

Anecdotes of Would-be Experts

by

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For Garrett, Megan, Samantha, and Jordan

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Main Characters:

Cliff Jensen – is the President and CEO of Belvue Industrial Constructors, a multinational construction company. He also chairs a Board Committee that determines the value and advisability of any proposed endeavors of Belvue’s division heads.

Phil Potter – is one of Belvue’s regional Vice Presidents. He is located in the same offices with Les Payne and is Les’s immediate superior.

Les Payne – is one of Belvue’s Operational Managers. He is in charge of all operations of Belvue’s Midwest Division.

1

Phil's Folly

Phil told me to close the door as I walked into his office Monday morning. “How’s your estimate coming?” he asked as I sat down.

“Which estimate? We’re working on five right now.”

“The one for the PetroHi-G upgrader,” he said.

“Okay, I think, but it’s slow-going – the engineering is lousy!”

“That could be an advantage later,” he said, “lots of extras to pay for shortcomings, you know.” Phil’s sales background left a substantial gap in his understanding of production losses that usually occur due to disruptions by extras caused to the remainder of unfinished work. We’ve had these discussions before to no avail.

“It could also be detrimental,” I pointed out, “causing us plenty of unwanted disruptions and delays nobody’s willing to pay for.”

He looked at me for a few seconds and then said, “It’ll be part of a claim, Les, a legitimate claim! It’ll be up to our lawyers to collect on it. Not our fault if they don’t.” It was my turn to look at him for a few seconds. Everything in construction was simple for Phil, mainly because he didn’t understand it, or didn’t want to understand it. He just refused to acknowledge the complexities. His sales background, I guessed. “You know damn well we need this project to meet our budget forecast,” he added. I didn’t say anything – what’s the use?

Then I asked, “Is there anything else, Phil?”

“There is,” he said. “You’ve prepared a revised completion

forecast for head office on the transit project.” I nodded. “Your revised forecast lowered our estimated profit to zero.” I nodded again. “This makes things very awkward for me,” he said.

“Can’t be helped, Phil, the estimate was short in several areas. Even at zero percent profit, my forecast is optimistic.”

“Couldn’t you have postponed the bad news for a month, until after the year end?” he asked in an accusing tone.

“You know darn well that head office won’t tolerate such a delay, Phil. They’ll accuse me of withholding vital information. I hope you’ll remember Cliff’s warning at our last meeting.” Cliff is the president of the company, but instead of talking to Phil, his vice president for this region, he preferred to give me, his operations manager, a hard time. Probably, he excused Phil’s sales background.

“For Christ’s sake, Les,” he yelled, “how would they possibly know when you discovered the discrepancy?” I looked at him again for a while, although I knew he meant every word of what he was saying. He was my immediate superior, but head office still blamed me for tardy information, not him, and they had uncanny ways of finding out the truth. Besides, it was against my upbringing to deceive people.

“Are you ordering me to withhold this information from head office, Phil?” I immediately regretted this question. It implied that I would follow his orders even knowing that they were wrong and that head office would strongly disapprove.

“You know I’m not!” he yelled again, “I’m only suggesting you delay it for a while!”

“But I would have to turn in a deceiving, falsified forecast,” I said. “Our purchase records wouldn’t even support it, Phil.” He gave me another long, suspicious look, like the one you give a suspected traitor.

I finally asked, “Is that all, Phil?”

“That’s all,” he said quietly, giving me a sad look. I closed the door on my way out.

§

Later, Deb, his secretary, confided in me that Phil had changed my forecast before sending it off to head office. Even she was shocked – because the forecast was over my signature – although she was used to Phil’s methods by now. The profit margin was back to six percent. Nevertheless, he was too much of a coward to initial the changes he made, thus making it appear that I had made them.

Phil Potter and I didn’t always have a strained relationship. Two years earlier, when our revenue comfortably exceeded our budget forecast and most of our projects showed a tidy profit, he and I often went for a drink after work. Phil drank double martinis. Ordering fewer drinks gave the appearance that he drank less. I stuck to wine – preferably lower percentage white wines. Our discussions were seldom about personal issues. Phil liked to expand on his dreams of high revenues and profits. I helped him by passing on every rumor I came across of new and bigger mega-projects. Size never discouraged Phil. It only meant more supervision and a larger workforce.

