

BUREAUCRACY IN ACTION: DESIGN FLAWS OR OPERATOR ERRORS?

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Dr. Al Fenton, Professor of International Business at Evergreen State University, contracted to deliver a series of lectures and seminars for students and faculty at Chatham State University. The arrangements for Fenton's visit were handled by his friend Dr. Phil Jordan, Associate Dean of the Business School at Chatham and Chatham administrators. About three months after Fenton's programs were delivered at Chatham, Jordan received a call from Fenton, informing him that he had not yet been paid for the programs. Surprised and embarrassed by the news, Jordan assured him he would look into the matter and take necessary action to correct the problem. His investigation revealed a series of problems in processing Fenton's contract and pay arrangements. Indeed, the further he dug into the matter, the more complicated and confusing it became. The analysis of participants' actions revealed how difficult it can be to correct a transaction that was mishandled at several points and involved the interaction of two large state university bureaucracies. After the protracted investigation, Jordan pondered the cause of the problem: was it the result of poor execution by individuals, an improperly designed "system," or just the inevitable malfunctions of large, complex organizations?

INTRODUCTION

"Hello, Phil, how's it going?" asked the caller. Dr. Phil Jordan was caught off guard by Dr. Al Fenton's call early one January afternoon. He immediately thought of Fenton's visit to the campus a few months earlier.

"I'm fine, Al, hope that all is well for you at Evergreen State," replied Jordan.

"I'm doing OK, but I'm calling to tell you that I have not received my check for the programs I did for you last October," Fenton stated.

Jordan was shocked. "You've not been paid for those seminars yet?" he questioned. "Good night, Al, that's been about three months ago. I think we sent the paper work through on that right after your visit. Look, I'm really sorry about this . . . and em-

barrassed. Let me look into it and I'll get back to you right away."

"That'll be fine, Phil. I'm not really too worried about getting paid. I thought of it the other day and asked my wife who said she hadn't received the check, and she's the one who handles the banking in our family.

"I'm really sorry, Al. I'll follow up on it today. Thanks for calling it to my attention," Jordan responded.

As Jordan hung up the phone, he was puzzled and rather disturbed that Fenton had not been paid. Upon checking his calendar, he found that it had been about 12 weeks since Fenton came to Chatham State to conduct the seminars for them. Jordan remembered that they had (or at least he thought they had) processed the necessary forms to pay him. What could have gone wrong?

Jordan certainly hadn't expected to have to deal with this problem this morning, but he knew it would not be any easier to solve later. What's more, he thought, it is an awkward situation to be called by someone to whom you owe money – particularly when you are friends! He began to mull over what to do first.

BACKGROUND

Evergreen State and Chatham State were both large state universities with well established programs in business administration. As a part of the academic enrichment program at Chatham's School of Business, prominent experts were brought in periodically to conduct programs in their specialties for students and faculty members. For several years, the Dean of the School of Business had encouraged Jordan and other Chatham administrators to engage expert professors as guest lecturers in the academic programs of the college. Both students and faculty had responded positively to the opportunity to interact with recognized leaders in the field. Although the funding for the enrichment program came largely from the MBA Program budget for which the program had been initiated, the Dean also wanted to involve guest professors with other students and the faculty of the School, as schedules permitted.

Al Fenton, a professor of international business at Evergreen State University, had been invited last summer to conduct a series of academic seminars on international management at Chatham by his professional colleague and friend, Phil Jordan, Associate Dean of the School of Business at Chatham. Following numerous phone calls and emails to resolve some issues over scheduling, program format, compensation, and other matters, the details of Fenton's visit to Chatham were finally set up in August. Fenton was to come to Chatham in mid-October and conduct several programs for

students and a research seminar for the faculty. The practice at Chatham was to pay the travel expenses and an honorarium to the guest professors who participated in the enrichment program. After negotiations were completed, the formal process typically involved Chatham issuing a contract for “personal services” to the individual. In the case of Fenton’s visit, an agreement was made to pay him a flat fee which was to include travel expenses and his honorarium. The arrangements and agreement with Fenton had been primarily negotiated through the office of the MBA Director, Dr. Joe Dobson, which was located next to Jordan’s office. The actual contract proposal was prepared by Dobson’s administrative assistant, Laura McAlpin, over Dr. Dobson’s name. A few days before Dr. Fenton was to visit Chatham State, it seemed that all necessary arrangements had been made.

