

## **Denials, Cover-ups, and Apologies: How “Résumé gate” Ended the Once Rising Career of RadioShack’s Dave Edmondson, and Lessons for The Rest of Us**

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### **Abstract**

Surveys show that numerous corporate crises have eroded public trust in CEOs. So when the *Fort Worth Star Telegram* published a story in February 2006, about the forged academic credentials of Dave Edmondson, CEO of Fort Worth, Texas-based RadioShack, it re-ignited the mistrust. Edmondson and RadioShack officials denied, stalled, and eventually told the truth. Edmondson subsequently resigned. We analyze RadioShack’s rhetoric published in the *Star-Telegram* through the use of image restoration discourse, and propose effective strategies that corporations can use to mitigate similar situations in future, especially in an era of 24 hour news cycle and communication technologies.

### **Introduction**

In the wake of numerous corporate crises, trials, convictions, and imprisonment of formerly powerful CEOs, surveys show that public trust in CEOs has diminished. From Martha Stewart’s perjury to Enron’s Jeff Skilling and the late Ken Lay’s trial, CEOs are under more public scrutiny than before. So when a story about the forged academic credentials of Dave Edmondson, CEO of Fort Worth, Texas-based RadioShack, appeared on the front page of the *Fort Worth Star-Telegram* in February 2006, it re-ignited the mistrust the public has about corporate leaders. Edmondson was on a fast track when he was named CEO of RadioShack in May 2005. So, why did his promising corporate success story begin to unravel? The *Star-Telegram* story revealed discrepancies in Edmondson’s academic credentials in his biography distributed to the news media and posted on Radio Shack’s Web site. It was not just the bogus credentials, but Radio Shack’s initial handling of the case that generated widespread criticism both by the media and public. Edmondson and RadioShack officials’ use of protective impression management tactics such as denials and stalling did little to clarify the discrepancies. Edmondson waited for a full three days before he acknowledged that he misrepresented his academic record. The board of directors moved quickly to seek independent legal counsel to investigate the issue. Edmondson subsequently resigned.

We examine how RadioShack allowed an ethics issue to quickly turn into a crisis, by not responding promptly with an appropriate corporate and crisis communication strategy. We use image restoration discourse to analyze the communication of Edmondson and Radio Shack officials in an intense one week coverage of the crisis by the *Star-Telegram*,

the newspaper that broke the story and had the most extensive coverage of the crisis. In light of current public and media scrutiny of CEO malfeasance, we propose effective strategies that corporations can use to mitigate similar situations in future, especially in an era of 24-hour news cycle and communication technologies.

## Background

“RadioShack CEO’s Resume in Question” read the headline on the front page of the *Fort Worth Star-Telegram* on February 14, 2006. Dave Edmondson, the 46-year-old appointed to the post nine months earlier, now faced an embarrassing situation where he had to explain discrepancies in his official resume. Heather Landy, the *Star-Telegram* reporter who broke the story noted in her report that she began investigating Edmondson’s background following his arrest for driving under the influence. So, who is Edmondson, and how did misrepresentation on his resume lead to a crisis at RadioShack?

A fan letter to Len Roberts, who was then president of RadioShack, helped Dave Edmondson capture the attention of his future boss and started Edmondson’s rise to the top leadership position with the company. Edmondson, whose career path had taken him from churches to the business sector with Advo, a database and marketing firm that worked with RadioShack, sent a letter to Roberts with ideas for RadioShack business (Landy, 2006, p. A13). Edmondson’s skills at capturing the attention of the head of the electronics company helped Edmondson gain entrée into the RadioShack executive suite when Roberts hired him in 1994 as vice president of marketing (Landy, 2006, p. A12).

Edmondson’s work led to his promotion as president of RadioShack in 2000. After completing a nine-week session in the fall of 2002 at Harvard Business School’s Advanced Management Program, Edmondson became more visible in corporate decision making (Landy, 2006, p. A13) . When Roberts announced his retirement in January 2005, he passed the job to Edmondson, a decision confirmed at the annual stockholders meeting in May (Landy, 2006, p. A13).

