evaluated.					
4	Operational processes matching the level of the strongest competitors.					
5	Competitive products and services.					
Statement		**Rate**				
(5) Risks in Facilities and Services						
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	Adequate facilities for the operation of the company.					
2	Proper functioning of communication and information systems.					
3	Quality facility for users.					
4	Investments in fixed assets and cutting-edge technologies.					
5	Adequate maintenance of equipment.					
Statement		**Rate**				
(6) Risk in Financial Management						
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	Adequate performance of accounting system.					
2	Adequate and orderly control of income and expense.					
3	Creation of cash flows allows an efficient management of liquidity.					
4	Efficient billing of receivables.					
5	Efficient management of payments to providers.					
6	Optimal management of investments.					
7	Optimal management of financing.					
8	Extension to credit to individuals and entities to sustain productivity.					

FINANCIAL PERFORMANCE

Below please find a series of statements relating to financial performance. When analyzing each statement please grade and mark an "x", on the answer that indicates your perception.

Please use the following scale

Strongly Disagree	Disagree	No Idea	Agree	Strongly Agree
1	2	3	4	5

	Statement	Rate				
How do you perceive the financial performance of the Conference in the current year when compared to the previous year? How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	Number of organized churches and missions.					
2	Inventory levels (Office space, classrooms, maintenance etc.).					
3	Number of employees (Pastors, teachers, camp staff, office staff etc.).					
4	Full use of conference owned facilities and real estate.					
5	Investment in innovation, research and development.					
6	Quality of goods and services provided.					
7	Lack of competence of conference in delivering services.					
8	Development of new conference programs.					
9	Investment in machinery and equipment.					
10	Conference operating costs.					
11	Tithe income.					
12	Non-tithe income.					
13	Salaries paid to workers.					
14	Overall financial standing of the conference.					
15	Costs of goods and services provided by the conference (Camp, education, bookstore, conventions etc.).					

CAPITAL INVESTMENT

Below please find a series of statements relating to Capital Investment. When analyzing each statement please grade and mark an "x", on the answer that indicates your perception.

Please use the following scale

Strongly Disagree	Disagree	No Idea	Agree	Strongly Agree
1	2	3	4	5

	Statement	Rate				
How often do the following statements apply?		**1**	**2**	**3**	**4**	**5**
1	A detailed analysis of investment options is conducted comparing projected profitability and risks.					
2	Analysis of investment options is performed to expand goods, services and technologies offered by the conference.					
3	Projects are generated to sustain long term investments.					
4	Proactive plans are made for the replacement of obsolete equipment and plant assets.					
5	We do not invest in long term financial instruments.					
6	We use dynamic market tools in evaluating investments.					
7	Debt/Capital percentages are calculated to finance investments.					

APPENDIX B

FACTORIAL ANALYSIS

Financial Performance

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.844
Bartlett's Test of Sphericity	Approx. Chi-Square	670.106
	df	91
	Sig.	.000

	Extraction
Number of organized churches and missions.	.621
Inventory levels (Office space, classrooms, maintenance etc.).	.691
Number of employees (Pastors, teachers, camp staff, office staff etc.)	.675
Full use of conference owned facilities and real estate.	.537
Investment in innovation, research and development,	.716
Quality of goods and services provided.	.738
Development of new conference programs.	.377
Investment in machinery and equipment.	.452
Conference operating costs.	.579
Tithe income.	.759
Non-tithe income.	.647
Salaries paid to workers	.711
Overall financial standing of the conference	.741
Costs of goods and services provided by the conference (camp education, bookstore, conventions etc.).	.697

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.610	40.075	40.075	5.610	40.075	40.075	3.995	28.532	28.532
2	2.153	15.379	55.453	2.153	15.379	55.453	2.845	20.324	48.856
3	1.177	8.408	63.861	1.177	8.408	63.861	2.101	15.004	63.861
4	.990	7.074	70.935						
5	.640	4.571	75.505						
6	.638	4.556	80.062						
7	.545	3.893	83.954						
8	.518	3.701	87.656						
9	.381	2.724	90.380						
10	.353	2.521	92.900						
11	.301	2.153	95.053						
12	.278	1.988	97.042						
13	.235	1.679	98.720						
14	.179	1.280	100.000						

Extraction Method: Principal Component Analysis.