THE INVESTIGATION

After the phone call from Fenton about his pay, Jordan set aside the curriculum report he had been working on and pulled his file on Fenton’s visit from his cabinet. In sorting through the material, he found a copy of the personal services contract with Fenton which was dated October 11, a few days before his visit to Chatham.

As he thought about the situation, Jordan recalled that this contract had been different from those negotiated with other visiting program speakers and seminar leaders. Indeed, he remembered that the regular personal services contract prepared for Fenton had been returned by Chatham State’s Director of Business Affairs, John Gordon, whose office had to review all proposed university contracts. As Gordon had explained to him earlier, Chatham couldn’t simply issue a personal services contract to Fenton, as was the usual case, since Fenton worked for another state institution. Instead, Chatham State had to contract formally with Evergreen State for the services of its employee, Fenton, using a “dual services” agreement. Then, after the consulting services were provided, Evergreen State would invoice Chatham State and Chatham would approve the charges and authorize payment to Evergreen State which would then pay Fenton. Although these “dual services” agreements were somewhat cumbersome and complicated, Gordon told Jordan that this was the only way he could hire someone who was employed by another state agency.

From Jordan’s review of the dual services contract, he noted that Laura McAlpin had initiated it and that the contract had been approved at Evergreen State by Dr. Ray Whitman who was Fenton’s immediate superior (department head). Jordan remembered Gordon telling him that since the agreement was technically with the Evergreen State Institution, Fenton would need to “get the signature of his department head or dean” to approve the purchase of Fenton’s services from Evergreen (another state agency). The contract had been sent back to Dobson at Chatham who

had secured the signatures of Chatham State officials and then mailed a copy of the executed contract back to Fenton.

When Jordan went over the situation with Dobson, Jordan asked if Dobson had ever notified Evergreen State's finance office that the services had been provided by Fenton and requested that Evergreen bill Chatham for Fenton's services per the agreement. Dobson said he didn't recall doing it, but thought probably that McAlpin might have since "she's the one who usually handles these details." A quick call to McAlpin revealed that she hadn't done it, but she thought "Dr. Dobson and Dr. Jordan were working with Dr. Fenton on his visit."

It was clear to Jordan that no one had followed up on the contract to request that Evergreen invoice Chatham. He thought he should call Fenton and inform him of the mishandling of the matter and assure him that it would be corrected promptly. When he reached Fenton and explained about the foul-up and apologized for the delay, Fenton was gracious, saying that he'd contact him if he "didn't hear from him in a month." When Jordan expressed his concern for routing the request for billing to the proper party at Evergreen, Fenton told him to send it to Holt Russell, Director of Finance. Fenton said that he knew Russell personally and that he would know how to handle it expeditiously.

THE SECOND EFFORT

The next day, January 18, Jordan secured copies of the contract for Fenton's services, made out the request for billing, and enclosed these with a certified letter to Holt Russell at Evergreen State. In the letter, he explained the reason for the delay in sending the contract and requested Russell's assistance in processing the agreement so that an invoice to Chatham State could be issued.

Within a few days, Jordan received acknowledgement from Evergreen State that the letter was received. About three weeks later, however, Jordan had not received an invoice from Evergreen. He thought that maybe MBA Director Dobson or his administrative assistant McAlpin might have received it, but he soon learned that neither had seen it. He then called the Finance Office at Evergreen in an effort to reach Russell. Although Russell was not in, he explained the purpose of his call to Russell's administrative assistant, who agreed to check on the matter.

Two days later, Jordan received a call from the administrative assistant. She explained that they couldn't process the contract for two reasons: (1) the contract copies they received did not have original signatures, and (2) the signature of Dr. Fenton's immediate superior was not acceptable. She explained that Dr. Ray Whitman was not

authorized to approve the contract, noting that it had to be signed by their vice president for academic affairs, though it would have to be reviewed and recommended for approval by Whitman. Thus, the only way they could issue an invoice would be for Chatham State to prepare a new contract, secure all proper approval signatures on the agreement from officials at Chatham and Evergreen, and then send it back along with a new request for billing.

