

NOTES

1. Catholic Health Association, *A Shared Statement of Identity for the Catholic Health Ministry*, St. Louis, 2001, p. 4.
2. John Tropman, *The Catholic Ethic and the Spirit of Community*, Georgetown University Press, Washington, DC, 2002. The author contrasts what he sees as the "Catholic worldview" with the "Protestant work ethic" described by the 19th-century German philosopher Max Weber. The latter, pervasive as it has been throughout U.S. history, is for Tropman the dominant cultural view.
3. Helen J. Alford and Michael J. Naughton, *Managing as if Faith Mattered: Christian Social Principles in the Modern Organization*, University of Notre Dame Press, Notre Dame, IN, 2001, pp. 40-41.
4. See *Leadership for a Healthy 21st Century: Creating Value through Relationships*, Arthur Andersen, Chicago, 1999. Brian Wong, MD, Andersen's former director of client services, helped develop this document, which many leaders of Catholic health care organizations welcomed and used precisely because it recognized the existence of intangible assets.
5. See, for example, *Community Benefit Program: A Revised Resource for Social Accountability*, Catholic Health Association, St. Louis, 2001. An earlier document, *Social Accountability Budget: A Process for Planning and Reporting Community Service in a Time of Fiscal Constraint* (Catholic Health Association, St. Louis, 1989), also provided guidelines for a community-based assessment of needs, the planning and delivery of unreimbursed community services, and the enumerating and reporting of these services.
6. Pope John Paul II, *Sollicitudo Rei Socialis*, 1987, para. 31.

BUDGETING AS THEOLOGICAL REFLECTION

BALANCING ACT

Conscientious Budgeting Helps an Organization Carry Its Heritage into the Future

Chief financial officers (CFOs), along with their associates in the finance functions of Catholic health care ministries, are often viewed as wearing the mantle of the ultimate stewards of the wealth of the ministry. They carry a presumed bias to favor preservation of wealth and resources over and above other core values, such as charity and response to need.

Perhaps this characterization is unfair, perhaps not. But it is not only just but appropriate—and vital to the carrying out of mission—that an organization's CFO fill the role of protagonist for financial discipline, thereby setting an example and a standard for others to observe. It is equally vital that, if an organization is to achieve its goals, its CFO (and those who work with him or her) understand the balance needed in all other aspects of its values and mission.

The reality is that the values of Catholic health care providers are in constant conflict and therefore not easy to evaluate. For example, even the value of stewardship carries multiple meanings. At times, a conscientious CFO might argue that good stewardship requires increasing the compensation of critical clinical staff members, in

order to maintain employee satisfaction and minimize costly turnover. At other times, the CFO might say that good stewardship requires preserving those resources for the future. Both viewpoints are correct. The most obvious conflict is that which arises between saving for the future, on one hand, and pure charity initiatives, on the other—a conflict in which the goal of the ministry is embodied in the one and the survival of the ministry in the other.

People save, plan, and accumulate money for their own retirements; but because we can never know the day of our own demise, we can never plan well enough for that eventuality. Those of us who work in Catholic health care know even less about the future of our ministry than we do about our own. However, we plan on the assumption that the ministry will last forever, recognizing, as we do our planning, both the heritage that brought the organization to this present and the future into which it moves.

BETWEEN HERITAGE AND FUTURE

Maintaining this balance between heritage and future becomes the responsibility of everyone

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who serves the ministry. God's love is unlimited, omnipotent, boundless, and merciful. As we are not God, our love is limited, blind at many times, and bounded by our vision. Thus, as we work to plan strategies, allocate scarce resources, and balance charity in the present with initiatives for the future and saving for the as yet unknown, we must remain flexible. Flexibility is a critical element of the process. Budgeting must never be seen as a quota system or a fixed obligation

with a pass/fail measurement. Although budgets are critical tools that management needs to support a culture of accountability, they should be used to help inform and guide the organization's efforts toward a balanced outcome—not as a club to bludgeon those whose vision was perhaps more bounded than others.

In organization and in community, our ministry's future, its success, survival, and fulfillment of mission, depend on achieving a moral and just balance of our values and our temporal orientation. And for this purpose, we need advocates, champions of causes for each value—champions who, united in common mission, can collaborate to find win-win solutions; solutions that can succeed for people, for good, for God, for now and for the future.

OPENNESS IS CRITICAL

As Sr. Patricia Talone, RSM, PhD, suggests in "Budgeting as Theological Reflection" (p. 14), a critical element of this collaboration is the open sharing of information. The establishment of financial targets, which often is the start of the budgeting process, is a critical phase, the phase during which this openness must be achieved. If the key leaders in the ministry share in and understand the reasoning behind the targets, they will be able to carry the message through not just the budgeting process itself, but also the more important follow-on process of managing the budgeted finances in a way that achieves the goals.

Financial targets are derived from a worldview of the ministry and its projected future financial

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requirements. The more capital that an organization expects to require for future capital outlays, operational expansions, community outreach, and charity, the more capital that organization must be able to generate in "margin." Therefore, understanding these factors is essential to setting good targets. Each component of these needs should be explored and discussed until a consensus is reached. Setting targets in a shared fashion can help equip leadership throughout the min-

istry to better articulate why the requirement of margin exists and how it supports the mission.

A second critical element of the budgeting process is the allocation of capital and the evaluation of external financing capacity. Building on the target-setting process, one can determine how much the ministry can afford to invest in plant and equipment and other initiatives, as well as how much external funding can be brought to bear. Leadership must work collaboratively and in a balanced fashion to allocate these available resources to those projects that have the greatest congruence with overall ministry goals, including both sustained financial success and fulfillment of the healing and charitable missions.

FLEXIBILITY IS PARAMOUNT

Finally, the importance of flexibility remains paramount. Witnessing the dramatic events in the financial environment over the last three years, we have seen that the importance of adapting to changing times has been greatly underscored. Reduced income from historical invested savings, increasing costs from a constrained labor market, technology cost escalations, regulatory cost escalation, specialty "carve-outs," and many other factors have made these very trying times. Yet these events must not constrain our creativity and ability to adapt. Management must step up to these challenges with responsive action plans that allow it, once again, to strive for proper balance day by day. To ensure a vital health care system in the future, we must adhere to this level of rigorous business discipline while being ever mindful of our dependence on a Provident God. □