

## LAYOFFS

### I

Tony Furillo was looking forward to the afternoon to finish his Christmas shopping. It was the day before Christmas, and he had to work to finish up a last minute task. The 15 workers he supervised began their Christmas break the day before. They would not be returning until after New Year's. Just as Tony was finishing his task, Arnold Raskin, Vice-President of Manufacturing approached Tony.

"Tony, I know this is really bad timing, but it has to be done," Arnold began. "I've just come from an executive meeting. We have to lay off some people early next year. I'm afraid the ax has come down on your unit. By the end of January everyone will have to be laid off. We'll have to transfer you to another division. I want you to let them know as soon as possible--this afternoon."

Tony sat glumly at his desk for several minutes, pondering what to do. He thought, "If it were me, I sure wouldn't want my Christmas spoiled. Maybe I should wait until the day after Christmas to call everyone. I don't want to be a Scrooge."

Would it be all right for Tony to delay notification until the day after Christmas?

### II

Tony decides to wait until after Christmas to inform the workers that they will be laid off. However, unknown to Tony, Arnold attends the same church as Ralph, one of the workers to be laid off. Arnold and Ralph do not regularly attend church, but both attend the Christmas Eve service. Arnold makes a special point of talking with Ralph and expressing his regret at the layoff. From the shocked look on Ralph's face, it is obvious to Arnold that Tony has said nothing to Ralph.

Later that evening Tony's phone rings. "I thought I told you to notify your workers this afternoon!" Arnold angrily begins. "I was really embarrassed at church tonight when I told Ralph how sorry I was."

How should Tony respond?

### III

Like Tony, Shirley Vandermere had some last minute Christmas decisions to make. Shirley, of course, was unaware that she was about to be laid off. This was the last day to decide whether to go ahead with the surprise European trip with her husband. Although the trip was not until February, reservations had to be secured before 5:00 pm today. What worried her was that the \$500 required deposit was non-refundable. She wanted to be sure her husband would be pleased her idea, but she also wanted it to be a surprise. Finally, at 4:30 she got in her car and made a quick trip to the travel agency. She was sure Greg would be pleased. So, she wrote out a \$500 check.

How might she react when learning that Tony deliberately delayed until after Christmas to inform workers about the layoffs?

[Prepared with James Jaksa.]

## COMMENTARIES

### W. Gale Cutler

The significant point about which this case revolves is "credibility." If management is to be credible (trustworthy, believable) in the eyes of its employees communications to employees must be open, prompt and honest. A supervisor (in this case, Tony) has the responsibility of communicating to his workers. This communication usually involves passing on information that has been communicated to the supervisor from upper levels of management. It is a part of Tony's job to carry out this communication process and to do so in such a manner that he preserves his credibility and that of the management to which he reports. This responsibility for communicating promptly to the workers supervised is a part of the maintenance of the supervisor's credibility and this communication responsibility is not relieved just because the news is bad!

One can infer from Tony's handling of his communication responsibility by delaying the delivery of bad news that he would have functioned differently had the news been good. Had Arnold asked that Tony inform all the people he supervised that they would get a surprise Christmas bonus, you can imagine Tony would have communicated this news promptly and efficiently. Some supervisors fall easily into the trap of only passing on good news and/or favorable comments. Of course, in so doing, they are undermining their own credibility when the worker finds out through other channels that some information has been withheld.

In the Tony-Ralph-Arnold situation Tony has damaged his reputation and credibility with both Arnold and Ralph. Arnold has every right to be angry and disillusioned with Tony for failing to carry out his responsibility as a supervisor. Although Tony may feel that he was right to wait until after Christmas to deliver bad news to Ralph, in doing so he has caused Ralph to lose any faith he had in the credibility of his supervisor.

Shirley, too, will not only suffer a financial loss but will be reluctant to trust the next supervisor for which she works.

An excellent organizational climate exists when confidence and trust prevail throughout an organization. Management has trust in the employees and the employees have trust in management. In such an organization whenever management presents something in words, either orally or in writing, this communication is perceived by the employees as being true. If the actions of managers are consistent with their words, managers have considerable credibility in the eyes of the employees. Confidence and trust are an outcome of authenticity. Tony's single act of delaying the communication of the "before Christmas layoff" has dealt a serious blow to the confidence and trust the employees have in management in his organization.

The workers Tony supervises will be reluctant to trust him as a communicator and supervisor in the future. Upper management, too, will have lost its trust in Tony's competence as a supervisor and may very well be justified in relieving him of supervisory duties.

