

## **A CRITICAL TOOL FOR SMALL BUSINESS – SPIKES: SIX STEPS FOR BREAKING BAD NEWS**

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### **Abstract**

One of the greatest challenges facing any business manager or owner is breaking bad news (BBN). This is especially true for managers and owners of small business as they are likely to have contact with a greater variety of personnel, more contact with customers, and less ability to delegate such tasks. Research in the management literature has been limited on this topic. As such, we went to an alternative field of research, BBN in the medical field, and recommend a strategy that small business practitioners can adopt to tackle this challenging task. This is a particularly difficult issue for student consulting projects such as those encountered in the Small Business Institute (SBI) Program where not all outcomes are what the client would like to hear.

**Keywords:** small business owners, bad news

### **Introduction**

Breaking Bad News (BBN) has always been a challenge. **Bad news** is defined as “*any information which adversely and seriously affects an individual’s view of his or her future*” (Buckman, 1992). In any line of work, bad things happen, and the ramifications must be communicated to what may be several affected stakeholders. This can be a very stressful situation for the messenger and recipient(s) alike. The old axiom to “kill the messenger” as a means to avoid bad news is still practiced, but, of course, is beyond illogical. Nevertheless, the bearer of bad news is not typically warmly received. As such, despite the inevitability of the situation, both parties often avoid this situation as long as possible, often leading to even more detrimental outcomes. ***In 2020, the pandemic has only increased the frequency and magnitude of BBN.***

Businesses and other organizations have not always handled these situations well. When IBM earnings were down, then CEO Virginia Rometty released a video to all 434,000 which was forwarded to the Wall Street Journal, leaking the news to the public before IBM was ready to handle it (Sudath, 2013).

Or can there be a worse example than this: Going to the office and finding out you are fired and the company is not honoring their contractual service agreement on the same day you find out your wife has cancer. That happened to John Koepke in 1991. At the Lipnieski, J., Wisnieski, J., and Osborne, S.W. (2020). A Critical Tool for Small Business – SPIKES: Six steps for breaking bad news. Small Business Institute® Journal. Vol. 16, No. 1, 44-53

time he was president at a graphics company for 8 years. The chairman pulled him aside and asked how his wife is and then said: "Too bad--this isn't a good day for you. We're making some changes around here, and you're no longer needed." (Labich and Davies, 1996).

It is hard to measure the damage done to a large corporation, not-for-profit organization or small business when bad news is delivered in such a poor manner. There is the morale issue for those left after such toxic mistakes. There is also the damage to the organization's reputation. And carelessly handling this can lead to lawsuits which can come with high price tags (Labich and Davies, 1996).

One of the authors has witnessed (but not directly impacted) in three corporate reorganizations which were similarly handled. One of them was implemented as follows: A significant corporate department was called to a meeting and the employees told if they were *not* on the new organization chart, your job had been eliminated. The impacted individuals were then escorted to their offices, told to pack up their belongings, and then escorted out of the building.

## Literature Review

In the realm of small business, the need for BBN is an all too common occurrence, almost a daily phenomenon (Ilgen & Davis 2000) for managers and owners. The potential exists when dealing with a broad array of stakeholders including but not limited to: clients, customers, suppliers, employees, family members and officials (Potter & Lipinski, 2009; Potter et. al. 2010). Given that managers and small business owners' roles typically have a larger span of control than large corporate managers, they encounter a wider variety of situations for BBN than most large corporate managers. Leaders rank BBN at the top of the list of their most difficult tasks (Bies, 2010).

What are some examples of this? Some of the news may apply to an individual such as being "let go." Some BBN will need to be delivered to a larger audience such as a poor profit situation already experienced. Common occurrences for small businesses are reducing hours, slashing benefits and laying off employees. These circumstances certainly fit with what Bies (2013) defines as bad news as *information that creates a perceived loss in the receiver and creates some sort of emotional trauma in the receiver.*

Notwithstanding the common occurrence and importance of BBN, it is a subject that has received rather limited attention in the management literature. For an excellent review of the literature related to BBN, Bies (2013) tackles this subject and looks to related fields, primarily drawing from the psychology, sociology and medical literature.