So, why did Edmondson’s promising corporate business success story begin to unravel? Heather Landy, a *Fort Worth Star-Telegram* investigative reporter who broke the story about discrepancies in Edmondson’s academic credentials on Feb. 14, 2006, wrote:

The *Star-Telegram* began looking into Edmondson’s background after learning that he is awaiting trial on a charge of driving while intoxicated. He is scheduled to go to court in April on the charge, which carries penalties that may include a fine of as much as \$2,000, jail time of three to 180 days and probation. He has two prior arrests in connection with driving while intoxicated, but no convictions (Landy, 2006, p. A13).

Landy’s story, which began on the front page and jumped to a full inside page plus three sidebars on another inside page, described how Edmondson’s biography distributed to the news media and posted on RadioShack’s Web site stated that he earned a BS, or bachelor of science, degree in theology and psychology from Pacific Coast Baptist College in San

Dimas, California (Landy, 2006, p. A13). Landy's investigation quoted the registrar of the small, unaccredited school (Landy, 2006, p. A12) as saying enrollment records indicated Edmondson completely only two semesters of coursework and the school never offered degrees in psychology (Landy, 2006, p. A14).

It was not just the embarrassing fact that Edmondson lied on his resume, but what was equally troubling was the individual and corporate response to the crisis. While the *Star-Telegram* had daily updates of the story, both in its print edition, website and blogs, lack of response from Edmondson and RadioShack officials did little to clarify the discrepancies uncovered during Landy's investigation. As a result, news coverage continued and seemed to gain momentum each day. Edmondson and RadioShack officials used some techniques of image restoration in their attempt to minimize the damage from the resume scandal.

### **Theoretical Framework: Image Restoration**

The theory of image restoration assumes that maintaining a good reputation is a key goal of communication. Therefore, when an organization's reputation is attacked, it makes every effort to repair its image, and to communicate the repaired image to stakeholders.

As with organizations, a good reputation or image is important to individuals as well, and threats to that image prompt appropriate actions to restore the image (Goffman, 1967; Brown & Levinson, 1978; Benoit, 1995, 1997). Consequently, when one is suspected or charged with any repugnant offense, and the public perceives the individual as having committed the offense, the natural reaction of the alleged suspect is to defend his/her good name.

Benoit (1997) defines image as "the perception of a person (or group or organization) held by the audience, shaped by the words and actions of that person, as well as by the discourse and behaviors of relevant actors." (p. 251). Benoit (1995) argues that image restoration rhetoric implies that when our image is jeopardized, we are more likely to take persuasive actions that include denial of the alleged action, justification, explanation, rationalization, excuses, and apologies for the actions.

While there are many writings on image restoration (Burke, 1970; Ware & Linkugel, 1973, Scott & Lyman, 1968; Rosenfield, 1968), Benoit & Brinson (1994), Benoit (1995) presents the most thorough discussion on the subject. Benoit's image restoration strategies help to explain the defensive acts taken by individuals whose image have been tarnished. Benoit places image restoration strategies in five categories that include denial, evasion of responsibility, reduction of offensiveness, corrective action, and mortification.

Benoit (1995) describes *denial of responsibility* as a denial of alleged offense of which the accused is ashamed. If the denial is accepted, then the chances of restoring the image increase. The denial may be reinforced by shifting the blame or explaining away damaging facts or evidence (Burke, 1970). *Evasion of responsibility* is used when people are unable to deny responsibility for the offensive act; therefore to protect themselves,

they find excuses to evade responsibility (Benoit, 1995). Scott & Lyman (1968), Tedeschi & Reiss (1981), note that people can argue that their offensive behavior was an answer to another equally offensive act; they could plead lack of information or full disclosure; claim the behavior happened unintentionally; or argue that the conduct was well intentioned. If these arguments are accepted, then the person may be able to repair the damaged reputation. *Reduction of offensiveness* strategy is when the offender attempts to minimize audience's repulsiveness to the act with the intent of neutralizing the damage. The offensiveness is reduced through six forms that Benoit describes as bolstering, minimizing, differentiation, transcendence, attacking the accuser, and compensation (Benoit, 1995, p. 73). *Corrective action* is a defensive strategy in which the accused pledges to rectify the offensive behavior, assures the victim that the specific behavior will never occur again, and takes steps to ensure that the behavior will truly be avoided. Benoit (1995) concludes that corrective action may include an expression of regret or repentance. Burke (1970, 1973) describes *mortification* as a defensive strategy in which the accused rhetor admits wrongdoing and asks for pardon. If the audience perceives the accused as truly contrite, then the likelihood of restoring his/her image increases.

