

Call number: 01-79-10 PT. 2

Name and place: Foster Diebold, UA President, interviewed by Paul McCarthy.

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Series:

Foster Diebold continues his interview by saying that the problems of the university were obvious.

Paul McCarthy asks what Diebold saw his role to be in the process, and relates that he came in in the first part of 1976 and that Hiatt was in serious trouble with the cash flow problem. Diebold tells that Hiatt was asked to step down although the cash flow problem went back to a failure to change from one computer system to another. At that point, university's credibility was as low as it could be.

Diebold saw his own role to be to step out of the executive secretary's role as quickly as possible and become a member of the management team in the central office. He thought he had good training and experience in management and he thought that he'd be most valuable in those roles.

2:17 If he couldn't have done that, he would have probably left, because there was a limited amount of time to solve the problems at the university from the position of the executive secretary to the board. Diebold realized that his position was ill-conceived.

At that time, UA's problems hadn't been public, and it wasn't until late 1976 and 1977 when the problems started going public in news media and other publications.

Paul says that it seemed like a painful decision from the board to ask Hiatt to step down and wonders why it was so. Diebold says that there were 4 or 5 distinctive incidents that came together at that time: Brian Brandine [sp?] was president of the board but he was stepping down and Bud [Hugh] Fate assumed the presidency.

Brian Brandine was out in Hawaii at the time. Hollinger and Miller were rumored to resign, and it was a strange time.

5:59 Diedbold points out that cash flow problems don't develop on Monday morning, but they had escalated slowly over time.

What brought the issues public was that Bob Hiatt went to Juneau to seek for a loan to catch up with the cash flow problem and he didn't formally tell the board about the problem but just went to Juneau. It was a bad decision in Alaska where one couldn't be able to keep a secret even if one's life depended on it.

The first time when Hiatt was trying to explain the problem to the board was on that very meeting in Anchorage, and that was the meeting in which he resigned. Explanations were given by Bob and then he resigned, using the words "stepping down as president." The board used the words "resignation," so when Hiatt emerged a few weeks later, still being an employee, he almost wasn't allowed to have his retirement but that was against the law. There was a great deal of resentment which was the press's fault. They had made a mistake: Hiatt hadn't resigned from university but from presidency, and he resumed being a professor.

8:16 Another thing to recognize was that people didn't understand the difference between a cash flow problem and a deficit and thought the University was spending money they didn't have, which wasn't the case.

The cash flow problems were used to ask Hiatt to step down, but his credibility problems predated Diebold's arrival. There had already been discussions about it in 1976.

Paul asks if the Anchorage meeting was the first one in which the full magnitude of the problem were discussed. Diebold says that that was the first formal meeting with all members of the board. Bob had communications with a couple of members of the board and Diedbold thinks that that was foolish because one should talk with the full board, taking this as another example of bad management. Diedbold talks about how he communicated with the whole board.

11:16 [Paul says something unclear.] Another man's voice mentions a Tuesday night meeting that resulted in reassignment of 4 university officers: Gruening, Hiatt, Scott and Westman, and asks if that was because the board asked Hiatt to

resign although they seem unrelated to the problem. Diedbold says that one thing in large public or private organizations is that when a major problem hits, everyone tries to cash out old debts using the crisis as a reason. Some of the personnel moves didn't relate to fiscal problems.

13:21 Tom Gruening is a good house counsel who gave good information and he also gave good advice on lawsuits against the university. That isn't widely known, because the ones that people come familiar with are the ones who appear on papers for mishaps.

One doesn't have to be "the biggest observer" to realize that Gruening is a very strange person in manners, dress, and in ways in which he conducts his personal affairs. He has very little to do with his peers and he wears informal clothes. The first time when he came to Diebold's house for a social, he had suit and shirt and a tie and Diedbold was "devastated."

As is often the case, lots of people don't like strange ones, and many people on the board didn't like Gruening. There was pressure on the board when Hiatt left and Chuck Ferguson was elected as the interim president. He was a comic relief because he was the only one who didn't know the position was interim.

15:48 Ferguson was to get rid of Gruening and that wasn't a uniform board pressure but stemming from one person whom Diebold will not name. Ferguson succumbed to that pressure, which was a mistake because once one does that, one is finished [because] one has to deal with the board as a block.

Ferguson set the stage for the reassignment of Gruening, which happened 5 months after Ferguson was gone and Hiatt came in. Ferguson also had lots of pressure involving Hilliard. They were always very close friends and there was no way Ferguson would have done anything with Hilliard. He was trying to elude people from the fact that he did nothing.

Scott was Ferguson's personal vendetta and he didn't have faith in Scott. There were always a couple of people who didn't like his style but the board was satisfied with him. Diebold tells that he also thought of Scott as a capable person.

18:15 In personnel management, the proper technique in personnel actions is to handle them as a unit, one personnel action at a time, with the exception of

someone block approving someone's employment. Negative actions are done one by one.

Diebold doesn't know if Ferguson consciously or unconsciously went before the board and gave a recommendation to remove Scott and Westman. There had been a feeling to let Maurice Arth go, and Ferguson listed Scott, Westman and Arth. Board wanted to see Arth go and also elected to let Scott go, which was briefly explained by Ferguson by Scott not doing his job. Everybody wanted Arth to go on the other hand. Westman had had cancer and there were questions whether he was getting the right kind of supervision.

21:04 When Neil Humphrey replaced Ferguson, the debt collectors came out again, as well as when the other men were replaced.

Paul says that Gruening was a senior employee at the central office. Diebold says he's the second most longest term employee there. As far as chancellors are concerned, Howard Collar would be the senior chancellor and in the other office staff seniority would be with Gruening and Diebold himself. Diebold has appointed most of the office staff himself and reassigned and then recaptured Gruening.

22:55 Paul wonders what happened with Arth and says that many people were offended by his views of Alaska. Diebold tells that it started from beginning when Maurice Arth came to town.

Diebold says that he found Arth one of the most repulsive people he has ever come in contact with, and not only because of the telephone incident. Diebold explains the telephone incident: Maury Arth was living next door to Diebold on campus and he had a telephone hook-up that listened to Diebold's phone. He was stupid enough to pass on information to other people who told Diebold about it. There is also proof of Arth's activities.

25:00 Arth had his daughters involved in listening and taking notes on Diebold's conversations too. He was a plutocrat who viewed himself as a sophisticated individual who had stepped down in class by coming to Alaska. This attitude was obvious to other people and they didn't like him much. Arth lasted about 9 months.

Diedbold continues that Ferguson “served Arth’s carcass to the board” as one of his recommendations of non-renewal of contract, but Ferguson doubled the relocation expenses for Arth who went to Cleveland.

26:55 Discussion about electing Ferguson to be the interim president. Diebold tells that there were 2 members of the board who asked him to ask Howard Cutler in having a temporary assignment as president. They were embarrassed that nobody had asked because Howard had senior status. It wasn’t a serious request because they knew that Cutler didn’t want the presidency.

The board didn’t do anything to look for a new president and they succumbed to pressure from Mildred Banfield from Juneau that the only logical choice for interim president was Ferguson. They weren’t too comfortable with that, but they were desperate.

The desperate situation was formed when the board was not prepared to replace Hiatt although they were planning on announcing that he is going to step down all along – he just beat them to it. Bob Hiatt was smart to return to Fairbanks and write a release and beat the board to it.

29:20 The board was forced to have a quick meeting to discuss a replacement and to best of Diebold’s knowledge, there weren’t considerations beyond Ferguson.

[End of the recording.]