

## BUDGETING WORST PRACTICES

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# Eating Your Seed Corn

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“Amy, I’m afraid this performance appraisal is not going to be fun for either of us. There are a number of issues I’d like to address.”

“But John, I’ve been working so hard. You know you’ve given me more projects than anyone can handle. I’ve been putting in 60-hour weeks, and I’m doing the best I can. Really, I am. Okay, I understand some projects are behind schedule. But what more can I do?”

“Amy, I know you work hard. And I do appreciate it. The problem is not your project work. I’m concerned that you haven’t taken the time to get trained in the new web-based platforms. You know this is critical to our future. . . and to your career.”

“But I just haven’t had time!”

“Another concern: As far as I can tell, you’ve made no progress on that little research project we discussed a year ago. You know, if we don’t continually upgrade our product line, we’ll be out of business.”

“But I just haven’t had time!”

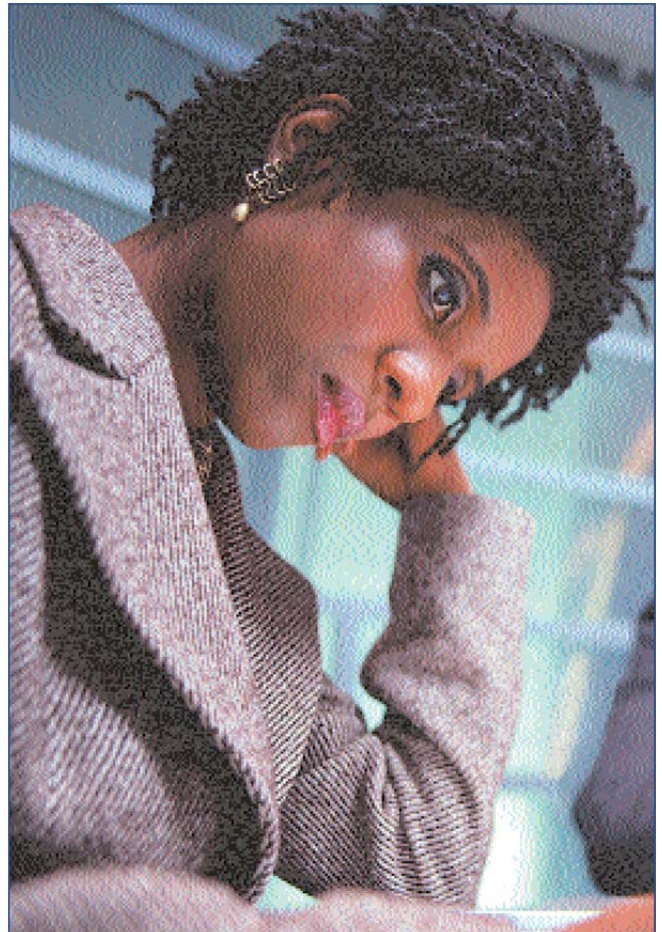
“And your peers are complaining that you routinely ignore their requests for help. Our infrastructure project was held up for weeks waiting on your input.”

“But I just haven’t had time!”

“And, perhaps worst of all, clients are complaining that you don’t answer your voice mail or email. You have a reputation for being unresponsive.”

“But John, I’m buried! You always stress how important it is to meet our commitments to clients. I’ve got to focus on their projects. It’s all I can do to get them out on time. There are only so many hours in a day. What do you want me to do!?”

“You do have to meet your commitments. But if you don’t look after our future, we won’t have a future. Well, at least you won’t have a future.”



## The Root of the Problem

That night at home:

“Honey, I feel kinda’ bad about what happened to Amy today. I had to give her a tough performance appraisal. But she really does work hard. And the truth is, I’m not sure it’s entirely her fault.”

“Why did you grade her down?”

“Amy spends all her time on clients’ projects. She doesn’t do any professional development, so she’s not available to work on new projects. A year ago, I asked her to look into some new technologies, and she did nothing. She ignores internal initiatives, like the infrastructure development effort. And she’s getting a bad reputation with clients for not answering their voice messages and email.”

“She sounds like a loser. Why do you say it isn’t her fault?”

“It’s just that clients expect so much of her. So she spends all her time on their projects; and anything that can slip, does slip.”

“I get it. My Grandpa had a name for this. He called it, ‘eating your seed corn.’”

“Hah! Good metaphor! We’re so starved for resources today that we’re consuming all our time, leaving nothing to invest in the future.”

“Exactly. Now we both know Amy is a smart woman. Why is she doing this? Why is she giving every hour of every day to clients?”

“Well, I guess clients are so demanding. They just expect that, and more!”

“Clients expect more than you have resources to deliver?”

“That’s the crux of it.”

## **The Way Out**

“So what’s the right answer? You’re her boss, John. What should she do?”

“I guess we all should analyze how much time we need for reinvestment in our business, and how many hours out of the year are really available to do client work.”

“Your lawyer friend, Bob, calls that his ‘billable-time ratio.’”

“Right! We need to plan our unbillable hours. Then, we could set a price per billable hour that includes enough of a mark-up to pay for the unbillable time, and then demand that clients set priorities and work within the budget.”

“Sounds right to me. Why aren’t you doing that?”

## **Practicalities**

“Hmm, it’s not so easy. I think we could calculate billable hours, though I’d be a lot more comfortable if I could get a list from an expert of all the various unbillable activities so we don’t accidentally leave anything out.”

“If you leave it out, you won’t have time to do it.”

“Exactly right. So we’ve got to be careful there. But the real problem is getting clients to work within the limits of available resources. If we can’t get them to do that, we’re back where we started, using up our unbillable time trying to satisfy their unrealistic demands.”

“Back to eating your seed corn.”

“So we’ll need to give them a clear understanding of the total cost of every project and service. And that cost has to cover its fair share of overhead, including people’s unbillable time.”

“So again, why aren’t you doing that?”

“Well, the costing has to be rock solid. If they don’t believe our numbers, they’ll go back to demanding everything and trashing us when we don’t deliver.”

“Okay, so....”

“But that’s like doing a fully burdened costing of every project and service in the department, all at once! Our accounting firm said that’s not feasible.”

“But that’s what you need to do.”

“There’s got to be a way....”

“Isn’t that what your friend, Dean, calls ‘investment-based budgeting’? Maybe you’d better look into before you lose all your good people.” □

*For a library of information and case studies on investment-based budgeting, the method, and the tool, go to [fullcost.com](http://fullcost.com). And CIOs interested in a private sounding board on their resource-governance processes may enjoy a private consultation with Dean Meyer. Contact NDMA at 203-790-1100, or [info@ndma.com](mailto:info@ndma.com).*