The RadioShack crisis lasted for a little over a week, from February 14 through February 21, 2006. During that period, Edmondson and RadioShack officials used some of the image restoration tactics in their attempt to restore their tarnished reputation. Their response was comprehensively covered by *Star-Telegram* investigative reporter, Heather Landy. We analyze the communication emanating from RadioShack and Edmondson, before, during and after the crisis erupted on the pages of the *Star-Telegram* and national media.

### **RadioShack's Response To Crisis Communication**

Every crisis has three stages: pre-crisis stage, crisis stage, and post-crisis stage. The pre-crisis stage often comes with warnings or indications that a crisis may occur. Early indications that the Edmondson leadership or ability for sound judgment may be called into question were illuminated by his multiple drunken driving arrests in Tarrant County, Texas, and an earlier interview he gave to the *Star-Telegram* in 2005 about his resume. The interview contradicted his account of his 2006 resume (Landy, 2006, p. A1). As Landy aptly pointed out in her article, the Sarbanes-Oxley law mandates that CEOs must verify that their financial reporting is truthful. Thus, if a CEO cannot accurately represent his qualification in his official resume, can he/she be trusted to ensure that corporate financial reporting is accurate? Did RadioShack management pay attention to these warning signs at the pre-crisis stage or simply try to ignore it hoping it would go away?

The crisis picked up steam when the story broke in the *Star-Telegram*. Edmondson was given an opportunity to clarify the discrepancies in his resume. He initially said he had minored only in psychology and was unaware of the error on his corporate biography. Edmondson said he earned a "Thg" degree, completing a three-year program in theology while working at a church in Colorado (Landy, 2006, p. A1). When the investigative reporter pointed out to Edmondson that the "BS" degree listed on his résumé requires

more courses than a Thg, Edmondson “declined to comment on why the listing varied from the description he offered” (Landy, 2006, p. A13). Other company officials also declined to comment. Landy’s story reported:

Thomas Plaskett, RadioShack’s presiding board member and chairman of the company’s corporate governance committee, called the *Star-Telegram* inquiry “out of place” and would not discuss the matter. “I speak for the board; there is no comment,” said Plaskett, a former chief executive of Continental Airlines and Pan Am Corp. who now heads Fox Run Capital Associates, a consulting firm in Irving. Len Roberts, RadioShack’s executive chairman, also declined to Comment (Landy, 2006, p. A13).

While there was no outright denial by Edmondson and RadioShack officials, they assumed the lack of response to questions raised about Edmondson’s academic credentials would make the story go away, but it did not. However, Edmondson tried to shift the blame or explain away damaging facts or evidence of his degree. Unfortunately for him, the strategy failed. The *Star-Telegram* carried a follow-up story on the front page again the next day. The story quoted Ron Hoover, the pastor Edmondson said had supervised his academic work through correspondence courses and awarded Edmondson a diploma, as saying he did not remember Edmondson working toward his diploma (Landy, 2006, p. A1).

The school where Edmondson said he earned a degree said its records indicated Edmondson spent the 1977-78 academic year on campus, but the school had no records showing he later enrolled in correspondence classes or that he completed a degree (Landy, 2006, p. A13). Edmondson stood behind an unnamed RadioShack spokesperson with a reply carried in the story. Other officials at the company stood firm without offering explanations. Landy’s story included these statements:

Edmondson, through a spokeswoman, declined to comment Tuesday on Hoover’s remarks. He has also declined to comment on why he listed the degree as a B.S., or Bachelor of Science, on the résumé he gave to RadioShack when he joined the company in 1994. Early Tuesday, RadioShack issued a statement saying its board of Directors “reaffirms its support for David Edmondson in fulfilling his role as chief executive officer. The statement also said the board was aware of matters raised in the *Star-Telegram* article “and has previously given due consideration to them.” Upon learning about the discrepancy between Edmondson’s and Hoover’s accounts, RadioShack director Thomas Plaskett, who chairs the company’s corporate governance committee, said he would stand by the board’s statement of support for Edmondson. Plaskett declined to describe when or how the board previously considered the résumé issues. “I know what the board’s responsibility is,” he said. I stand by the statement” (Landy, 2006, p. A13).

