Money and Values

Many years ago, I had two experiences that redirected my thinking about money and its relationship to value, one of the issues that seems to plague every organization with which I come in contact.

The first experience: During the same week, I received requests for donations from the small private pre-school my little girl was attending and from the county's fledgling Head Start program. I sent $300 to each. Within a week, I received two personal thank you's.

From the private pre-school, I received a letter thanking me for my "small contribution to the overwhelming needs to continually provide quality supplies for our programs" and asking whether I would consider making a pledge for a substantially larger amount. From the Head Start program, I received a letter telling me that my $300 would make it possible for them "to buy all the supplies we need to provide an interesting and fun hands-on year of art projects" for the students. "Thanks to you," the letter concluded, "some little boy or girl may discover a lifelong interest that will bring them much joy and pleasure." The letter mentioned no future donations.

Year after year, though, I continued to send money to Head Start and continued to look forward to lively replies about how they would use it to serve their children. Ultimately, I got involved with the program as a volunteer and several years later enjoyed being on the Head Start board. It was a highlight of my civic life. At the end of that year, my daughter moved on to regular school and I never had any further contact with the pre-school she had attended, routinely throwing its mail in the trash unopened.

What was that $300 really worth to each organization? And what is the deeper connection between money and not just its value, but our values?

The second experience: At about the same time, I became responsible for the substantial budget of a large unit of an organization – the beginning of a long career of handling significant sums of other people's money in order to accomplish my work. When I was asked to create a budget, I was completely frazzled by the task because I had no idea what amount of money I was expected to expend, and no information whether there was any connection between the revenue generated by my unit and the amount I could spend. One of my colleagues told me to just take my predecessor's budget and add 10% to almost every line item. "You don't find out what you've really got until the end of the process," he said. "Just play the game."

I played the game, but I was heartsick. First of all, I didn't even understand all the line items in my predecessor's budget. Second of all, I wanted to do a lot of different things with the unit and I didn't know how to think of them in "budget terms" and get them onto the company's agenda. I was a nervous wreck on the day all the unit heads were brought together with the accounting people to defend and review our budgets and find out what we would ultimately have. It was a horrible meeting. Everyone's budget was "slashed". Entire line items were just crossed out. The 10%'s we added were subtracted by 12 and 15% to reflect "the economic realities" we all had to face. Everyone was angry and upset and frustrated. I was confused. What was the point of the game?

At the end, I received a new budget issued from the accounting office, which I still didn't understand. But it had a bottom line, so I knew what I had to work with, at last. That one number made me happy because I had a simple answer. All I had to do was spend that amount and no more. It was my first year of running that unit – truth be told, my first year of running anything – so I didn't have any regrets about what was slashed. You can't miss what you've never had. And, in my youthful and blissful enthusiasm, I just ignored all the line items I didn't understand anyway and did what I planned to do, mindful of using my resources wisely and staying within that one number. At year-end, my unit, which was truly run by an ignoramus operating on crazy hope and blind luck, was given an award for coming in under budget and outperforming its peers. I was suddenly on the management fast track. I still didn't have a clue how to integrate into the actual budgeting process of my company. But it dawned on me that the way to go about things was to find all the value you could in what you DID have every year, and never think about what you didn't have.

Ever since then, the process has seemed increasingly simple to me. And I am still and always in the question: Why don't we just take a positive look at what's available to us and use all the creativity we have to maximize its value to our mission? Why is the whole process so focused on scarcity, cutting, eliminating, reducing, slashing, down-sizing, losing – all those things that strike fear in managers' hearts and feel punitive and restrictive? Why are we always making the future contingent on the past? Why, year after year, in company after company, do people feel defeated and miserable during "budget time" and work together grudgingly in low spirits with a sense of doom?

Isn't there always a number that simply represents the best or only opportunity we have to fulfill our dreams right now? Whatever that number is, its real value to us is not absolute, but relative to our willingness to discover possibilities within it.

These questions of budgeting and finance have taken on a more profound significance as the years have gone by and I have understood more clearly the pain we can create for ourselves and others from the ways we think about things.

The simple way to see budgeting, for me, is to see it as one form that strategy takes. In the equation that starts with values, this is how it looks. Values are what really matters. Vision is what we could do, given what really matters. Mission is what we are going to do, given what we could do. Strategy is how we are going to accomplish the mission, year to year. Unless vision, values and mission are clear and meaningful, strategy is pointless. But when vision, values and mission are clear and meaningful, strategy is simple, straightforward and obvious. It has three elements.