There we sat, in a dark lounge, spinning bigger and better yarns with each new drink. The problem was, Phil remembered most of it the next day and got me working on the fulfillment of his dreams. This meant that I had to travel all over the country and convince construction owners and engineering companies of our ability to perform and the value to them to put us on their bid lists. Phil never took “no” for an answer. When I was unsuccessful convincing these people, he would visit them himself, and lie a little, if need be.

Of course, we didn’t make all grades, but our success ratio was high enough to satisfy Phil. I had no idea how we would build all the construction we were asked to bid on. But, often, our competitors came to my aid, bidding the projects too low to attract Phil’s desire to beat them. His craving for higher profits always got the better of him. We would then guzzle

some drinks again, expounding on the likelihood of one or another competitor going bankrupt.

In retrospect, these were not bad times. Bad times started when Phil made us cut costs – he wouldn't even hear of cutting profit, lecturing us that this would be the fastest way of going out of business. But we seldom realized the costs he convinced us to cut, especially as far as labor costs were concerned. I wondered, often, how Phil had acquired the knowledge about labor costs he tried to convey to us. There was no use arguing with him – he may not have always been right, but he was always the boss. So, we just sat there in awe, watching him do his thing. We took solace in the belief that he would take responsibility should his cost-cuts not work out. Wrong again! When labor costs, for example, ran over the budget, Phil would call in our supervisors and severely chastise them.

Afterwards, as we sat again in the lounge over drinks, he would speculate on the value of these failing supervisors. I reminded him that they may be trying the impossible, considering his cost chopping, but he would tolerate no excuses – they knew the amount of money they had available and should have the smarts to bring the costs in within the estimate. After all, wasn't he doing the same as far as his budget was concerned? I didn't mention to him that he established his own budgets and massaged the figures whenever they showed signs of weakness. He sighed. “No, believe me, Les, these supervisors don't have what it takes!”

I didn't have long to wait for head office to respond to my forecasts. Thursday morning, Deb stuck her head into my office and said, “Cliff Jensen's on line two for you, Les,” with a meaningful look in her eyes. I waited a full minute before picking up the receiver.

“Hello,” I said.

“Les? It's Cliff. How are you?”

“I'm fine. How about you, Cliff?”

“I’m fine, too. How’s it going?” – his first loaded question. Cliff is as sharp as a tack. I often wondered about that. He has a slight French accent. He told me once that his French mother insisted on his learning French before English when he was a boy.

“As well as can be expected under the circumstances,” I replied.

“What circumstances?” He shot back.

I knew I was getting deeper into the quagmire by the minute. “Well, we’re having difficulties with some of our projects. On one of them, we may even end up with a claim.” Normally, the word “claim” would sharpen all his senses. This time he ignored it.

“Which project gives you the most difficulties?” he asked.

I knew there was no way out of it now. If I didn’t tell him the truth now, he would know in a month that I had been lying. “The transit project,” I said.

“That’s strange!” he shot back. “I thought you had resolved your difficulties on that project.”

I wondered how far into our division his spy network reached. There was Jean-Luc, our controller, of course. Phil told me a few times that Jean-Luc is a head office spy. But Jean-Luc had his head buried in paperwork all day, and his ability to forecast the future by merely studying paper would be very limited. Everyone in the division gave him only information on a need-to-know basis. Rather than Jean-Luc, I had a suspicion that Deb wasn’t as loyal to Phil as he liked to believe.

“What gave you that idea?” I asked innocently.

“Your forecast,” he said. “First you brought the profit down to zero, then you struck out the figures and brought the profit back up to six percent.”

“I don’t remember doing that,” I said. “As far as I am concerned, the profit is still at zero.”

He was silent for a minute. “I’m coming out,” he said finally. “I have to go over next year’s budget with you and

Phil anyway.”

“It’s pretty close to Christmas, Cliff. When would you be coming?”

“You’re not taking holidays before Christmas?” It was more a statement than a question.

“No, no,” I said, “but you may find it hard to get a seat on a flight in this Christmas rush.”

“I’ll come early next week, he said. “I’ll let Phil know when, after I make the arrangements.”

“See you next week, then,” I said. “Have a good flight.”