Rotated Matrix of Financial Performance

Indicators	Factors		
	1	2	3
Salaries paid to workers.	**.759**		
Overall financial standing of the conference.	**.754**		
Costs of goods and services provided by the conference.	**.739**		
Tithe Income.	**.727**		
Conference operating costs.	**.662**		
Investment in machinery and equipment	**.622**		
Quality of goods and services provided.	**.618**		
Non-tithe income.	**.617**		
Number of employees (pastors, teachers, camp staff, office staff etc.).	**.598**		
Number of organized churches and missions.	**.589**		
Full use of conference owned facilities and real estate	**.567**		
Development of new conference programs	**.555**		
Inventory levels (Office space, classrooms, maintenance etc.)		**.607**	

Investment in innovation, research and development			**.620**

Capital Investment

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.679
Bartlett's Test of Sphericity	Approx. Chi-Square	209.009
	df	3
	Sig.	.000

Communalities

	Initial	Extraction
A detailed analysis of investment options is conducted comparing projected profitability and risks.	1.000	.811
Analysis of investment options is performed to expand goods, services and technologies offered by the conference.	1.000	.916
Projects are generated to sustain long term investments.	1.000	.790

Extraction Method: Principal Component Analysis.

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.517	83.888	83.888	2.517	83.888	83.888
2	.352	11.733	95.621			
3	.131	4.379	100.000			

Extraction Method: Principal Component Analysis.

Rotated Matrix for Capital Investment

	Factors		
Indicators	1	2	3
A detailed analysis of investment options is conducted comparing projected profitability and risks	**.891**		
Projects are generated to sustain long term investments		**.899**	
Analysis of investment options is performed to expand goods, services and technologies offered by the conference			**.741**

Strategic Management

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.916
Bartlett's Test of Sphericity	Approx. Chi-Square	1008.028
	df	120
	Sig.	.000

	Extraction
Mission, vision and values are clearly defined.	.584
Mission, vision and values are known by the entire staff.	.743
Mission is used to monitor performance.	.710
Policies and procedures are defined for the fulfillment of the mission.	.559
Actions are consistent with the mission, vision and values.	.600
Resources (financial, personal and time) are allocated for Financial Administration.	.511
Strategies are periodically defined.	.576
Annual goals are defined.	.624
A SWOT matrix is used.	.431
Programs are defined to achieve objectives.	.601
A person is designated to oversee every defined objective.	.656
Results are periodically evaluated.	.664
Daily activities help to accomplish the mission.	.503
Control mechanisms are defined for meeting objectives	.491
Periodically an analysis of internal strength and weakness is performed	.703
Periodically an analysis of external strength and weakness is performed	.699

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.449	52.805	52.805	8.449	52.805	52.805	5.313	33.203	33.203
2	1.205	7.533	60.339	1.205	7.533	60.339	4.342	27.135	60.339
3	.932	5.824	66.162						
4	.821	5.131	71.293						
5	.719	4.493	75.786						
6	.695	4.344	80.130						
7	.531	3.320	83.450						
8	.499	3.120	86.569						
9	.371	2.319	88.888						
10	.354	2.212	91.100						
11	.325	2.031	93.132						
12	.275	1.721	94.853						
13	.259	1.616	96.469						
14	.229	1.433	97.901						
15	.206	1.285	99.186						
16	.130	.814	100.000						

Extraction Method: Principal Component Analysis.

Rotated Matrix for Strategic Management

Indicators	Factors 1	2	3
Annual goals are defined.	**.774**		
Investments are made to maintain an adequate financial capital.	**.731**		
Financial results are measured.	**.716**		
An analysis of financial indicators is carried out for financial projections.	**.709**		
The alternatives of long term financing are analyzed to stimulate investment, growth for expansion of the institution.	**.563**		
Financing is accepted from providers.	**.526**		

The need for financing through banks/financial institutions is usually planned.	**.438**		
Policies are designed in order to fulfill the financial plan.	**.266**		
Programs are designed in order to fulfill the financial plan.		**.772**	
A budget is set in order to accomplish the financial plan.		**.710**	
The finance department/committee set specific objectives that will help achieve the financial goals (investments and financing).		**.686**	
Financial plans are generated in your institution.		**.652**	
The use of surpluses from previous periods is analyzed as a source of financing for growth development activities.		**.165**	
The interest costs of the institution are analyzed before requesting any credit.		**.226**	
Financial instruments are invested long-term.			**.637**
Dynamic evaluation methods are used for investments.			**.533**

Risk Management

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.870
Bartlett's Test of Sphericity	Approx. Chi-Square	1681.378
	df	406
	Sig.	.000