I don't believe this! thought Jordan, as he attempted to contain his frustration over what he was hearing. He could not believe that the whole process had to be started over. However, he strived to maintain his composure during the conversation and told the administrative assistant that he would initiate the necessary action as he rather perfunctorily thanked her for her assistance. As he slammed down the phone, he wondered if he would have ever heard from Evergreen about the contract if he hadn't called them.

Reacting to this distressing development, Jordan thought about how and by whom this process got "screwed up." While it was tempting to try to lay the blame, he knew that wouldn't help resolve the issue. He could worry about who was at fault later. He regretted having to spend so much of his time on this matter, but he felt he had to follow through on it now.

THE THIRD ATTEMPT

The next morning, Jordan called Chatham's Business Manager John Gordon to explain the matter and get any suggestions he had to offer on handling the matter. Gordon responded sharply:

Oh no! We probably have more trouble dealing with the people at Evergreen than any of the other schools in the system. They seem to lose things, and do they have rules? Sometimes it can just wear you out. But Phil, you don't have much choice in the matter. Make up another agreement, get the approvals from your office, let me review it, get all the signatures from Evergreen, and then send it back to me for final approval. Then, maybe we can get this wrapped up. I'm sorry about this . . . but that's just the way it is.

In the course of his efforts to track down the original contract sent to Evergreen, Jordan had talked with Alice Parker, Administrative Coordinator in their business college, and was pleased to find that she displayed a cooperative, helpful attitude. She offered her assistance in trying to resolve the matter for Fenton. Jordan thanked her for her offer and told her he would contact her if that became necessary.

By the end of the day on February 16, Jordan had the new contract prepared and reviewed, and five copies were en route to Parker at Evergreen State. She had agreed to assist in routing the agreement, securing the approval signatures, and sending the copies back to Jordan. Jordan could then get the appropriate signatures at Chatham and send back the fully executed agreement to Parker with a billing request. Evergreen would then issue an invoice to Chatham State, Jordan would approve payment of the invoice, and then Chatham would pay Evergreen State which would pay Fenton.

Jordan also sent an email to Fenton to update him on the status of the process and explaining what actions were underway to resolve the matter which, in Jordan's words, had become a "deplorable situation."

On February 25, Jordan received the copies of the agreement signed by Evergreen State officials (including the Academic Vice President) from Parker. On the same day Jordan sent these to Gordon for final approval. On March 8, the fully executed agreement was received by Jordan and then was sent to Parker the following day with a letter requesting an invoice to be issued.

Fenton called Jordan on March 9 to check on any further developments. In their conversation, they reflected on the irony of the situation. Dr. Fenton justifiably wanted to be paid and Dr. Jordan justifiably wanted to pay him –the work had been done and the pay was due – about this there was no dispute. But neither party had been successful in working through their organizations to get it done.

On March 15, Jordan was unsuccessful in reaching Ms. Parker by telephone. Finally on March 21, Parker emailed that she had received the executed contract and that the invoice should be issued soon.

On April 2 the invoice arrived in Jordan's office which he then had approved by Dobson (whose signature had appeared as originator on the contract with Fenton.). The invoice, now approved for payment, was hand delivered to the accounts payable section in the Finance Office of Chatham State.

On May 5, Jordan noted on his monthly budget report for April that a check had been issued by Chatham to Evergreen State for the contracted amount. He put a letter in the mail to Fenton informing him and commented that he should expect payment soon, adding that "at least we've been successful getting the funds into your bureaucracy." He thanked Fenton for his patience and understanding and said to let him know if there were any further problems.

On May 26, Dr. Jordan received an email from Dr. Fenton indicating that he had, at last, been paid, noting that he “found it hard to fathom how two universities in the same state can have so much difficulty paying one person for a small job.”

REFLECTIONS

Jordan could hardly believe that the hassle was over. Let’s see, he thought, as he replayed the events. Fenton agreed last summer to come to Chatham, delivered the programs in October, and was paid for his services the following April. What’s the problem? he thought sarcastically. The man got paid just six months after completing his work, and it had taken days of his time and umpteen phone calls, emails, and memos to accomplish it! And, in addition, the contract did not involve a lot of money.

He pondered what all had gone wrong and why? Certainly there were many snags in the process and perhaps personnel at both Chatham and Evergreen had made some mistakes? Could the “system” designed to handle such employment arrangements be deficient? Or was this just an inevitable outcome that naturally arises from the internal operations of all big organizations? He wondered.