That Plaskett and other RadioShack officials stood by the statement of support for Edmondson, while refusing to provide substantial answers, fits into the image restoration

technique of denial. Edmondson and RadioShack officials assumed that by denial, refusing to comment, or Edmondson shifting the blame for the “mistakes” to college officials, the coverage of the story would minimize or cease. Instead, in addition to reporter Landy, others such as *Star-Telegram* business columnist Mitchell Schnurman, called for more disclosure. He wrote about the importance of character and the believability of a CEO:

Does it matter what occurred with Edmondson more than 20 years ago? He wasn't hired for his academic pedigree, after all. Maybe RadioShack could get past this – if Edmondson quickly acknowledged any errors and apologized. Then we could have a productive discussion about the appropriate punishment (Schnurman, 2006, p. C1).

Additionally, news reports noted that RadioShack sales were slow during Edmondson's first year leading the company. “Disappointing, Lackluster. Still in transition. Wall Street analysts used those words to describe RadioShack's sales performance in 2005, the story stated” (Ahles, 2006, p. C1).

With the continued barrage of negative media coverage, Edmondson and RadioShack realized that they could no longer stall, deny, or make excuses for the glaring discrepancy in Edmondson's resume, the drunk driving arrests, and the downward slope of the stock performance. Something had to be done. Finally, on the third day of front-page coverage, the *Star-Telegram* reported that Edmondson acknowledged that “he misstated his academic record, prompting the board of directors to seek independent counsel to investigate the matter” (Landy, 2006, p.A1).

In separate statements, Edmondson and the board responded to inaccuracies discovered during the *Star-Telegram* investigation. Edmondson, making his most direct statement since the investigation began, said:

The contents of my resume and the company's website were clearly incorrect. It is my belief that I received a ThG diploma, not a BS degree as I asserted. I clearly misstated my academic record, and the responsibility for those misstatements is mine alone. I understand that I cannot now document the ThG diploma (Landy, 2006, p. A1). I apologize to the board and the employees for the confusion I have created by carrying erroneous information on my resume and mishandling my explanation of it. I will provide all information to the board in order to clarify these issues (Landy, 2006, p.A8).

Edmondson's admission of his responsibility in the misrepresented resume illustrates the use of mortification. His admission prompted RadioShack to act quickly to minimize the hemorrhage caused by the crisis, a clear shift from the board's statement the day before when it reaffirmed its support for Edmondson. Landy story reported that RadioShack's board said in a separate statement, it would retain counsel “to advise the board on the facts and on RadioShack's employment policies” (Landy, 2006, p.A8).

Even with Edmondson's admission and RadioShack announcement that it would seek legal counsel, the company did not appear to have a clear public relations strategy for dealing with this situation. There was no official statement regarding the admission and the proposed action of the company by a spokesperson or on RadioShack website. Additionally, Landy's reported that Plunkett did not return a telephone call from the *Star-Telegram* late Wednesday (Landy, 2006, p.A8). (It is common practice for reporters to give subjects of a story an opportunity to present their views in stories of this nature.) Landy also reported in her story that RadioShack Chairman Len Roberts declined to comment. As the story dragged on to the third day and beyond, much of the basic information contained in the extensive media coverage about Edmondson was repeated to provide context for understanding. Thus, RadioShack's delay in providing an informative response to the first story intensified the media focus.

The timing of Edmondson's apology to the board and the statement from the board was released at an inopportune time. The two statements were released on the eve of a two-day meeting beginning Friday with Wall Street analysts and investors in Fort Worth where RadioShack was scheduled to release its 2005 financial results.