	Extraction
We enjoy optimal allocation of resources to execute corporate plans.	.521
We have awareness of existing risks in business practices.	.619
Periodic development of business practices.	.724
Use of viability studies to evaluate new projects.	.739
Corporate commitment to achieving proposed objectives.	.653
Open discussion of new ideas to improve business management.	.751
Periodic evaluation of achieving goals as contained in business plans and budgets.	.708
Production of reliable data for decision making.	.465
Conference ability to attract and retain quality personnel.	.697
Periodic evaluation of personal performance.	.697
Existence of clear job description and competencies required for work position.	.556
Existence of an adequate work environment.	.704
Effective cost control in internal processes.	.690
Investment and research and development in order to maintain competitiveness	.587
Certify quality control levels periodically evaluated.	.678
Operational processes matching the level of the strongest competitors.	.579
Competitive products and services.	.592
Proper functioning of communication and information systems.	.688
Quality facility for users.	.643
Investments in fixed assets and cutting-edge technologies.	.768
Adequate maintenance of equipment.	.650
Adequate performance of accounting system.	.511
Adequate and orderly control of income and expense.	.588
Creation of cash flows allows an efficient management of liquidity.	.652
Efficient billing of receivables.	.634
Efficient management of payments to providers.	.586
Optimal management of investments.	.759
Optimal management of financing.	.590
Extension of credit to individuals and entities to sustain productivity.	.628

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.023	38.010	38.010	11.023	38.010	38.010	4.203	14.493	14.493
2	2.581	8.900	46.910	2.581	8.900	46.910	4.079	14.064	28.558
3	2.012	6.939	53.849	2.012	6.939	53.849	3.724	12.841	41.398
4	1.753	6.045	59.894	1.753	6.045	59.894	3.484	12.013	53.412
5	1.287	4.439	64.333	1.287	4.439	64.333	3.167	10.922	64.333
6	.986	3.398	67.732						
7	.872	3.007	70.738						
8	.838	2.890	73.628						
9	.762	2.627	76.255						
10	.719	2.479	78.734						
11	.646	2.228	80.962						
12	.569	1.963	82.925						
13	.534	1.843	84.768						
14	.484	1.668	86.436						
15	.464	1.601	88.037						
16	.424	1.462	89.499						
17	.378	1.305	90.804						
18	.353	1.216	92.020						
19	.338	1.164	93.184						
20	.311	1.071	94.255						
21	.271	.935	95.190						
22	.245	.846	96.036						
23	.221	.761	96.798						
24	.203	.699	97.496						
25	.185	.636	98.133						
26	.164	.566	98.698						
27	.158	.544	99.242						
28	.116	.402	99.644						
29	.103	.356	100.000						

Extraction Method: Principal Component Analysis.

Rotated Matrix for Financial Risks

Indicators	Factos 1	2	3
Certify quality control levels periodically evaluated.	.809		
Operational processes matching the level of the strongest competitors.	.747		
Corporate commitment to achieving proposed objectives.	.702		
Investment and research and development in order to maintain competiveness.	.692		
Competitive products and services.	.680		
Open discussion of new ideas to improve business management.	.680		
Use of viability studies to evaluate new projects	.665		
We enjoy optimal allocation of resources to execute corporate plans.	.629		
Periodic evaluation of personal performance.	.609		
We have awareness of existing risks in business practices	.600		
Existence of an adequate work environment.	.586		
Effective cost control in internal processes.	.532		
Periodic evaluation of achieving goals as contained in business plans and budgets.	.531		
Periodic development of business strategies, plans and objectives.	.524		
Conference ability to attract and retain quality personnel.	.514		
Existence of clear job description and competencies required for work position.	.450		
Optimal management of investments.		.778	
Creation of cash flows allows an efficient management of liquidity.		.747	
Efficient management of payments to providers.		.731	
Adequate and orderly control of income and expense.		.725	
Efficient billing of receivables.		.673	
Extension of credit to individuals and entities to sustain productivity.		.659	
Optimal management of finances.		.594	
Investments in fixed assets and cutting edge technologies.			.816
Proper functioning of communication and information systems.			.775
Adequate performance of accounting system.			.646
Quality facility for users.			.622
Adequate maintenance of equipment.			.573
Production of reliable data for decision making.			.449

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.[a]

a. Rotation converged in 6 iterations.

