

an organizational behavior moment

It's Just a Matter of Timing

Teresa Alvarez ate dinner slowly and without enthusiasm. Mike, her husband of only a few months, had learned that Teresa's "blue funks" were usually caused by her job. He knew that it was best to let her work out the problem alone. He excused himself and went to watch TV. Teresa poked at her dinner, but the large knot in her stomach kept her from eating much.

She had been very excited when Vegas Brown had approached her about managing his small interior-decorating firm. At the time, she was a loan officer for a local bank and knew Vegas through his financial dealings with the bank. As Vegas explained to her, his biggest problem was in managing the firm's financial assets, mostly because the firm was undercapitalized. It was not a severe problem, he assured her. "Mostly," he had said, "it's a cash flow problem. We have to be sure that the customers pay their accounts in time to pay our creditors. With your experience, you should be able to ensure a timely cash flow."

Teresa thought this was a good opportunity to build her managerial skills, since she had never had full responsibility for a company. It also meant a substantial raise in salary. After exploring the opportunity with Mike, she accepted the job.

During her first week with Vegas, she discovered that the financial problems were much more severe than he had led her to believe. The firm's checking account was overdrawn by about \$40,000. There was a substantial list of creditors, mostly companies that sold furniture and carpeting to the firm on short-term credit. She was astonished that this financial position did not seem to bother Vegas.

"All you have to do, Teresa, is collect enough money each day to cover the checks we have written to our creditors. As you'll see, I'm the best sales rep in the business, so we have lots of

money coming in. It's just a matter of timing. With you here, we should turn this problem around in short order."

Teresa, despite her misgivings, put substantial effort into the new job. She worked late almost every day and began to realize that it was more than simple cash-flow timing. For example, if the carpet layers made an error or if the furniture came in damaged, the customer would refuse to pay. This would mean that the customer's complaint must be serviced. However, the carpet layers disliked correcting service complaints, and furniture reorders might take several weeks.

Thus, Teresa personally began to examine all customer orders at crucial points in the process. Eventually, this minimized problems with new orders, but there remained a large number of old orders still awaiting corrections.

Teresa also arranged a priority system for paying creditors that eased some financial pressures in the short run and that would allow old, noncritical debts to be repaid when old customer accounts were repaid. After six months, the day arrived when the checking account had a zero balance, which was substantial progress. A few weeks later, it actually had a \$9,000 positive balance. During all this time Teresa had made a point of concealing the financial status from Vegas. But with the \$9,000 positive balance, she felt elated and told Vegas.

Vegas was ecstatic, said she had done a remarkable job, and gave her an immediate raise. Then it was Teresa's turn to be ecstatic. She had turned a pressure-packed job into one of promise. The future looked exciting, and the financial pressures had developed into financial opportunities. But that was last week.

This morning Vegas came into Teresa's office and asked her to write him a check for \$30,000. Vegas said everything was

looking so good that he was buying a new home for his family (\$30,000 was the down payment). Teresa objected violently.

"But this will overdraw our account by \$21,000 again. I just got us out of one hole, and you want to put us back in. Either you delay the home purchase or I quit. I'm not going to go through all the late nights and all the pressure again because of some stupid personal decision you make. Can't you see what it means for the business to have money in the bank?"

"No, I can't!" Vegas said sternly. "I don't want to have money in the bank. It doesn't do me any good there. I'll just go out and keep selling our services, and the money will come in like always. You've proved to me that it's just a matter of timing. Quit if you

want, but I'm going to buy the house. It's still my company, and I'll do what I want."

Discussion Questions

1. What did Teresa learn?
2. Other than quitting, what can Teresa do to resolve the problem? What learning and perception factors should she consider as she analyzes the situation?
3. If you were an outside consultant to the firm, could you recommend solutions that might not occur to Teresa or Vegas? What would they be?