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Who's in Charge?

The Jim Davis Case

James Davis began his employment with Hereford National Bank in October. He had been hired away from an investment firm on the recommendation of Eric Johnson, vice president in charge of marketing. Mr. Johnson had heard through a friend at IDS, the company that Davis was employed by, that Jim was unhappy in his position there and thought of looking for employment elsewhere. Mr. Johnson felt that because of his experience in the investment world and in sales techniques (Davis had been a sales representative for IDS, helping people plan for their financial future and at the same time selling them the company's services), Davis could prove to be a valuable asset to his division. Since Jim was only 23 years old and had been out of school for two years, Johnson felt that he could offer him less of a salary than the job was worth and save some money. Davis was contacted and seemed interested. An initial interview was arranged, and both decided that Jim was suited to the job. He began working the following month.

Because he was not familiar with the bank and its operations, Jim was put through a five-week training session. It was very informal and consisted of exposure and practice in different areas of banking services. On November 2, Jim began in his new position. He was placed in charge of the Retirement Division. See **Exhibit 1** for partial organization chart.

This division was a relatively new area for the bank. It dealt basically with IRA and Keogh retirement accounts. As acting head and sole employee of this division, Jim's job was to sell these services to the public as well as handle the administrative work. He was given a desk on the first floor, which he had to share with the coordinator for the branch managers, Allen Jones.

One of the first tasks to be performed was to transfer balances of certain savings accounts into IRAs (individual retirement accounts). Jim prepared all the calculations and got them entered. Two weeks later, calls started coming in from the people whose accounts had been transferred. They had all received notices that their accounts had a zero balance and wanted to know what was going on. Jim answered them that it was a clerical error and that their money was intact. Upon investigating the incident, he found that it was bank policy to issue statements whenever an account reached a zero balance. When all the money was transferred from savings to IRA, the savings accounts were left with a balance of zero. Jim tried to find out why this policy

Danny J. Mainolfi prepared this case under the supervision of Professor Allan Cohen, Babson College, as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

had not been explained to him; however, he could not get a straight answer. The problem was not a major one, though, and it had been cured rather easily, so he let it pass. The last thing he wanted was to start any bad relationships.

Over the next two months Davis accomplished a lot. The people he worked with on the first floor seemed to be more than friendly once they got to know him. They were always willing to help and give their advice if needed. Jim and Allen became good friends. They played racquetball twice a week and often had lunch together. Allen, like Jim, had been hired away from another firm. Currently working on his master's degree, Allen had been with the bank for three years as the branch manager coordinator. In this role all eight branch managers reported directly to him. Through Allen, Jim met the bank's branch managers. Allen frequently talked about the managers and the problems he had with them. It seemed that Allen was having trouble exerting authority over these managers. Jim always listened but never advised. He always made it policy not to discuss business matters with friends. To him it was just not a good idea.

In January, Jim was promoted to business development manager; until that time the bank had no business development department. To keep up with the competition, it was decided by the board of directors that one should be established. Business development dealt with the sales of bank services to the general public as well as all types of businesses. Johnson told Davis that he would have to keep up with the Retirement Division also, since there was not enough money to employ another person just for this role. Jim's salary was increased, and he was given an office on the third floor (with the other bank executives).

Within a week Davis saw that he had too much work to handle himself and made a request for a part-time secretary. Johnson told him that he would look for someone, but in the meantime Jim could make use of the administrative personnel on the first floor. "All you have to do is call and they will be happy to help out," Johnson said. "After all, that's all they are there for." Jim decided that although he really didn't want to, he would make use of this benefit. The next day he called down to ask two clerks to come up for an hour to classify and file some applications. He was referred to the supervisor, who rather impolitely asked him why he couldn't do it himself. "After all," she said, "it is your job." Infuriated, Jim went directly to Mr. Johnson to ask him what was going on. Mr. Johnson told him not to worry about it; he would have two people for Jim within the hour. No one showed up that afternoon; however, the next morning two clerks were waiting for Jim when he came into the office. A week later he had a part-time secretary.

Davis spent the next three months organizing a handbook on bank policy and sales techniques to be distributed to the branch managers. Johnson had told him that it would be the branch managers' job to carry out the policies handed down from development. Although the managers had never actually involved themselves in the sale of bank services in the past, it was in their job description. Johnson told Jim that it should be no problem and that the branch managers would cooperate in any way they could. Jim decided to play it safe, though, and not jump headfirst into the situation.

He was playing racquetball with Allen the next evening, and although he didn't want to, he decided that he would ask Allen what he thought. After the game, Jim told Allen what was going on and what Mr. Johnson had said. Allen replied that although nothing had been said to him, he had heard something about it. "I don't know, Jim," Allen said slowly as he paused to take a sip of his drink. "You might have a little bit of a problem. You see, these branch managers have been here for a long time - Patty for 25 years. Out of the eight of them, only Ted Yurek has a college education; the rest have only been to high school. None of them have any sales skills, and somehow I don't think that they are going to like having to learn them. God. . . I have a hard time keeping them in line . . . and I'm their boss." Jim told Allen that he thought this could be the case and asked him if he thought a training session would help. Allen replied that he thought it would be a good idea, and if Jim wanted to, they would sit down and analyze each manager individually so the training session could be tailored to the group. Jim gladly accepted. Each of the branch managers was notified that selling bank services was to become a major portion of their job and that Jim would keep them up to date on all developments.

The initial training session was scheduled for July 15. On July 1, Jim and Allen held a short, informal meeting for the branch managers. They handed out the handbooks, went over the goals of the program, and asked if there were any questions.

Patty Mathews raised her hand and spoke. "What is the situation with expense accounts… like…suppose we have to take a client out to dinner?" Jim and Allen looked at each other in surprise. Jim knew that his department did not have the money, nor would the bank allow it even if he did. "At this point," Jim responded, "I see no reason to have expense accounts; the people you will be dealing with won't be of that type. If, however, we feel that a dinner is needed to help close a sale, come and see me and we can decide." "Well," said Patty, "I don't see why we can't have expense accounts. All the executives do!" Allen pointed out that the only expense accounts the executives had was for when they were away from the bank on business. All employees are entitled to this privilege, and anyone who had reason could use it. This remark was, however, ignored by Mrs. Mathews. There were no more questions, and the meeting was adjourned.

On July 15, all the managers were scheduled to go through the training session that Jim and Allen had designed. They were all informed that they could use their expense accounts to get to and from the meeting location and that the bank was providing lunch. Jim and Allen had decided in advance that if all went well they would take the group out for drinks afterward. The session was scheduled to begin at 9:00 A.M. By 8:45 A.M. everyone was there with the exception of Patty Mathews. When she had not shown up by 9:30 A.M. Jim called her branch office and was told that she had called in sick. The training session went as planned, and both Allen and Jim were very pleased with the results.

Jim, however, was undecided about what to do about Patty Mathews. He had a feeling that she was not really sick, but he could not prove it. Even if he could, though, she had been with the bank longer than any other manager. He did not want to get on her bad side, since she carried a lot of weight with the other managers. Still, he refused to allow this situation to go by without some form of reprimand. Jim decided to consult both Allen and Mr. Johnson before acting on this situation.

Exhibit 1
Hereford National Bank Organizational Chart (partial)