### Joseph Ellin

#### I

Tony is told to lay off his entire unit the afternoon before Christmas. What a mess. Naturally he's unhappy with what he's been told to do, but he fails to contest the order. He might talk to VP Arnold again and try to get him to change his mind. Arnold has not given Tony any reason for the rush; Tony has a right to know why the layoffs

have to be made in such haste. If Arnold's reason is inadequate, or if Arnold tells Tony he doesn't know the reason and doesn't care to know, Tony is within his rights in delaying, and in telling Arnold he won't do it until someone explains to him why it's necessary, although to do so would risk insubordination. If Arnold has a good reason, Tony has little choice but to carry out the order.

## II

What Tony decides to do is disobey Arnold's order without telling Arnold and without finding out what's behind the fast move, and naturally fate is such that things instantly go wrong. Arnold, who finds out about Tony's insubordination through a chance encounter which is also embarrassing to Arnold, is understandably irate at Tony, and Tony had better apologize and hope for the best. He can only make things worse for himself by trying to make excuses. He might ask himself why he didn't tell Arnold that he wouldn't deliver the lay-off notices? Is he afraid or disrespectful of Arnold? Is he unsure that his action is correct? Tony's action behind Arnold's back may be a sign that something is very wrong in their relationship.

## III

Now things get worse and worse. Even the victims suffer from Tony's attempt to be Mr. Nice Guy, as Shirley spends big money assuming she still has a job. The moral is that the sooner people receive bad news, the better: attempts to spare them grief may backfire since people make plans based on what they think they know. However you can't blame Tony for not being able to foresee every possible outcome. If he's entitled to use his discretion at all (which is questionable), then he's entitled to act on what is reasonably going to be best for most of the people affected. He's probably right that most would not want their Christmas spoiled by a layoff notice; but there's no guarantee that everyone will be pleased by the delay.

## Carl O. Hilgarth

### I

Under no circumstances should notification of a layoff be delayed or withheld. Layoffs are never pleasant. There is no gentle way to announce them. The timing their announcement is never right. While the layoff will dampen the holiday, waiting until the day after Christmas to call the affected employees so not to ruin their holiday is absolutely stupid. Consider the impact if they learn about the layoff second hand. It's better to have a tempered holiday with the knowledge of the layoff having been received first hand.

Tony should contact the affected employees as the vicepresident instructed and give the bad news personally. While he has the whole afternoon to contact them, he should do it as quickly as possible since some employees may be leaving town and for others the layoff can alter holiday or postholiday plans. Thus, he must make every reasonable effort to notify the affected employees, even to the point of tracking them down and keeping a log of his contacts. The credibility and integrity of the company is at stake. Deliberately withholding the information for any reason can violate a collective bargaining agreement, cause an unfair labor practice complaint to be filed, or result in legal action against the company.

### II

Well, Tony decides not to be a Scrooge and spoil Christmas. So, he plans to wait until the day after to tell the affected employees. Assuming that Tony notified the employees, Mr. Raskin the vicepresident, makes a special

point of expressing his regrets to Ralph, one of the laidoff workers at the Christmas Eve church service they both attend. The shocked look on Ralph's face makes it obvious to Mr. Raskin that Tony has said nothing to Ralph. Later in the evening, a very angry vicepresident calls Tony.

At this point, Tony has no excuse for not doing as he was instructed. He must tell Arnold Raskin why he did not inform his unit of the layoff as he was directed. While this conversation is going on, Ralph may be calling his coworkers asking them what they know about the layoff, exacerbating the situation. Now it is even more imperative for Tony to notify his unit of the layoff immediately. In delaying the news, Tony hasn't made it a happy holiday for anyone.

### **III**

At the last minute on Christmas Eve, Shirley Vandermere makes a nonrefundable \$500 deposit to secure reservations for a surprise European trip with her husband. Had Tony notified his unit of the layoff as directed, he probably would have called Shirley before 4:30PM. I doubt if she would have then secured the reservations since she was very concerned about the nonrefundable deposit, if her husband would even be pleased with the idea, and with the surprise. Now she'll be (to put it mildly) very upset after making the nonrefundable deposit for a trip to learn that Tony deliberately delayed notifying her about the layoff. And, she has a triple surprise for her husband: her layoff, the nonrefundable \$500 deposit, and a trip they may not be able to take because of the loss of her income.

Bring on the lawyers.

