

Idiots
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Veracorp LLC

This past week two news stories caught my attention. The first involved the CEO of United Airlines who received \$9.3 million in salary and stock incentives. Airline unions were quite perturbed, considering the airline recently climbed out of bankruptcy protection mainly by freezing wages and cutting employees. As a rebuttal, an airline representative stated that the executive pay plan was approved by the bankruptcy creditors committee, which included union members. My interpretation is that the CEO and his team helped to turn around the company and may be entitled to their compensation. However, the amount and timing of incentives does not engender loyalty within the workforce and certainly does not transform workers into employee ambassadors. I call these actions acts of condescension. If the executives were actually concerned about having the core values of the company embraced by its employees they should have invoked the precedent set by Lee Iacocca when he turned around Chrysler: he took a salary of one dollar until the company became profitable. He also built a company of loyal employees.

The second story was even more egregious. The leaders of Circuit City terminated 3400 workers because their salaries were too high. These geniuses then proclaimed that they would hire 3400 new workers to replace those they kicked out of the stores at lower wages. In a moment of unfettered brilliance they also declared that after 70 days the displaced workers could reapply for their positions, at lower wages. I'm leaving the consulting profession to sign up for a Circuit City job. Are these guys nuts? The new hires will certainly embrace the core values of the company, which I think is to serve up corporate gobbledygook. If this were a private company the owners could do whatever they want and the business would either thrive or fail. But it's a public company that is indebted to investors. Perhaps some of the big time investors are also brain dead and advised the board to execute this deal without considering the notoriety their decision would generate. It sounds good on paper, saving millions in salaries, but the loss in productivity and loyalty will be devastating to the company. My prediction is the company will either be sold or will reinstate its workers at their original salaries. Either way, the decision was ill conceived and demonstrates a lack of judgment and total disregard for the employees. It certainly will not help to maintain loyal employee ambassadors.