Financial Administration

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.867
Bartlett's Test of Sphericity	Approx. Chi-Square	610.431
	df	91
	Sig.	.000

	Extraction
Financial plans are generated in your institution.	.632
Programs are designed in order to fulfill the financial plan.	.636
Policies are designed in order to fulfill the financial plan.	.450
The finance department/committee set specific objectives that will help achieve the financial goals (investments and financing).	.489
Financial results are measured.	.571
Individuals are designated to achieve the established goals of the financial plans.	.627
An analysis of financial indicators is carried out for financial projections.	.696
Investments are made to maintain an adequate financial capital.	.618
Dynamic evaluation methods are used for investments.	.771
Financing is accepted from providers	.603
The alternatives of long term financing are analyzed to stimulate investment, growth for expansion for the institution.	.569
The interest costs of the institution are analyzed before requesting any credit.	.693
The use of surpluses from previous periods is analyzed as a source of financing for growth of the institution.	.476
Subsidies are used for development of projects.	.792

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.956	42.546	42.546	5.956	42.546	42.546	3.761	26.867	26.867
2	1.505	10.753	53.299	1.505	10.753	53.299	2.940	21.003	47.870
3	1.160	8.286	61.585	1.160	8.286	61.585	1.920	13.715	61.585
4	.960	6.857	68.442						
5	.794	5.669	74.111						
6	.713	5.092	79.203						
7	.617	4.404	83.608						
8	.443	3.162	86.770						
9	.398	2.844	89.613						
10	.366	2.612	92.225						
11	.325	2.323	94.549						
12	.298	2.127	96.676						
13	.239	1.708	98.384						
14	.226	1.616	100.000						

Rotated Matrix for Financial Administration

Indicators	Factors 1	2	3
Financial plans are generated in your institution	**.774**		
Programs are designed in order to fulfill the financial plan	**.765**		
An analysis of financial indicators is carried out for financial projections	**.705**		
Individuals are designated to achieve the established goals of the financial plans.	**.686**		
Financial results are measured.	**.675**		
The finance department/committee set specific objectives that will help achieve the financial goals (investments and financing).	**.664**		
Policies are designed in order to fulfill the financial plan.	**.540**		
Dynamic evaluation methods are used for investments		**.826**	
Financial instruments are invested long-term		**.741**	
The alternatives of long term financing are analyzed to stimulate investment, growth for expansion of the institution		**.712**	
Investments are made to maintain an adequate financial capital.		**.653**	
Subsidies are used for development of projects.			**.887**
The interest costs of the institution are analyzed before requesting any credit.			**.753**
The use of surpluses from previous periods is analyzed as a source of financing for growth and development of projects.			**.517**

APPENDIX C

ANALYSIS OF RELIABILITY

Financial Performance

Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excluded[a]	0	.0
	Total	100	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.879	.882	14

Capital Investment

Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excluded[a]	0	.0
	Total	100	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.903	.903	3

Strategic Management

Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excluded[a]	0	.0
	Total	100	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.939	.940	16

Financial Risk

Case Processing Summary

		N	%
Cases	Valid	99	99.0
	Excluded[a]	1	1.0
	Total	100	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.938	.939	29

Financial Administration

Case Processing Summary

		N	%
Cases	Valid	97	97.0
	Excluded[a]	3	3.0
	Total	100	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.889	.892	14

APPENDIX D

OPERATIONALIZATION OF VARIABLES

Operationalization of the demographic variables

Variables	Conceptual Definition	Instrumental Definition	Operational definition
Age group of the Participants	The age of the participant based on the year of birth.	The variable was determined by year of birth as entered by the participant under the item: Age	The data was classified into the following categories: 1 = 63-75 years, 2 =48-62 years, 3 = 47 years & under.
Gender	The sex of the participant.	The variable was determined by the response seen under the item: Gender	The data was classified into the following categories: 0 =male 1 = female.
Years of service	The number of years worked for the SDA Church.	The variable was determined by the response seen under the item: Years of Service.	The data was classified into the following categories: 1 = 0 - 10 years, 2 =11 - 20 years, 3 = 21 - 30 years, 4 = 31 years and above.
Academic Level	The highest educational level attained by the participant.	The variable was determined by the response seen under the item: Academic Level.	The data was classified into the following categories: 1 = High School, 2 = Some University, 3 = Bachelor's 4 = Master's 5 = Doctorate.
Role	The title of the position currently held in In the SDA Church	The variable was determined by the response seen under the item: Number of Role in the Organization.	The data was classified into the following categories: 1 = President, 2 = Secretary, 3 = Treasurer, 4 = Director 5 = Education Admin. 6 = Other