Bies (2012) takes his work to a practitioner audience in *Forbes* where he proffers his “10 Commandments” for breaking bad news.

- 10: Thou shalt never surprise
- 9: Thou shalt never delay
- 8: Thou shalt never hide the facts
- 7: Thou shalt always put it in writing
- 6: Thou shalt always justify
- 5: Thou shalt always look for the silver lining
- 4: Thou shalt always bring solutions
- 3: Thou shalt always remember your multiple audiences
- 2: Thou shalt always follow up and follow through
- 1: Thou shalt always treat people with respect and dignity

Much of the business literature has either been descriptive, after the event, or prescriptive with an emphasis on handling public reaction and public relations. What limited research that has been conducted suggests that the adverse effects can be mitigated by feedback that is specific and allowing recipients a chance to respond (Bradley and Campbell, 2016). Also, it is important that the procedures used are fair and just and thoroughly explained can also help with delivering bad news (Richter, König, Kopperman, & Schilling, 2016).

Goldman (2012) specifically addresses the consultant and “how to break bad news to small business owners.” Three tips for the consultant include:

- Acknowledge the impact on the client
- Be honest and direct
- Provide a viable solution.

Some other models, practitioner, prescriptive, and somewhat anecdotal, are presented by Power (2017); Young Entrepreneurs Council (2017); and Berkley (2012).

Even in medicine, an area where BBN can be an undertaking that occurs multiple times per day, the task was also long ignored in the medical literature. Consequently, Baile, Buckman, Lenzi, Guber, Beale & Kudelka (2000) proposed the SPIKES Model, a six-step protocol for delivering bad news. The model was originally proposed for oncologists who deal with BBN to cancer patients. Since the introduction of the SPIKES model, it has been deployed throughout the medical field and is now taught to medical students (Van Weel-Baumgarten, Brouwers, Grosfeld, Hermus, Dalen & Bonke 2012) and even adopted into dentistry (Curtin & McConnell 2010). The merits of this approach to delivering BBN is such that we are proposing that an adapted form of the SPIKES model may be adopted for use by managers and small business owners when delivering bad news in a one-to-one situation.

This seems to be a departure from the conventional wisdom and practice of applying business theory, frameworks, and tools to the world of non-profits in general, healthcare in particular. However, the SPIKES Model has been highly regarded in the medical field

and has sufficient credibility and success to be considered as a framework for use in (small) business practices and consulting.

### **SPIKES Model for One-on-One Delivery**

Drawing from Baile et al (2000), BBN is a complex communication task. Not only is there a verbal component that in itself can be daunting, there are other skills that are required. For example, one must be able to read the recipient's emotional reactions, deal with their stress, and work to give hope when a situation looks bleak. Such a complex and stressful situation can create serious miscommunications (Ptacek & Eberhardt, 1996).

The SPIKES Model (Baile et al, 2000) consists of six steps. The following description of the model includes some appropriate modifications integrated by the authors to accommodate the specific needs of small business managers and owners rather than medical practitioners.

*Table 1- The SPIKES Model*

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Step 1: **S** – **S**etting up the **S**ession

Step 2: **P** – Assessing the **P**erson(s)

Step 3: **I** – Obtaining the Person's **I**nvitation for **I**nformation

Step 4: **K** – Giving **K**nowledge and Information

Step 5: **E** – Addressing the Person's **E**motions with **E**mpathetic Responses

Step 6: **S** – **S**trategy and **S**ummary

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Each of these steps can be critical in effectively communicating BBN, the relative importance of each dependent upon the particular situation. This model is more appropriate for small business owners and managers (with multiple stakeholders) and their professionals (e.g., lawyers, accountants, bankers) as occasional bearers of BBN. However, it is also relevant to SBDC and SBI Directors/Counselors. Although SBI Projects are not typically an instrument, per se, for conveying BBN, due to the nature of these projects, many will inevitably include an element of something the client does not necessarily want to hear. Consequently, elements of the model are variably relevant to the SBDC/SBI. The following is a step-by-step description of the process with some SBI/SBDC references scattered throughout.

