

**Analysis of an Organizational Process:
Banking Procedures within Feds Student Clubs**

MSCI 311

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1 Description of the Process

1.1 Background

The Federation of Students (FEDS), a student-run organization at the University of Waterloo, exists to provide students with a community that encourages both “learning and personal fulfillment”. The organization is key in “providing diverse and numerable opportunities on campus for pleasurable and meaningful life experiences”. Its mission statement is “To Serve, Empower and Represent the Undergraduate Students of the University of Waterloo”. [1]

FEDS provides various student-oriented services in and around the University. A few examples are the *Campus Response Team* which provides first-aid and CPR services at campus events, a *Food Bank* which provides free groceries to financially under-privileged students, and the *Womyn’s Center* which strives to bring a safe and supportive environment to the large women population on campus. In addition, FEDS runs services such as *Feds Bus* for economical bus services for students living around the GTA region. The organization also manages its various businesses located on campus like the *Used Bookstore*, the bar *Bombshelter*, and an activity centre *Fed Hall*.

Most importantly, FEDS is the governing body for all student-run recreational clubs, all of which fall under the umbrella name of *FEDS Clubs*. A club can be started by any student registered at the university if he/she feels the need to do so. Each FEDS club can be considered a branch of the FEDS organization. All of these branches require funds from its parent organization to run their respective operations. As obvious as the process of disbursing these necessary funds to each club may sound, in reality it is a very formal and organized process which exhibits a number of elements of organizational bureaucracy. It thus seems ideal to discuss an organizational process that not only takes place within the University setting itself, but also closely follows ideas and concepts presented in this course.

1.2 Research Methodology

The two main participants in the above mentioned process are a) the FEDS organization (the starting point) and b) the FEDS clubs (the end point). In order to gain more knowledge of the financial process, we involved key players from these two participants. We decided to present facts from both sides in order to get a complete picture and point out any flaws noticed within the system. For this field assignment, two people belonging to two different FEDS clubs were surveyed by means of an online questionnaire, and two people from the FEDS organization were interviewed in person. Other sources of information were also used namely the FEDS website as well as the *Imprint* student newspaper.

1.3 Roles and Departments

The first person we interviewed, VP Administration & Finance of FEDS, oversees all financial aspects of the organization. This pertains mostly to the annual budget and everyday business operations. Other responsibilities, apart from aiding on-campus student groups with budgeting, include ensuring that all employees are properly trained. The VP detailed to us all formal organizational procedures that must be followed before starting a club, and the minimum funding provided to each club.

The next person interviewed was Vice President of Internal Affairs (VPI). The VPI implements non-academic awareness campaigns, supervises the Feds services, manages volunteers, supervises the Clubs Director, and administers the Student Life Endowment Fund. The VPI detailed to us, during the brief interview we had with him, the procedures a club must follow in order to obtain funding for organizing club events with comparatively large budgets. More importantly, he explained the banking system all clubs needed to adhere to. In this system, a particular club can collect money from its members and use FEDS as a bank to deposit

the collected money for future use to coordinate club-related events.

2 Behavioural Analysis and Diagnosis

2.1 Process Work-flow

The formal procedures involved in starting a club, being assigned funds, and policies with respect to banking, etc. are explained in detail below.

Let us consider a scenario in which a group—consisting of at least six people—wish to start a club. In order to do so, they are required to submit a club package which consists of various forms the executive members of the club have to fill out for the club to become active. A full list of procedures to become an active club is listed on the FEDS website. [2]

Each club, regardless of the nature of the club or the number of members, is assigned a fixed sum of 50 dollars for its expenses each term the club is in operation. Club executives may also collect money from members which they can store in a FEDS-provided bank account. The stored money is only reimbursed if it has been used for a club-related event or activity and is subject to approval of at least two Feds executives.

Let us discuss a scenario where a club spends more than 50 dollars on an event, say 400 dollars for example. Usually, the club president will spend 400 dollars from his pocket and file for reimbursement after the event. He/she should then fill out a paper application rationalizing the organization of the event and attach all appropriate receipts and documentation for reimbursement. The application is finally sent to the VP Internal for approval. He/she decides if the organized event and associated incurred expenses fall within the regulations specified by FEDS. Once approved, the receipts are passed over to the accounting department which reimburses the money in the form of checks which is picked up by a club exec or trustee

from the FEDS office. The availability of checks after filing the application varies from one to two weeks.