Operationalization of the variable Financial Performance

Variable	Conceptual Definition	Instrumental Definition	Operational definition
Financial Performance	Financial performance is a representation and overall measurement of a firm's fiscal activity. (Danila et al., 2017).The measuring of performance reflects the health and overall wellbeing, or illness of the firm.	The degree of financial performance achieved by SDA conference administrators in the NAD, was determined by means of the following 14 items, under the scale: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree 1. Number of organized churches and missions. 2. Inventory levels (Office space, classrooms, maintenance etc.). 3. Number of employees (Pastors, teachers, camp staff, office staff etc.). 4 and real estate. 5. Investment in innovation, research and development. 6. Quality of goods and services provided. 7. Development of new conference programs. 8. Investment in machinery and equipment. 9. Conference operating costs. 10.Tithe income 11. Non-tithe income. 12. Salaries paid to workers. 13. Overall financial standing of the conference. 14. Costs of goods and services provided by the conference (Camp, education, bookstore, conventions etc.).	To measure the degree of capital investment is perceived by SDA Conference administrators in the NAD was determined by means of the following 3 items. The variable was considered as metric. To make the approach of the conclusions of this study, the following equivalence was determined for the scale used: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree

Operationalization of the variable Capital Investment

Variable	Conceptual Definition	Instrumental Definition	Operational definition
Capital Investment	Capital Investment is Capital Investment: consists of funds invested in a business for the purpose of advancing business objectives. It also involves the acquisition of assets which will generate returns to the firm.	The degree of to which SDA Conference administrators in the NAD view capital investment as important to achieve financial performance was determined by means of the following 3 items, under the scale: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree 1 .A detailed analysis of investment options is conducted comparing projected profitability and risks. 2. Analysis of investment options is performed to expand goods, services and technologies offered by the conference. 3. Projects are generated to sustain long term investments.	To measure the degree to which SDA Conference administrators in the NAD view capital investment as important to achieve financial performance was determined by means of the following 3 items. The variable was considered as metric. To make the approach of the conclusions of this study, the following equivalence was determined for the scale used: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree

Operationalization of the variable Strategic Management

Variable	Conceptual Definition	Instrumental Definition	Operational definition
Financing Strategies	Financing strategy is an integral part of an organizations plans which outlines the manner in which the enterprise will finance its operation in pursuit of meeting present and future objectives.	The degree of to which SDA Conference administrators in the NAD view Strategic Management as important to achieve financial performance was determined by means of the following 16 items, under the scale: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree 1. Mission, vision and values are clearly defined. 2. Mission, vision and values are known by the entire staff. 3. Mission is used to monitor performance. 4.Policies and procedures are defined for the fulfilment of the mission. 5. Actions are consistent with the mission, vision and values. 6. Resources (financial, personal and time) are allocated for Financial Administration. 7. Strategies are periodically defined. 8. Annual goals are defined. 9. A SWOT matrix is used. 10. Programs are defined to achieve objectives. 11. A person is designated to oversee every defined objective. 12. Results are periodically evaluated. 13. Daily activities help to accomplish the mission. 14. Control mechanisms are defined for meeting objectives. 15. Periodically an analysis of internal strength and weakness is performed. 16. Periodically an analysis of external strength and weakness is performed.	To measure the degree to which SDA Conference administrators in the NAD view Strategic Management as important to achieve financial performance was determined by means of the following 16 items. The variable was considered as metric. To make the approach of the conclusions of this study, the following equivalence was determined for the scale used: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree

Operationalization of the variable Financial Risks

Variable	Conceptual Definition	Instrumental Definition	Operational definition
Financial Risks	Financial Risk: the possibility that stakeholders will lose funds invested in a company due to inadequate cash flow debt obligations. It includes any downside risk which leads the firm to insolvency	The degree of to which SDA Conference administrators in the NAD perceive financial risks as an important factor important in achieving financial performance was determined by means of the following 29 items, under the scale: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree 1. We enjoy optimal allocation of resources to execute corporate plans. 2. We have awareness of existing risks in business practices. 3. Periodic development of business practices. 4. Use of viability studies to evaluate new projects. 5. Corporate commitment to achieving proposed objectives. 6. Open discussion of new ideas to improve business management. 7 .Periodic evaluation of achieving goals as contained in business plans and budgets. 8. Production of reliable data for decision making. 9. Conference ability to attract and retain quality personnel. 10. Periodic evaluation of personal performance. 11. Existence of clear job description and competencies required for work position. 12. Existence of an adequate work environment.	To measure the degree to which SDA Conference administrators in the NAD perceive financial risks as an important factor important in achieving financial performance was determined by means of the following 29 items. The variable was considered as metric. To make the approach of the conclusions of this study, the following equivalence was determined for the scale used: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree

	13. Effective cost control in internal processes. 14. Investment and research and development in order to maintain competitiveness 15. Certify quality control levels periodically evaluated. 16. Operational processes matching the level of the strongest competitors. 17. Competitive products and services. 18. Proper functioning of communication and information systems. 19. Quality facility for users. 20. Investments in fixed assets and cutting-edge technologies. 21. Adequate maintenance of equipment. 22. Adequate performance of accounting system. 23. Adequate and orderly control of income and expense. 24. Creation of cash flows allows an efficient management of liquidity. 25. Efficient billing of receivables. 26. Efficient management of payments to providers. 27. Optimal management of investments. 28. Optimal management of financing. 29. Extension of credit to individuals and entities to sustain productivity.

