# Liquidating Twinkies: When Pension Benefits Fail to Go Quietly

**After the first news struck the US media like a shock, the follow-up has been quiet and predictable. Hostess Brands, the maker of such classic snacks as Twinkies and Ho Hos (thanks to a European upbringing I have no idea what I am writing about), has been given permission to enter bankruptcy proceedings and liquidate its assets by the oddly appropriately named Judge Drain. That means job losses of 18,500 jobs and a search for buyers for its 30 or so brands and many production plants, distribution centers, and other assets.**

The opportunistic hoarding and eBay selling of Hostess snack foods has subsided as people seem to be getting the idea that some other maker will likely take them over and continue making them. Yes, you can bid on eBay for a $200 box of Twinkies or a $50 box of Ho Hos (are Twinkies so much better?), but nobody is doing it. In fact, the bids are on boxes below $5. There is a support group for Twinkies on Facebook, but I am having difficulty determining whether it is a spoof.

Except for the true addict, the more interesting issue is how a maker of goods that seem to ignite so much passion could fail so quickly. The story is complicated and involves a botched Chapter 11 restructuring that left the firm with more debt than before (they are supposed to do the opposite), as well as two unions with opposite ideas of whether the firm could survive a strike. The Teamsters, who thought it could not, were right; the bakers' union, who called for a strike, were wrong. But the really interesting part is that a very contentious issue in the labor negotiations between the management and the unions was an increase in the employee-paid part of the healthcare cost and restrictions on pension payouts. Together, these reduced the benefits employees would get from Hostess.

Such changes are actually occurring in many Fortune 500 companies, according to research by Forrest Briscoe and Chad Murphy in Administrative Science Quarterly. Such cuts were originally made quite publicly after some firms discovered that their pension and benefit liabilities were large, and sought to reduce them as a cost-cutting measure. However, negative media coverage resulted, leading to reputational consequences, pressure from interest groups, and labor unrest like what Hostess experienced. As a result of these reactions, the diffusion of transparent cuts quickly slowed down. Instead of public and transparent cuts, firms started implementing more obscure spending caps that had the same effects on their costs, but were much harder for employees and media to understand and react to. These spread rapidly, in part as a result of a few consulting firms advising their clients how to implement these obscure benefit-cutting practices.

The result was diffusion by stealth. This is so clearly the opposite of regular diffusion processes, where more information leads to faster spread. The reason for the reversal is obvious. The managers in charge of these changes were fully aware that they were adopting unpopular, reviled practices, and would rather go under the radar than let it the consequences of their decisions become known. Which raises the question: do you know if your pension or benefits has been cut recently? If you work for a major corporation, the chances that it has happened are not so small that they can be overlooked.

Briscoe, F. & Murphy, C. 2012. Sleight of Hand? Practice Opacity, Third-party Responses, and the InterorganizationalDiffusion of Controversial Practices. Administrative Science Quarterly,57(4): 553-584.