Now let us discuss a scenario where a club needs 4000 dollars to organize its annual event instead of the 400 dollars discussed above. As is obvious enough, the money collected and deposited in the club's FEDS bank account will not be sufficient for organizing such an event. Hence for events like these, there exists a special fund called the "Internal Fund" managed solely by the VP Internal. The fund has an annual budget of 21,000–22,000 dollars and hence is usually sufficient for organizing such large-scale events for its various clubs. One must file an application well in advance—usually a month in advance—to be ensured funding on time. An applicant must fill out a proposal explaining in detail the rationale for their event along with an anticipated budget. Usually, the organizers also rationalize their event, by means of a presentation, to the VP Internal. Once approved, the request for cash is forwarded to the finance department who take as long as three weeks to process and release the funds.

All of the above processes seem to be intuitive enough. After confirming this with the interviewees, we find that these procedures have worked the same way for a very long time. It is therefore not clear if the current process is a result of faulty design, organizational bureaucracy, or both.

Although the involved processes are fairly complicated, it is impossible to design the process to suit everyone. Because FEDS executive members are students themselves who are subjected to their own workload, this puts a lot of strain on them. Hence, designing a process which crops the financial system to perfection will take a lot of time and resources, both of which are lacking at the moment.

2.2 Analysis

The minimalistic definition of an organization is “a set of constraints with a corresponding pattern of behaviour.” With this definition in mind, we may proceed to identify the various constraints operating on the organization in question, FEDS, and the various patterns of behaviour emerging as a consequence of these constraints in effect. These patterns of behaviour are, of course, an artifact of the units, policies and procedures followed within the organization.

Although the current process achieves its intended goal of disbursing money to its various clubs, it does so in a very prolonged and inefficient manner. The number of departments involved in the process cause the flow to slow down and require more time than it should for completion. Thus, even though the current process works, there is a lot of room for a more stream-lined process that would take a shorter amount of time to obtain funds. This will make it easier for the “clients” of the organization, that is, the executives who run clubs and organize events and activities.

The greatest problem with the current financial process is the amount of time and paperwork it takes to get club money reimbursed. Part of this delay is in the number of departments that are responsible for processing forms, application and reimbursement requests. In our particular process, all requests for reimbursement need to be approved by at least two FEDS executives, after which the receipts are passed over to the accounting department. The checks are then written out which then need to be picked up by club executives and deposited in their own bank account. This delay causes club owners to manage their own money by appointment of a treasurer.

The second problem in terms of inefficiency is the amount of paperwork that needs to be processed before an event gets approved. From the questionnaires conducted of two FEDS

clubs, it is evident that the amount of paperwork required to be completed in order to obtain deposited money is more than necessary. This is especially true for organizations that organize a lot of activities or events throughout the term. Most of the information on the forms is redundant as it is club-specific information, not event-specific.

Time is a bigger constraint acting on the various members of the organization. As members are university students themselves and are acting in accord with their own personal agendas, things do not get done as quickly as they can be. This often leads to delays in processing which could be avoided if the departments processed applications on a day-to-day basis.

The second constraint is the detailed accounting documentation that is required to be kept for each expense. This might be in part because of tax (legal) reasons and in part because of the code specified by the University. The FEDS, after all, is still a sub-unit within a much larger organization that is the University. There is thus an incongruence between the immediate operative goals of FEDS versus long-term, higher-level official organizational goals within the context of the University.

The third constraint is observed when clubs organize a medium-expenditure event. In this case, the club executives are required to arrange all expenses from their own pockets which will not be reimbursed by Feds until after a minimum of two weeks due to all the paperwork and approval requirements. The associated pattern of behaviour that is observed is that clubs are hesitant to set up events that are truly beneficial to the club. This was evident in both responses to the questionnaires presented.

In waiting for a particular event to be approved, both the VP Internal as well as VP Finance have authority to sign an event form. However, they do not have authority to issue checks as this is done by the accounting department. So although the VP Internal has a responsibility to ensure that all clubs receive appropriate funding to organize and execute their desired events, he/she does not have authority to provide this money directly from the checking

account associated with each club or from the internal fund. We therefore see a role conflict between authority and responsibility (authority \neq responsibility) that could potentially be labeled as a dysfunctional consequence of bureaucracy.