Operationalization of the variable Financial Administration

Variable	Conceptual Definition	Instrumental Definition	Operational definition
Strategic Planning	Financial Administration is the process in which an organization defines its goals, objectives and priorities and establishes the sequence in which those goals will be reached and the mechanisms for implementing the formulated strategy	The degree of to which SDA Conference administrators in the NAD view Financial Administration as important to achieve financial performance was determined by means of the following 14 items, under the scale: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree 1. Financial plans are generated in your institution. 2. Programs are designed in order to fulfil the financial plan. 3. Policies are designed in order to fulfil the financial plan. 4. The finance department/committee set specific objectives that will help achieve the financial goals (investments and financing). 5. Financial results are measured. 6. Individuals are designated to achieve the established goals of the financial plan. 7. An analysis of financial indicators is carried out for financial projections. 8. Investments are made to maintain an adequate financial capital.	To measure the degree to which SDA Conference administrators in the NAD view Financial Administration as important to achieve financial performance was determined by means of the following 14 items. The variable was considered as metric. To make the approach of the conclusions of this study, the following equivalence was determined for the scale used: 1 = Strongly disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree

	9. Dynamic evaluation methods are used for investments. 10. Financing is accepted from providers. 11. The alternatives of long term financing are analyzed to stimulate investment, growth for expansion for the institution. 12. The interest costs of the institution are analyzed before requesting any credit. 13. The use of surpluses from previous periods is analyzed as a source of financing for growth of the institution. 14. Subsidies are used for development of projects.	

APPENDIX E

DEMOGRAPHIC DATA

STATISTICS OF DEMOGRAPHIC DATA

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Age 63-75	42	42.0	43.3	43.3
	Age 48-62	47	47.0	48.5	91.8
	47&>	8	8.0	8.2	100.0
	Total	97	97.0	100.0	
Missing	System	3	3.0		
Total		100	100.0		

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	93	93.0	93.0	93.0
	Female	7	7.0	7.0	100.0
	Total	100	100.0	100.0	

Years of Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 Yrs or less	4	4.0	4.0	4.0
	11-20 Years	11	11.0	11.0	15.0
	21-30	20	20.0	20.0	35.0
	31 & Above	65	65.0	65.0	100.0
	Total	100	100.0	100.0	

Academic Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	1	1.0	1.0	1.0
	Some University	3	3.0	3.0	4.0
	Bachelor	10	10.0	10.0	14.0
	Master's	56	56.0	56.0	70.0
	Doctorate	30	30.0	30.0	100.0
	Total	100	100.0	100.0	

Role

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	President	41	41.0	41.0	41.0
	Secretary	27	27.0	27.0	68.0
	Treasurer	23	23.0	23.0	91.0
	Director	2	2.0	2.0	93.0
	Former Administrator	7	7.0	7.0	100.0
	Total	100	100.0	100.0	

APPENDIX F

CROSS TABULATIONS

Gender * Age Group Crosstabulation

Count

		Age Group			Total
		Age 63-75	Age 48-62	47&>	
Gender	Male	39	44	7	90
	Female	3	3	1	7
Total		42	47	8	97

Role * Academic Level Crosstabulation

Count

		Academic Level					Total
		High School	Some University	Bachelor	Master's	Doctorate	
Role	President	0	1	2	20	18	41
	Secretary	0	0	2	18	7	27
	Treasurer	1	2	5	12	3	23
	Director	0	0	0	2	0	2
	Former Administrator	0	0	1	4	2	7
Total		1	3	10	56	30	100

Years of Service * Role Crosstabulation

Count

		Role					Total
		President	Secretary	Treasurer	Director	Former Administrator	
Years of Service	10 Yrs or less	0	1	3	0	0	4
	11-20 Years	3	4	4	0	0	11
	21-30	8	8	4	0	0	20
	31 & Above	30	14	12	2	7	65
Total		41	27	23	2	7	100

