

Short circuit

by the St. Louis Post-Dispatch

An amazing phenomenon of American capitalism lies in the tendency of very smart, very well-paid executives to do some very dumb things. It's too soon to be certain, but we may have just witnessed a prime example at Circuit City.

The country's second-biggest electronics chain announced that it is laying off 3,400 hourly workers, mainly in its stores, because they earn too much money. They'll be replaced by lower-paid, less-experienced people.

Out go the experienced folks who know the ins and outs of LCD TVs, GPS units and wireless routers. In come the clueless in need of training. Pity the poor customer.

The soon-to-be fired workers earn "51 cents an hour or more" over what the company considers the market rate for their tasks. A company spokeswoman wasn't clear on just how those employees came to be overpaid by the fabulous sum of \$20.40 a week; that's barely enough for two movie tickets and a box of Milk Duds. But in most of American business, people get raises by working hard and doing a good job. Tenure and loyalty also help. All this sends a rather upside-down message to those remaining on the Circuit City payroll: "Work hard, do a good job, earn a small raise and then we'll fire you." Faced with that, expect good workers to seek jobs elsewhere.

Could worker churn damage customer service as new clerks try to figure out the electronics business, while veterans send out resumes? A spokeswoman dismissed the thought. "Certainly, we would expect our remaining and new associates to be committed to providing excellent customer service," she said.

Circuit City's stock is down 24 percent over the past year, compared to a 9 percent rise for the Standard & Poor's 500 Index of large-company stocks. Management is under pressure to raise earnings, so it's turning to cost control. Cost control can work if it means working smarter and adding technology, but not if it means dumbing down the work force and destroying morale. In a business that depends on face-to-face service from a knowledgeable staff, that's poison.

Wal-Mart prospered for years while skimping on worker pay, and it's become a force in the discount electronics business. But the retail giant has stumbled recently. Its growth has slowed and its public image is taking a beating.

In the end, success in retail, as in most businesses, requires keeping good workers who provide good customer service. Surely that's worth a couple of movie tickets and a box of Milk Duds.

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