“Yeah, thanks.” The line went dead.

I wasted no time seeing Phil to apprise him of my conversation with Cliff, and Cliff’s decision to come out the following week. Phil was unhappy. He had planned to get away early for Christmas.

The Christmas activities in the week before Christmas should have put me in a better mood. Instead, my mind was full of gloom and doom. I knew that when Cliff meets with us I would either cut my own throat or Phil’s – neither prospect was too appealing. I was still hoping that Cliff wouldn’t be able to get a flight out, but that would only delay the evil day.

I was late getting into the office on Monday. Cliff was already there, chatting with Phil. He had caught a flight out on the weekend.

“Make yourself available at ten o’clock,” said Phil, and closed his door.

I tried to keep myself busy, but my mind was in Phil’s office. I was imagining the things Phil might say to Cliff to gain favor. At ten, I took my coffee into the meeting room. Phil and Cliff were already spread out at the conference table, looking at graphs and spreadsheets – Phil’s proposed budget, no doubt.

Cliff looked up and said, “Sit down, Les. Sit down.” He talked to Phil for another two minutes and then turned to me.

“I need to straighten out your forecast for the transit

project,” he said. “You crossed out some figures without initialing them, and I need to know which figures are correct.”

I looked at my forecast sheet and said, “I did not cross out these figures; the crossed out figures are correct.”

He took the sheet from me, looked at it intensely, and said, “Who, then, crossed out these figures?” I had the strangest feeling he knew darn well who crossed out the figures but couldn’t admit it without revealing his source; he probably hoped that I would point the finger.

I said, “I don’t know, Cliff.” This was partially true, since my information was based on hearsay.

Cliff pretended to study the figures some more. Then he turned to Phil and me and said sternly, “Let’s get one thing straight: It is folly for anyone to try to deceive me. One way or another, the truth has a way of coming out. I won’t make a further issue of this, but if it happens again heads are going to roll. You two are responsible here, and it should be your concern who in this division alters the figures in your reports. You, Phil, are responsible for the yearly budgets, and you, Les, are responsible for the monthly cost forecasts. You two can get together to discuss each other’s reports, but you must reach a consensus if you wish to make any changes. Do I make myself clear?” He looked back and forth at each of us.

“Okay by me,” I said.

“Yes,” mumbled Phil.

“Good,” said Cliff. “Now let’s go over next year’s budget before we leave for the club to find out what’s on their menu for Christmas lunch.”

2

Phil's Auction Loss

My Saturdays were family days, but occasionally I went to the office for two or three hours to catch up on a hectic week. When I entered the office on this particular Saturday, Phil was brooding over a set of specifications.

I said, "Hello! You look busy."

He looked up and smiled – a good sign! He said, "I've just got an idea how we can land our budget revenue for the next three years." His normally pale complexion was slightly flushed – another good sign. He poked his nose into the specs again.

"Are you going to let me in on it?" I asked accusingly.

He looked up again and said, "Here, take a look for yourself," and handed me the specs.

I scanned the first two pages of the Instructions to Bidders section and said, "Too big for us, Phil; besides, the locals will get first crack at it, you know that!"

"No, they won't," he said. "We're pre-qualified by the owners, and that means, we're as good as the locals!"

I gave him a doubtful look. We were talking about six bid packages for the construction of grain terminals, all to be bid separately in succession, with an option to combine each new package with any number of packages bid previously.

"Even if we think we can handle this size of project, we're sure to have difficulties putting together an effective workforce. It's strange territory for us, and the local unions won't bend over backwards either to help us," I said.

"I'm not concerned about that," he replied. "We have ten good supervisors that we can send in to handle the workforce

for us.”

I thought about it for a minute. He was right in some respects, and I didn't want to throw more cold water on his enthusiasm. Besides, it was catching. I started to get excited. The project would certainly be the biggest challenge I've ever faced.

“How do you intend to handle the bidding?” I said. “It sounds like an auction to me, judging by the instructions to bidders.”

“It is, it is!” he exclaimed. “Don't you see what an advantage this presents us with?”

I must have been slightly on the dull side that morning, because I said, “Run me through the procedure, will you, please, Phil?”