Gender * Academic Level Crosstabulation

Count

		Academic Level					
		High School	Some University	Bachelor	Master's	Doctorate	Total
Gender	Male	0	2	9	53	29	93
	Female	1	1	1	3	1	7
Total		1	3	10	56	30	100

Age Group * Academic Level Crosstabulation

Count

		Academic Level					
		High School	Some University	Bachelor	Master's	Doctorate	Total
Age Group	Age 63-75	1	1	5	23	12	42
	Age 48-62	0	2	3	26	16	47
	47&>	0	0	2	6	0	8
Total		1	3	10	55	28	97

APPENDIX G

MULTIPLE REGRESSION ASSUMPTIONS

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.683[a]	.466	.460	.38762	
2	.715[b]	.511	.501	.37278	.041

a. Predictors: (Constant), FR

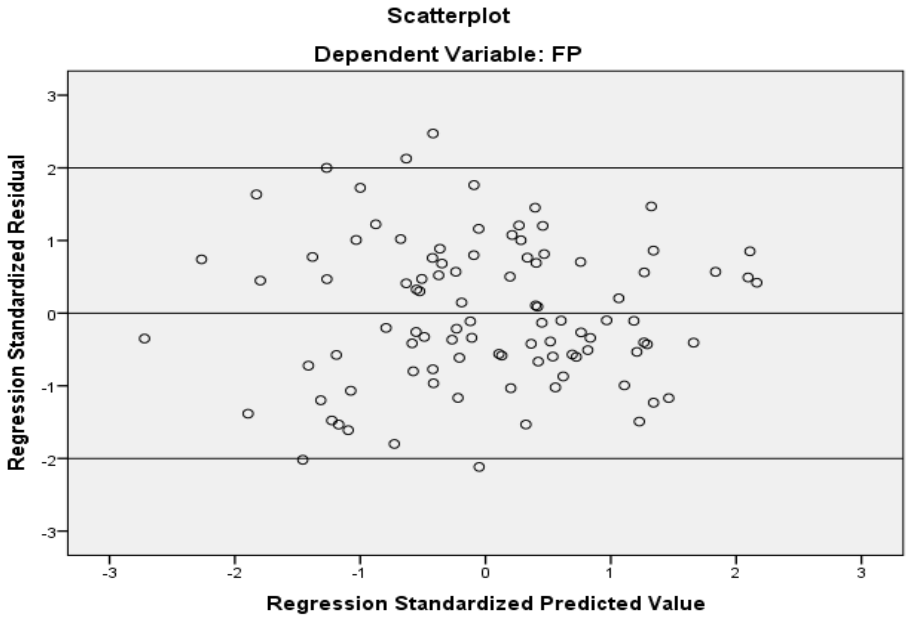
b. Predictors: (Constant), FR, CI

c. Dependent Variable: FP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.594	.279		5.719	.000		
	SM	.008	.072	.011	.112	.911	.558	1.793
	FA	-.129	.090	-.151	-1.437	.154	.473	2.113
	FR	.586	.117	.603	4.996	.000	.356	2.806
	CI	.161	.050	.297	3.198	.002	.603	1.658

a. Dependent Variable: FP



APPENDIX H

NULL HYPOTHESIS ANALYSIS

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.683[a]	.466	.460	.38762	
2	.715[b]	.511	.501	.37278	.041

a. Predictors: (Constant), FR

b. Predictors: (Constant), FR, CI

c. Dependent Variable: FP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.459	1	12.459	82.924	.000[b]
	Residual	14.274	95	.150		
	Total	26.733	96			
2	Regression	13.670	2	6.835	49.185	.000[c]
	Residual	13.063	94	.139		
	Total	26.733	96			

a. Dependent Variable: FP

b. Predictors: (Constant), FR

c. Predictors: (Constant), FR, CI

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.393	.296		4.713	.000		
	FR	.653	.078	.647	8.406	.000	1.000	1.000
2	(Constant)	1.485	.290		5.113	.000		
	FR	.514	.094	.509	5.453	.000	.646	1.548
	CI	.129	.232	.232	2.486	.004	.646	1.548

a. Dependent Variable: FP

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LICENSES:

Ordained as Pastor in the Seventh-day Adventist Church (2006)
Admitted to Practice Law in Massachusetts (1993)
Certified as a Trust Officer by General Conference of SDA (2008)
Notary Public State of New York (2014)

PROFESSIONAL EXPERIENCE

2012-Present **PRESIDENT**
NORTHEASTERN CONFERENCE OF SDA *Jamaica, NY*

Serve as Chief Executive Officer for largest regional conference in the North American Division. During tenure witnessed 19% membership growth, facilitated renovation and acquisition of additional acreage for Camp Victory Lake. Assisted 36 congregations acquire new houses of

worship. Also Secured financing and constructed 156 units of affordable housing for senior citizens. Worked to liquidate multi-million dollar indebtedness to the higher organizations.