### **Michael Rabins**

Let us first consider the issues confronting Tony in part I of the case. Tony does make a compelling case about not wanting to be a Scrooge and ruin the Christmas holidays for his workers. Having personally been in somewhat similar circumstances (on both sides of the issue) earlier in my career, I can attest that it is very appealing for many reasons to adopt Tony's non-Scrooge stance, if all other things are equal. Unfortunately, they rarely are. For example what if one of Tony's workers is offered an attractive new employment opportunity over the holidays, and, not knowing about the impending layoffs, turns it down because he enjoys working for Tony so much? Or what if someone else personally purchases an expensive new instrument for his own tool chest that will enable him to do his job better for Tony? Or what if still another worker has signed up for an intensive three day short course over the holidays to improve his performance on the job for Tony?

There are many different scenarios that could emerge that would make it inconsiderate for Tony not to inform his workers immediately of the layoffs. In fact, just about the only scenario that would make it considerate is if all of the workers do not get involved in any personal or professional planning for the future over the holidays; an unlikely event. What is involved here is the golden rule or the Kantian respect for persons philosophy. Tony, as group leader, has the responsibility of thinking through his options, considering all of the possible consequences of his actions that he can, and then asking just how he himself would want to be treated if he were in the place of his workers. This is a tough situation for Tony to be in, but presumably he has demonstrated the necessary mental toughness for the job or else he would not have been promoted into it. Also, taking on these tough responsibilities is exactly what he is being paid for as an administrator.

In phase II of the case a different issue has arisen. Once Arnold has his embarrassing chance conversation with Ralph at the church Christmas Eve service, Tony now stands indicted of not just poor judgement but also

insubordination. Depending upon Tony's and Arnold's prior relationship, it is entirely possible that the angry telephone call from Arnold to Tony on Christmas Eve could end in Tony being fired. If Tony decides not to be a Scrooge and delay termination notification to his 15 workers until after Christmas, he must tell Arnold of that decision immediately. He cannot blindside Arnold on this since there may be other factors that are involved that Arnold did not take the time to explain to Tony. For example there may be some year-end payroll considerations, or year-end benefit commitments that kick in if the workers are still on the payroll on January 1st. Aside from the insubordinate nature of Tony's action of not doing what Arnold tells him, it is just plain disloyal and, when you get down to it, stupid. The subsequent event between Arnold and Ralph certainly supports the shortsightedness of Tony not telling Arnold that he was going to delay his layoff notifications until after Christmas.

## **Lea P. Stewart**

One of the hardest parts of any manager's job is laying off or firing employees. In this case, Arnold Raskin, Vice-President of Manufacturing, faced this difficulty by delegating this task to Tony Furillo. At first glance, it would be easy to blame Arnold for the resulting problems because he would not accept the responsibility himself. On the other hand, Tony is in close contact with the employees he supervises and, although it is never easy to be laid off, the message might have been a bit easier to handle coming from someone the employees knew well. Nevertheless, Arnold gave Tony the assignment, but Tony declined to carry out his task on the day before Christmas.

Tony delayed a difficult task. Because of this delay, an employee learned of the layoffs in an inappropriate manner (during a church service) and another employee placed a \$500.00 nonrefundable deposit on a trip that she may not be able to afford. Tony did not want to be a Scrooge. His seemingly charitable act, however, resulted in a great deal of unhappiness--perhaps in more unhappiness that would have happened if he announced the layoffs on Christmas eve.

Tony bases his decision on the golden rule. He claims that "if it were me, I sure wouldn't want my Christmas spoiled." He is reasoning that he should do unto others as he would have them do unto him. He does not think he would want someone to spoil his Christmas, so he does not inform any of the employees of the layoffs. Of course, the assumption here is that having a happy Christmas is the most important thing to be considered in this situation. He never thinks past Christmas to consider how this situation will affect the rest of the employees' lives. He assumes that letting them have one happy day will somehow ameliorate the terrible news they will receive after Christmas.

This type of reasoning is very paternalistic. Tony assumes that he knows what is best for his employees. He thinks that he would want an unspoiled Christmas, so he projects this wish onto his employees. He does not consider that they may hear the information in other ways or that they may make financial decisions based on the assumption that their jobs are secure. Of course, we can all sympathize with someone who has to tell his employees on the day before Christmas that they are being laid off, but Tony cannot assume that the news will be any easier to take after Christmas.

Although Tony had a variety of what he thought were charitable reasons for his actions, his behavior was, in fact, lying. Sissela Bok provides an excellent analysis of this phenomenon in her book, Lying: Moral Choice in Public and Private Life. Bok reminds us that lying may harm the people being lied to, but it can also harm the liar. In this case, Tony is clearly harmed by withholding information about the layoffs (his lie). Not only is Arnold angry with him, but Tony must also face the workers after Christmas. It will be especially difficult to face them since at least one of them already knows the situation. In addition, one of them is likely to hold him responsible for her decision

to book a vacation and the potential loss of money that could result if she cannot afford it after being laid off. Thus, lying (withholding information) harms Tony as well as his employees.