#### **Step 1: S – Setting up the Session**

A small business manager or owner should mentally rehearse for this stressful task. They should make a plan as to how the information will be communicated, anticipate

difficult questions, and expect to deal with feelings of frustration. The physical setting matters. Privacy and a setting appropriate for undistracted discussion are important.

*Guidelines:*

- **Arrange for privacy.** A private office or conference room are appropriate. Arrange to eliminate distractions and turn off the telephone if possible. SBI Note: Both our SBI and SBDC have dedicated conference rooms available.
- **Involve significant stakeholders.** If multiple stakeholders are involved, consider involving all the key individuals involved. Limit the size of the meeting to a size conducive to a discussion, but be sure, even if multiple meetings are required, to make sure that the affected stakeholders do not receive the information second hand. Keep in mind that sometimes it is advisable to suggest that the business owners limit their invitees in order to allow them to absorb the information first.
- **Sit down.** Sitting relaxes people. Standing while others sit implies a power imbalance. Also try to eliminate physical barriers between people. SBI Note: The CEO of a very large and frequent SBI client of ours always sits and chats with our Student SBI Counselors prior to the student presentations – this gesture has “leveled the playing field” on many occasions. Although not in the context of a BBN situation, this serves as an excellent example of the power of this simple act.
- **Make a connection.** Maintaining eye contact may be difficult, but it is important in establishing rapport. This should be a second natured practice of any professional. SBI Note: However, it may not necessarily be so in the case of BBN or Student SBI Counselors.
- **Manage time constraints and interruptions.** Inform the stakeholders if you have time constraints or let them know up front if there are any expected interruptions. Eliminate the expected interruptions if at all possible. In the era of smart phones, this can be problematic. Also, be sure to be aware of any time constraints that the stakeholders may have.

**Step 2: P** – Assessing the Person(s)

Be sure to ask, then tell! Use open ended questions to create a reasonable accurate picture of the stakeholder’s assessment of the situation. Ask what information the stakeholder may already know. Ask their perceptions on the situation. Your goal should be to understand what misinformation the stakeholder may have heard and understand if they may be in a state of denial. *Misinformation* is often far more detrimental than an *absence* of information.

**Step 3: I** – Obtaining the Person’s Invitation for Information

While most stakeholders will want a full, unvarnished disclosure, some will not. When a small business manager or owner hears an explicit desire for information, it may lessen the anxiety associated with BBN. Shunning information is a valid psychological coping

mechanism (Gattellari, Tattersall et al, 1999). Understanding how much information the stakeholder had received, understood, and accepted will be important for any follow-up discussions. If the stakeholder does not want details, offer a future opportunity for further discussions or information that they can take with them.

#### Step 4: K – Giving Knowledge and Information

Warning the stakeholder that bad news is coming may reduce the shock that often follows BBN and can facilitate information processing. Setting up your meeting with phrases such as “Unfortunately I have some bad news to tell you” or starting the meeting with “I am sorry that I have to tell you...” are appropriate ways to set the stage. Ensure that your stakeholder understands any necessary technical information such as legal definitions, accounting terms, complex statistical jargon or other difficult to understand terms. Avoid excessive bluntness as being too aggressive may make the stakeholder feel isolated or angry and has a tendency to cause individuals to blame the messenger. Give information in small pieces and check periodically to ensure that the stakeholder understands what is being communicated. SBI Note: We work very closely with our Student SBI Counselors to frame, phrase and wordsmith in a manner to ensure all information is accurately and effectively communicated. This pertains to the PowerPoint content and presentation as well as the project write-up. This is especially important when there is an element of BBN – bluntness can blunt the message and create animosity, particularly with students.

#### Step 5: E – Addressing the Person’s Emotions with Empathetic Responses

Responding to a stakeholder’s emotions is one of the biggest challenges associated with BBN. Emotional reactions can include silence, disbelief, crying, anger, or even aggression. When confronted with BBN, the emotional reaction can be an expression of shock, isolation, or grief. Support and solidarity can be given via an empathetic response.