Meanwhile, the *Star-Telegram* explored other stories related to RadioShack's problems. The paper's business writer, Jim Fuquay, raised the responsibility of RadioShack for checking the accuracy of employee credentials (Fuquay, 2006, C1). He quoted personnel professionals and consultants who said the accuracy of Edmondson's resume should have been determined when he arrived at the company, but Professor Doug Newsom, noted public relations scholar and consultant, said Edmondson had an opportunity to correct his record when he was promoted to CEO a year ago (Newsom, personal communication, February 16, 2006).

*Star-Telegram* business writer Bob Cox quoted several legal experts and management consultants in a Feb. 17 story who recommended that the RadioShack board act quickly to assure "employees and stockholders that the company will hold its top executives to high ethical standards" (Cox, 2006, p.C1).

Sunday was the sixth day the *Star-Telegram* focused on RadioShack and Edmondson's problems regarding his statements about his academic credentials. Echoing the public dissatisfaction with CEO business ethics, business columnist Schnurman, wrote that:

Edmondson's divorce won't cost him his job at RadioShack, of course. He's in trouble because he fudged his resume and didn't come clean when confronted about it. It's a credibility and character issue now, and most people think it's cut and dried: A public company has to have a trustworthy leader (Schnurman, 2006, p. F2).

Schnurman's assessment reiterates what public relations practitioners have recommended for years when dealing with a crisis. The best way to put a story to rest is to deal with it truthfully and quickly. However, RadioShack did not appear to have learned that lesson. For instance, at the height of the crisis, company spokeswoman Laura Moore "repeatedly

tried to steer reporters' questions away from the flap over Edmondson's credentials and keep the conference focused on the company's fourth-quarter results and turnaround efforts" (Landy, 2006, p. C8). This occurred almost one week into the crisis. This lack of a quick response turned what would have been a story for a few days into a continuing headline-making story that was picked up by *The New York Times*, *the Wall Street Journal*, *the Denver Post* and elsewhere as reporters continued to press Edmondson to address ethics-related questions" (Landy, 2006, p. C8). Comedian Jay Leno even joked about the Fort Worth-based company during his opening standup routine on NBC's *Tonight Show* (Schlacter, et al, 2006, p. C2).

One week after the first story detailed Edmondson's inaccuracies on his resume and massive news coverage about his problems including extensive discussion about damage control (Schlacter, et al, 2006, p. C1, C3), letters to the editor (Schlacter, 2006, p. E2, C3), and an editorial cartoon (Hulme, 2006, p. E2), the headline "RadioShack CEO quits" was the banner story on the front page of the *Star-Telegram* (Landy, 2006, p. A1). Edmondson resigned saying, in a statement released by the company, that it was "in the best interest of the company" for him to step down. He had been CEO for nine months. Executive Chairman Len Roberts said the board cut short an inquiry launched the previous week and promoted Claire Babrowski, the No. 2 executive to president and acting CEO. Roberts said in an afternoon teleconference call with reporters:

The message to shareholders and the public is, one of the most important things we have as a corporation is integrity and trust, and we know we have to restore that back to our company. I have no question about it that we will be able to do that" (Landy, 2006, p. A1).

Ironically, RadioShack Chief Operating Officer Claire Babrowski, who was selected to as interim CEO to help guide the company at Edmondson's departure, does not have an undergraduate college degree, either. So, why, did that cause a problem for Edmondson, but not for Babrowski? She told the truth and he did not. Edmondson gave false information. Babrowski's resume explains that she dropped out of college to work at McDonald's where she worked her way up from shift manager to store and district manager and later to the executive suite of McDonald's. She was selected in 2001 to run three of McDonald's international operations and in December 2003, Babrowski was appointed senior executive vice president and chief operating officer (Cox, 2006, p. C5). Babrowski never completed her undergraduate degree, but in midcareer she enrolled in an executive MBA program at the University of North Carolina and earned a degree in 1995 (Landy, 2006, p. C6). Roberts said the company had thoroughly vetted Babrowski, including her academic record (Cox, 2006, p. C5).