The first element of strategy is the assumptions we are going to make. For example, at RCBHSC, one assumption that has been made in terms of strategy is that decisions about how we are going to work will be based on the best interests of the institution as a whole, not on the best interests of any one part of the institution. Another assumption that has been made is that the decision-making can be done by proxy – i.e., by a committee trusted by its peers. Another assumption that has been made is that the institutional mission will call into question institutional history by allowing for conversations that cross traditional departmental or work boundaries.

The second element of strategy is to link the assumptions to daily functioning. It requires the decision-making or leadership group to gather together and ask: What would we actually do differently, based on these assumptions?

The third element of strategy is to describe the answer to that question by creating a functional template. The most common means of doing this is by creating a budget. In this equation, the budget is the "x" that is solved by all the other pieces – the obvious last answer. It doesn't matter the actual number of "x" at this point in a process that places institutional values before arbitrary numerical values.

Depending upon the level of clarity and creativity the strategists have as they work together, the perceived value of the current "x" is no more than an idea. It can look like enough to do what we've set out to do, or it can look like a terrible shortage. The idea we have in mind about it doesn't change the number, though. It only changes people's experience of working with the number. When everyone understands that, the focus of discussion is not on how much we have, but rather on how whatever we have will best be used in service to the overall mission, vision and values. Discussions are held in present-time focused on creating maximum value from what is available, rather than trying to replicate the remembered past or put things off to a better imaginary future.

And it's important to know that the system of logic underlying a budget is the product of our thinking as well. Many things never actually "appear" in a form which allows them to be counted, even though they are significant budgetary factors.

For example, just hypothetically, what if an organization's overall budget included a line item that accounts for the time and expense involved in calculating time and expense – that is, the budget allocations for the budget process? (I've never seen that line item in any organization's budget, which is why this is hypothetical.) Let's say that in most organizations, that line item would be pretty high because the worrying about the budget process, analyzing the previous budgets and trying to figure out how to extrapolate for the present, defending each line item, working to create a document that includes everything and balances out, sitting through the agonizing discussions of who is going to gain or lose what in what parts of each budget, being distracted from other opportunity (opportunity cost) because of time and staff allocated to the budget process, etc., etc. is likely to be a big number, and usually a big number representing a lot of the most highly paid people's time.

Let's imagine the organization decided to cut that one hypothetical line item in half. What would change? How would it change? And what extraordinarily valuable assets would be set free to serve the institutional values, vision and mission?

Here is a practical analogy. Several years ago, I was running a company dedicated to managing the day-to-day business of medical practices. During the year that the first Clinton administration was holding national hearings on health care reform and publishing a lot of projected information about changes in the health care system, a few of the physicians I was working with became anxious, depressed and angry. They spent hours reading negative information about what was coming down the pike; they went to "low mood" meetings sponsored by various medical groups during which the primary agenda items were bemoaning the stupidity of the government and regretting the lack of respect for physicians and calculating their potential losses. They began to be disheartened and lose connection with the true value of being a medical doctor. They began seeing their patients as likely litigants and their colleagues as competitors for a shrinking resource base of patients and payments. Many of them began experiencing diminished income, their worst fears coming true.

In actual fact, *nothing whatsoever changed* that year in terms of physician reimbursement, and Medicare payments for some procedures actually increased during that year. The Clinton plan ultimately fizzled and there were no sudden or extreme changes, even as the payment system continued to evolve.

The physicians who simply went on loving the practice of medicine and working as usual continued to prosper. They stayed abreast of events, but spent very little time thinking about them – and actually counted on our company to help them handle strategy when the time arose. Most of them enjoyed increased income that year and some even began to take leadership in shaping the future of reimbursement by looking to interact creatively with new payment systems being formed. A handful began to look for new opportunities to serve their patients within the changing system.

The anxious doctors continued to blame the government for the change in their practice circumstances, however. There was no way they could account for the true cost and the personal toll that their thinking - worry, frustration and negative emotional energy - exacted on their practices and on their professional satisfaction.

The successful physicians were living in the same external world of patients and reimbursements as those whose practices began to become negative, in fact and in spirit. But their internal worlds were entirely different and their perceptions of their circumstances and of their own potential within a world of change differed accordingly.