2004-2012 **STEWARDSHIP & TRUST DIRECTOR**
NORTHEASTERN CONFERENCE OF SDA *Jamaica, NY*

Responsible for promoting Stewardship and Planned Giving programs to the constituents of the Conference. During tenure implemented annual Conference-wide Stewardship Drive and yearly "Square-up With God" campaigns. Conducted hundreds of workshops throughout our churches teaching the principles of Christian money management. Tithe remittances have reached record levels during this period.

1995-2004: **ATTORNEY**
LAW OFFICES OF DANIEL HONORE, Boston, MA

Operated a solo practice, as an attorney, concentrating in the field of Immigration law. Gained experience in Family Immigration, Religious Worker Petitions, Deportation, Political Asylum and Business Immigration. Operated main office in Downtown Boston and satellite office in Mattapan, MA.

1995-2003: **PASTOR,**
BROCKTON TEMPLE SDA CHURCH, Brockton, MA

Employed by the Northeastern Conference, on a part-time basis, as Pastor of Franco-Haitian Congregation. Upon arrival the congregation had a membership of 114. Membership grew to currently 346 during pastorate. Conducted extensive renovation of facility. Led in establishing the Brockton Area SDA School with present enrollment of 100 students in grades K-8.

1995-1999 **PASTOR**
BEN-EMMANUEL SDA CHURCH Randolph, MA

Served as Pastor of mission attached to the Brockton Temple.
Due to success of evangelistic efforts witnessed mission grow from Twenty to sixty members and was organized into a church before being assigned a new pastor.

1993-1995 **EXECUTIVE DIRECTOR,**
MATTAPAN-DORCHESTER.CHURCHES IN ACTION, Boston, MA

Served as Executive Director of a church based community coalition working to improve inner-city conditions. Duties included training local

leaders to develop strategies for solving community problems. Succeeded in lobbying to strengthen the state's drug asset forfeiture law, which allowed several neighborhoods to seize drug houses and redevelop them as affordable housing for first-time homebuyers.

1991-1993 **INVESTIGATOR**
BOSTON FAIR HOUSING COMMISSION, Boston, MA

Employed by the City of Boston as a Fair Housing Investigator.
Duties Included investigating housing discrimination complaints filed with City agency to determine whether federal, state and local housing laws had been violated. Took lead in investigating co-filed with the US Dept. of Housing and Urban Development as well as with the Massachusetts Commission Against Discrimination. Was responsible for obtaining the largest settlement in Agency's history by a private landlord.

1990-1991 **SOCIAL WORKER**
CONCILIO HISPANO DE CARMBRIDGE, Cambridge, MA

Employed as Social Worker by contract agency working in collaboration with the Massachusetts Department of Social Services to investigate complaints of child abuse and neglect in Latino families in the North Shore area of Greater Boston. Helped families resolve issues of violence through appropriate service planning.

LANGUAGE SKILLS: Fluent in **English, Spanish, French** and **Haitian Creole**

FAMILY STATUS: Happily married to Fritze L'herisson-Honore for 30 Years.
We are the proud parents of four young adult children.

LOCAL CHURCH EXPERIENCE: Served local churches in the capacities of:

Temple Salem SDA Church **Boston, MA**
First Elder
Youth Director
Risk Manager
Religious Liberty Director

Gospel Tabernacle SDA Church **Lima, OH**
Sabbath School Superintendent
Elder
Pianist

EVANGELISM

EXPERIENCE: **Conducted the following Evangelistic campaigns resulting in Over 200 baptisms:**

Temple Salem	Boston, MA
Brockton Temple	Brockton, MA
Ben-Emmanuel	Randolph, MA
Cornerstone Hispanic	Brooklyn, NY
El Faro Hispanic	Brooklyn, NY
Maranatha French	Queens, NY
Francophone SDA	Nassau, Bahamas
Iglesia Central	Trujillo, Peru
Igreja Adventista	Recife Brazil
Los Alcarizos	Dominican Republic
Cuscatancingo	El Salvador
Higuey	Dominican Republic
Spanish Town	Jamaica
Iglesia Quisqueya	Dominican Republic
Temple No.1	Haiti