“Well,” he said, “we'll bid the first tender package high, to find out where the competition sits, and to deceive them as to our real intent. They'll think we're not really interested. We'll also bid all subsequent tender packages high, but we'll reduce each combined package slightly – this is only logical because of some reduced costs – except the last bid combining all tender packages. We'll bid that one at our lowest possible markup. That way, we'll end up with the entire project – all six tender packages!” He smiled at me with a sly look on his face.

I was astonished. “You really mean that you're willing to gamble all or nothing, Phil?”

“Exactly,” he said.

“Think of the enormous costs involved, just to prepare the tenders and to make the required site visits,” I complained.

“It'll be worth it, Les,” he said, “I'm sure we'll end up with this project, according to my tender strategy.”

I sat silently for another minute. “Phil,” I said finally, “I have bad experience playing games with combined packages. I was always more successful bidding my lowest price for each tender package. Sure, I may not end up with all of them, but I'm certain to end up with one or two.”

“That’s just it, Les,” he said, “Your competitors will have had the same experience and will bid their best price for each package.” He gave me another sly smile. “Don’t you see? We’ll know exactly where they sit on all but the last package, and we’ll be able to put together one final combination for all tender packages based on that knowledge!” He grinned at me as if he’d just figured out how to commit the perfect crime.

During the next few months, I was unbelievably busy. We utilized seven estimators to work on the various disciplines. Phil even insisted that our supervisors familiarize themselves with the project – he was that sure of landing it. Of course, he left all the organizational and instructional tasks, and the various mandatory site visits, up to me. In the meantime, he sat behind his desk and worked out future budgets based on having this project. Each time we closed another tender package, I reminded him of the benefit of landing just one or two of these. He was not interested. “We’ll get them all!” he assured me.

But I could not shake my ominous feeling. I knew some of our competitors – smart fellows, all of them – they had surely figured out by now what our game might be. Each time a new tender package closed, we submitted a new combined price for all packages bid, and this combined price came closer and closer to the sum of the various bidders’ low tender prices. When I mentioned my concerns to Phil, he just laughed and said, “It doesn’t matter, Les. Not one of them is in a position to bid a lot price for all six tender packages! The owners have really played into our hands with this bidding procedure.”

He was very logical, and I could not think of any arguments to counter him. So, I continued to have our crews work on these tender packages as diligently as possible. Each time I attended a tender opening, I kept track of all bids and any alternate proposals. After five tender packages were bid, there were five different contractors with low package prices. Alarmingly, the sum of their low bids was already lower than

our estimated cost. I couldn't see how Phil would possibly arrive at a lower price for our combined package. I showed Phil my figures after the fifth tender package closed, and he frowned for the first time. Then he told me, "The last tender package includes most of the instrumentation; this gives us a decided advantage." However, so far, we were not low bidder on any of the tender packages – not even on any of our combined prices for tender packages.

Our estimators were well into the last tender package when Phil received a registered letter from the owners' prime consultant:

We regret to have to inform you that due to pressure from local contractors to spread the work as widely as possible, the owners have decided against accepting tenders for combined tender packages and will award contracts based on the low tender for each tender package. We are sorry for any inconvenience this may have caused you.

Phil called me on the intercom and requested my presence in his office straight away. He pushed the letter across his desk as I sat down.

I had barely scanned it as he shouted, "They can't do this! We based our whole bidding strategy on their original Instructions to Bidders! We'll sue!"

I had never seen him so livid – his normally pale face was actually red – as his eyes threw daggers at me, as if I were responsible.

I decided against an immediate response. After a few moments, I said, "Suing them is a waste of time and money. The specs make it very clear that they don't have to accept the lowest or any tender."

"That's not the point!" he shouted. "They have deceived us and have caused us a lot of extra work for nothing!"

I could not reason with him in his present state of mind, so I suggested that we discuss our next move over a drink after

work. It took two double martinis for him to calm down a little. I decided, now is the time.

“Phil, you said yourself that we have a big advantage on the last tender package,” I said, gently. “So, let’s submit our best price for this package and be satisfied with it. After all, it is the largest package of the lot.”

“No way!” he said, “I don’t deal with deceitful people! Tomorrow, we’ll roll up the drawings and return them!”

“You mean you’re going to lose your last chance to get a package of this project – the best package of this project?”

“You got that right!” he said. And that was his last word on this subject.

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