In considering technology as a means of affecting the behaviour of the people involved, one can also consider the *absence* of technology as a means of affecting the behaviour of the people involved. For example, having a web-based system with a database back-end will require clubs execs to input club-specific information only once. Because applications and forms are currently managed via paper, the organization has to physically transfer these forms from one department to the other. If this physical transfer is not done on a periodic basis, the whole process may be slowed down. Technology eliminates the delay between intermediary steps that lead to the final goal of getting the expense approved. The effect of technology on organizational behaviour will be considered in greater detail in Section 3.1.

3 Recommendations, Risks and Limitations

Each of the following recommendations address one, two, or all of the constraints mentioned above in the analysis (Section 2.2). Instead of redesigning a new process from scratch which could be prone to unforeseen errors, we have decided to *modify* the existing system to suit current requirements.

3.1 Recommendations

The first recommendation deals with the constraint associated with clubs owners where executives are required by FEDS to first manage their expenses from their own pockets, and then present all expenditure documentation to FEDS to have their money reimbursed. Although

this procedure only applies to medium-sized events, the negative aspect is that there is no hundred-percent guarantee that the clubs' rationale for organizing their event, and hence any reimbursement, will be approved by FEDS. Consequently, we might be seeing fewer organized events, be they educational or recreational. The following suggested recommendation with regards to funding procedure for medium-sized events allows for more flexibility within the system.

First, the club executive presents an anticipated budget proposal to FEDS which accompanies a reason for organizing the event. FEDS then processes this proposal as quickly as possible as this is only an anticipated budget, not an actual budget, the verification of which according to the current model takes a lot of time. The required funding, say 200 dollars, is then disbursed by the accounting department.

We say "anticipated" budget since most medium-sized events—a seminar from a guest speaker from an outside university for instance—often entertain an unexpected number of participants, after which the expense goes beyond what was initially planned for. Let's suppose an additional cost of 100 dollars is incurred. This implies a disturbance *variety* in the system. FEDS can deal with this variety by requiring clubs to present receipts to claim any unanticipated costs.

Furthermore, all clubs will be required to provide proof of expense at the end of the event, after which any remaining amount will be returned to FEDS. If a club is unable to produce proof, FEDS will proceed to flag the club and possibly terminate the club if a similar situation is encountered again. There might, of course, be a case for a which receipt is simply not available for the associated expense. For example, a guest professor invited to the University for a talk may not be willing to sign a receipt for tax reasons. In such cases, alternate forms of proof, such as a video recording of the talk, must be presented.

The suggested model above is in accordance with Ashby's Law of Requisite Variety: As the

system is made more flexible to tackle all the various disturbances within the environment, more response variety is created internally.

The above model further relates to the concept of task differentiation and integration: As the funding process is divided (differentiated) into smaller, simpler tasks, it becomes more-and-more difficult to put together all related pieces of information that complete the task.

The second recommendation deals with technology, in particular, Internet technology for speedy communication within departments. *Information management systems* (IMS) have the potential to reduce the needed amount of paperwork and the time spent filling out forms. This recommendation of course assumes that all concerned parties are knowledgeable with the operation of the IMS.

Very little, if anything, can be done to address the third constrained mentioned above in Section 2.2 related to keeping detailed accounting documentation. Lifting this requirement is far beyond FEDS' sphere of influence.

3.2 Risks and Limitations

It is of course not possible to address all the different varieties that FEDS, as an organization, may encounter. Hence, if a club is terminated due to the above mentioned reason, it may give rise to so-called “conflicts” or “exceptions” (unexpected behaviour) within the system. This would be the case when a club is not able to produce convincing documentation about all expenses associated with an event.

4 Conclusions

We thus conclude by saying that although there is absolutely nothing wrong with the current process, there is a great deal to be earned by optimizing the process and rendering it more flexible. The rigidity in the pattern of observed behaviour with the way things are working currently can be understood from Merton's model where written policies and rules define a minimum standard to be followed despite how much inflexibility they bring into the system. Inefficiency can be greatly reduced by creating a more organic structure within FEDS.

References

- [1] “About the Federation of Students.” <http://www.feds.ca/about>.
- [2] “Feds Clubs — Starting a Club.” <http://www.feds.ca/clubs>.
- [3] “Waterloo Student Newspaper.” *mprint*. <http://www.imprint.uwaterloo.ca/>.