The lack of Babrowski's undergraduate college degree did not garner a negative focus on RadioShack in the pages of the *Star-Telegram* in contrast to Edmondson's saga, which continued day after day. *Star-Telegram* business writer Schnurman analyzed the Edmondson saga and the moral of this story this way in his column:

Questions? There were plenty of ‘em, but Roberts and the RadioShack PR shop headed by Laura Moore were quick to shut down. And where was Tom Plaskett, the board’s presiding director and chairman of its governance committee, who was speaking for the board last week? Three days before the story broke, Heather Landy called Plaskett for comment and offered to tell him what she had learned about Edmondson’s background. He wasn’t interested. Roberts, Plaskett and Moore have to realize that Edmondson isn’t the only one with a credibility problem here. What the board knew, when it knew it and how it responded are all legitimate lines of inquiry. This is the time for RadioShack to clear the air, not clam up (Cox, 2006, p. C5).

John Roach, who led RadioShack for 17 years until retiring as CEO at the end of 1998, said: I usually don’t comment, but I will say that for the many executives and other employees, whose hard work built the company, this has been disappointing to see the performance and integrity issues” (Schlacter, 2006, p. C1).

Edmondson walked away from RadioShack with “\$975,000 in severance pay along with accrued vacation pay, four months of health benefits and a revised vesting schedule for his stock options (Landy, 2006, p. C1). The agreement RadioShack’s board reached with Edmondson “closes the book quickly and allows the company to move on,” said Charles Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware (Landy, 2006, p. C6).

Additionally, the appointment of Babrowski to replace Edmondson indicates that RadioShack is ready to move on. These actions illustrate corrective strategies taken to correct the problem cause by the Edmondson “résumé gate” crisis. The corrective actions are part of the image restoration strategies posited by Benoit.

An unintentional consequence of managing crisis in an information age is the role played by a new constituency – blogs, or Web logs. These on line diaries or journals have transformed the way information is disseminated and by whom. Organizations ignore blogs at their own peril as *Star-Telegram* business writer Mitchell Schnurman wrote in his column about the power of blogs in the Edmondson/RadioShack crisis:

As corporate crises go, the RadioShack affair had some common characters: an embattled CEO, a gung-ho press corps, a flip-flopping board of directors and an ineffectual public relations staff. But a new force, the blogosphere, elbowed into the debate for the first time on a major local story. With the RadioShack story, the blogosphere provided a way for readers and employees to quickly weigh in on events, almost as they happened. In less than a week, more than 300 comments were posted on message boards and blogs at star-telegram.com, and the site became a virtual water cooler for people who wanted to gather anonymously to talk about the company’s troubles. The voice of the people, often unfiltered, gave power to the growing anger about Dave Edmondson’s behavior siding against him by a 14-to-1 ratio, and they were expressing frustration with RadioShack’s response. Len Roberts, RadioShack’s chairman, says he was following the comments closely and wrote to his fellow directors suggesting that

they check them out. “I sensed the rage, the pain of a hurt company,” Roberts said in a phone interview Tuesday. “And many directors didn’t realize the reaction in the community. It was important for all of us to understand the sentiment of the people. Roberts says he doesn’t know of any corporate strategy at RadioShack to respond to negative Web postings, but he wondered aloud whether it might make sense. If some employees are trashing the company, why not encourage others to defend it? I asked Laura Moore, RadioShack’s chief communication officer, about the company’s reaction to all the Web talk, and she declined to comment. “I’m not going to participate in the story,” Moore said. So much for the public side of public relations. Roberts is convinced that Edmondson’s tale aroused so much emotion because it involved truthfulness, character and integrity – bedrock issues that everyone can relate to. If the problem had been limited to RadioShack’s financial performance, he says, there wouldn’t have been the same outpouring. I agree, but the incident still shows that the blogosphere represents a constituency that corporations better pay attention to. So how to deal with that world? It doesn’t seem too complicated: Tell the truth – immediately – and tell it all. That’s long been a maxim of crisis communication, because full disclosure gets out all the bad news within a few news cycles. A company takes its deserved PR hit, but the story doesn’t drag on. That didn’t happen here (Schnurman, 2006, pp. C1, C6).