Tony decided to base his actions on an accepted ethical principle--the golden rule. The resulting problems in this case do not negate this principle. The problem in this situation is that Tony made his decision without considering the full ramifications of the situation. The situation is not as simple as ruining Christmas versus not ruining Christmas. Many other factors need to be considered. For example, would Tony have wanted to learn about his layoff in a casual conversation at church on Christmas eve? Would he have liked to have decided to spend a considerable amount of money without knowing that he would be laid off? The golden rule is an ethical principle that can be effectively applied only if we truly know the full meaning of the situation to ourselves and to others.

## **Ted Lockhart**

### **I**

Tony may be right in judging that others would not want to receive the bad news until after Christmas. If so, then reciprocity would require that he delay informing the workers. Still the company vice-president is insistent that the workers be notified as soon as possible, and apparently Tony has not given any indication that he objects to doing so. Perhaps it is not clear why the layoff notices should go out so soon. Before Tony decides not to follow Raskin's directive, he should discuss the matter with Raskin, perhaps question why the notifications must be given on Christmas Eve, and explain his reservations about notifying the workers. Perhaps Raskin would react negatively to having his directive questioned and view Tony's reluctance to carry it out as insubordination, but it is also possible that Raskin has not thought his decision through completely and would be grateful for Tony's perspective on the matter.

A very important issue is whether the workers really would not want to know that they are being laid off until after Christmas. Of course, receiving the bad news now would not contribute to their enjoyment of Christmas, but this does not mean necessarily that they would not want to know that they are being laid off. Knowing as soon as possible would allow them to begin looking for other work right away and to plan for possible financial hardships ahead. It might also cause them to spend less extravagantly in any last-minute Christmas shopping in order to prepare with the loss of their main source of income. Thus it is entirely possible that the workers not only would wish to know of the impending layoffs right away but would resent not being informed earlier if Tony were to delay notifying them. Determining what the workers would want to know and what they would not want to know would be very difficult, and Tony would probably be very uncertain that he had judged correctly whatever he decided to do.

Since it is probably the only ethical consideration that is relatively unproblematic in this situation, the most important consideration is simply the obligation to tell the truth and to give people important information affecting their welfare if it is available. To withhold such information because people might not want to receive it right away would be similar to a physician's withholding bad news from a patient about the patient's medical condition "for his/her own good". While paternalism is not always unjustified, the burden is always on one who chooses to act paternalistically to justify doing so. In Tony's situation, the special considerations that would justify Tony's paternalistically delaying notifying the workers that they are being laid off are not terribly apparent. Therefore, if further discussion with Raskin reveals no such considerations, Tony should go ahead and inform the workers this afternoon as directed.

### **II**

Tony should respond honestly by giving the reasons why he chose to delay notification of the workers. Presumably these would include his desire not to spoil the workers' Christmas celebrations and his judgment that they would not really want to receive the bad news until after Christmas. It is unlikely, however, that this explanation would satisfy Arnold, since he may feel that if Tony intended not to carry out his request he should have let Arnold know so that the sort of embarrassing situation that actually occurred could have been avoided. Arnold would be justified in criticizing Tony's actions, not because Tony has not been blindly obedient to Arnold, but rather because Tony apparently did not respect Arnold's opinion enough to let him know that he disagreed with it. Perhaps Tony knows Arnold well enough to know how he would have reacted if Tony had questioned Arnold's decision to notify the workers immediately of their layoffs.

This might excuse Tony's actions if Tony were relatively certain that the workers would wish not to know until after Christmas that they were being laid off and if he were reasonably sure that Arnold would not be receptive to having his decision questioned. However, the first of these conditions, as has already been noted, apparently does not apply to this situation. Therefore, again, we must conclude that Tony acted improperly in not informing the workers of the layoffs.

### III

Shirley might react very angrily to learning that Tony decided, in violation of Raskin's directive, to delay the notifications. She might believe that, in keeping such important information from her and the other workers, Tony had violated their right to receive any important information affecting their welfare that was available to him. By basing his decision to delay notification on his assessment of what was best for her, he deprived her of the opportunity to make that assessment for herself. Perhaps she can sympathize with Tony's dilemma and his motives, which appear to be beneficent. However, she can justly criticize his judgment in choosing to act on the basis of paternalistic motives and not to recognize her autonomy and her right to be informed of important information affecting her welfare and that of her family.