

8.1: You've Got Mail...and You're Fired! The Case of RadioShack

No one likes to receive bad news, and few like to give it. In what is heralded as one of the biggest human resources blunders of 2006, one company found a way around the discomfort of firing someone face-to-face. A total of 400 employees at the Fort Worth, Texas, headquarters of RadioShack Corporation (NYSE: RSH) got the ultimate e-mail message early one Tuesday morning. The message simply said, “The work force reduction notification is currently in progress. Unfortunately, your position is one that has been eliminated.” Company officials argued that using electronic notification was faster and allowed more privacy than breaking the news in person, and additionally, those employees who were laid off received generous severance packages. Organizational consultant Ken Siegel disagrees, proclaiming, “The bottom line is this: To almost everyone who observes or reads this, it represents a stupefying new low in the annals of management practice.” It’s unclear what, if any, the long-term effect will be for RadioShack.



Figure 8.1.1: Wikimedia Commons – public domain.

It isn’t just RadioShack that finds it challenging to deal with letting employees go. Terminating employees can be a painful job for many managers. The communication that takes place requires careful preparation and substantial levels of skill. *BusinessWeek* ethics columnist Bruce Weinstein suggests that anyone who is involved with communicating with downsized employees has an ethical responsibility to do it correctly, which includes doing it in person, doing it privately, giving the person your full attention, being honest but sensitive, and not rushing the person. Some organizations outsource the job of letting someone go to “terminators” who handle this difficult task for them. In fact, *Up in the Air*, the 2009 movie starring George Clooney that was nominated for six Oscars, chronicles changes at a workforce reduction firm and highlights many of these issues.

Downsizing has been referred to using many euphemisms (language that softens the sound of the word) for termination. Here are just a few ways to say you’re about to lose your job without saying you’ve been fired:

- Career alternative enhancement program
- Career-change opportunity
- Dehiring staff
- Derecruiting resources
- Downsizing employment
- Employee reduction activities
- Implementing a skills mix adjustment
- Negative employee retention
- Optimizing outplacement potential
- Rectification of a workforce imbalance
- Redundancy elimination
- Right-sizing employment
- Vocation relocation policy

Regardless of how it’s done or what it’s called, is downsizing effective for organizations? Jeffrey Pfeffer, a faculty member at Stanford and best-selling author, argues no:

“Contrary to popular belief, companies that announce layoffs do not enjoy higher stock prices than peers—either immediately or over time. A study of 141 layoff announcements between 1979 and 1997 found negative stock returns to companies announcing layoffs, with larger and permanent layoffs leading to greater negative effects. An examination of 1,445 downsizing announcements between 1990 and 1998 also reported that downsizing had a negative effect on stock-market returns, and the negative effects were larger the greater the extent of the downsizing. Yet another study comparing 300 layoff announcements in the United States and 73 in Japan found that in both countries, there were negative abnormal shareholder returns following the announcement.”

He further notes that evidence doesn't support the idea that layoffs increase individual company productivity either: “A study of productivity changes between 1977 and 1987 in more than 140,000 U.S. companies using Census of Manufacturers data found that companies that enjoyed the greatest increases in productivity were just as likely to have added workers as they were to have downsized.”

Based on information from Joyce, A. (2006, September 10). Fired via e-mail, and other tales of poor exits. *Washington Post*, p. F1. Retrieved July 1, 2008, from www.washingtonpost.com/wp-dyn...090900103.html; Hollon, J. (2006, September 11). You've been deleted: Firing by e-mail. *Workforce Management*, p. 42; Pfeffer, J. (2010, February 5). The case against layoffs. *Newsweek*. Retrieved April 5, 2010, from www.newsweek.com/id/233131; Weinstein, B. (2008, September 12). Downsizing 101: Charged with giving the bad news? Here are your ethical responsibilities. *BusinessWeek*. Retrieved April 5, 2010, from http://www.businessweek.com/managing/content/sep2008/ca20080912_135498.htm?campaign_id=rss_null.

Discussion Questions

1. What communication barriers did RadioShack likely experience as a result of terminating employees via mass e-mail?
2. What do you think RadioShack's underlying motivation was in using this form of communication?
3. What suggestions for the future would you give RadioShack when faced with the need to dismiss a large number of employees?
4. How has technology enhanced our ability to communicate effectively? In what ways has it hindered our ability to communicate effectively?
5. What ethical challenges and concerns do you think individuals involved in downsizing have?

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