While Edmondson’s departure has shifted the focus from his problems to the future of RadioShack, there are indications that the closed-mouth corporate culture may continue. *Star-Telegram* writer Mitchell Schnurman wrote in his Feb. 26 column that stock analysts gave Babrowski “high marks for her grasp of the company, but that didn’t make up for the sparse details and lack of creativity in the new strategy. “I heard from one store salesman, upset about RadioShack cutting its commission schedule. (I’m not naming him because RadioShack told all employees not to talk to “ANYONE” about the company last weekend, including friends and family (Schnurman, 2006, pp. F1, F8). Thus, RadioShack has shut down one of its most effective communication channels – its internal audience, which often has high credibility with the public.

### **Lessons for the Rest of Us:**

While stories about RadioShack in the *Star-Telegram* tapered off after Edmondson resigned and Babrowski took over, it did not end negative blogs about the company and Edmondson. The fact that Edmondson and RadioShack initially stalled, minimized, and shifted the blame for the “résumé gate” story; their reaction reinforced public impression about CEO and corporate unethical practices.

The consequences for RadioShack has been a tarnished image that came at a time that RadioShack was to announce the closure of over 700 stores and a drop in share price. Whether the crisis affected investor confidence and subsequently share price is yet to be determined, but the fact remains that the crisis raised questions about RadioShack’s “lackluster” performance under Edmondson, and indeed RadioShack’s corporate strategy.

Additionally, the crisis exposed a seeming lack of effective crisis management and communication strategy by RadioShack. When a public relations manager of a large public company refuses to respond to media inquiries or issue an official statement to counteract what had been published, chastises the media publicly, and warns her employees under threat of punishment not to respond to the media, she breaks all the rules of effective crisis management and communication. RadioShack and its public relations department had a siege mentality, which was manifest in the denial, stalling, and blaming others.

In addition to appointing Babrowski, RadioShack needs to consider the following:

- Revamp its background evaluation procedure or review entire corporate philosophy
- Develop a crisis management and communication plan. Train and retain a core crisis team that will be responsible for implementing/communicating the plan in the event of a crisis.
- Consider the media allies/channels through which company position or information could be disseminated. Never try to suppress fair information, even if they are deemed scandalous. It is better for the organization to go to the media with information so that they can ably define themselves and their situation.
- Consider the use of new media, such as blogs as adjunct to other channels of communication.
- Seek partners or cooperation from crisis experts that can be called in on short notice to help with communication during a major crisis.
- Keep all stakeholders informed of pertinent information about the company, including crisis, through appropriate channels.

### **Conclusion**

The RadioShack crisis once again reinforces why the public has a mistrust of corporate CEO. While it is important to recognize that a majority of CEOs are ethical, it is the handful of unethical ones that have captured the unflattering attention of the public. The CEOs that have been embroiled in crisis all seem to borrow from the same play book. In the event of a crisis, they tend to react slowly as did RadioShack. Failure to react quickly to a crisis opens the company up to speculation and innuendos. RadioShack's Edmondson learned that lesson the hard way, when he refused to acknowledge the discrepancies in his resume. RadioShack's management also learned that blind support for a CEO without solid evidence as to his or her innocence is unwise.

Secondly, RadioShack did not appear to have a crisis plan in place to deal with this crisis. In the pre-crisis stage, Edmondson, RadioShack management and the public relations

department seemed unprepared; even though there were clear indications that the story would break. They erred in trying to ignore the gravity of Edmondson's unethical actions. During the crisis, the public relations representative failed the basic lessons of crisis communication by being hostile to the media, suppressing information, and threatening employees not to speak to the media instead of co-opting them. Internal communication was sorely lacking. Given that employees and other stakeholders were not brought into the loop during the crisis, some of them expressed their discontent through blogs that were posted in response to the Star-Telegram's coverage of the crisis.

Thirdly, RadioShack, like other embattled corporations, adapted some of the image restoration strategies described earlier, starting from denial and ending with apologies and mortification. As the coverage of the crisis indicates, some of the strategies were not effective. In the case of RadioShack, Edmondson's resignation was the only way forward. By appointing Babrowski as interim CEO, until July 7, when Julian Day, former CEO of K-Mart Holdings was named as permanent CEO, RadioShack has indicated that it is ready to move forward, and one hopes, has also learned some important lessons in effective crisis communication.

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