- **First**, observe the stakeholder’s emotion. Look for sadness, silence, or shock.
- **Second**, identify the emotion. If all one observes is silence, use open ended questions to ascertain what the stakeholder is experiencing.
- **Third**, identify the reason for the emotion. This is likely connected to the bad news. However, if you are not sure, ask. The situation may affect their personal life as much or more than their professional situation.
- **Fourth**, after giving the stakeholder a chance to express their feelings, let them know that you have connected the emotion with the reason for the emotion by making a connecting statement. For example:

*Manager:* “I’m sorry, but the current situation means that we will have to cancel our next order and it may be months before we need another shipment.”

*Stakeholder* (Supplier – clearly shaken): “I’m worried. You were a key client and we count on you for a lot of our revenue. We will likely face layoffs.”

*Manager:* “I know this isn’t what you wanted to hear. The market is down and we have experienced a major slow down. I wish that the news was better. We too are likely facing layoffs”

Empathetic statements go a long way to helping a stakeholder deal with an emotional response. Until emotional issues are cleared, it is difficult to go on and discuss other issues. If the stakeholder’s emotional response does not diminish, continued empathetic responses should help to calm the stakeholder. It is okay for the manager or small business owner to acknowledge their own sadness or other emotions (e.g., “I also wish that the news was better.” *Or:* “This really threw me for a loop too.”). Let the stakeholder know that their emotions are legitimate.

If the stakeholder is silent and emotions are not clearly expressed, it is important to ask open ended questions before making empathetic responses. Making a statement to alleviate disappointment when the stakeholder is harboring anger can exacerbate the situation, for example.

#### Step 6: S – Strategy and Summary

Stakeholders with a clear understanding and a plan for the future are less likely to feel anxious or uncertain. If the situation has potential legal ramifications, it is best for the manager or small business owner to have discussed the situation and strategy with their attorney or other key professionals if their input will be needed. Make sure that the stakeholder has a clear understanding of the situation before moving forward with a strategy.

**SBI Note:** In the case of the SBI, all of our projects (BBN or not) are required to include both a summary and recommendations. In those instances such as a business plan, feasibility study, marketing plan, etc., there are explicit strategies as well as a *Key Risks and Contingencies* section where appropriate.

Understand the stakeholder’s level of knowledge about the situation. Explore the stakeholder’s knowledge and expectations. This helps to understand where to begin a discussion on strategy. Understand the goals that both parties may have and understand how both parties can work together if the end goal is shared. With a clear understanding of the situation, the possible paths forward, and the pros and cons of each possibility, a small business manager or owner can then move forward developing a future strategy with a solid base of knowledge.

#### **The Spikes Model Modified for Companywide/Group Announcements**

It is important that the employees believe there is procedural fairness and used consistently across the people involved (Richter, Konig, Kopperman, & Schilling, 2016). This needs also to be communicated in a timely fashion before rumors begin to fly.

The steps that have been suggested are essentially the same but modified for group settings.

### Step 1: S – Setting up the Session

As before, it is important to arrange the setting. There should be some privacy for the group as they receive the news – some type of private room. Make sure everyone who needs to be there is there. Make sure there are enough seats and encourage everyone to take a seat. Make sure to make eye contact with everyone and allow enough time for the meeting. Deliver the bad news immediately (Richter et. al.,2016).

### Step 2: P – Assessing the Person(s)

The manager should try to illicit responses from the employees and answer their questions. Again try to counter any misinformation the employee has and try to explain the procedures used in coming to these decisions.

### Step 3: I – Obtaining the Person’s Invitation for Information

Make sure they provide as detailed an explanation as possible for the bad news.

### Step 4: K – Giving Knowledge and Information

Make sure it is clear what the employee can do to follow-up after the session and possible sources of information.

### Step 5: E – Addressing the Person’s Emotions with Empathetic Responses

While providing an empathetic response in a group session, it is important that the manager still do this. It is also important to allow the employees to express their emotions.

### Step 6: S – Strategy and Summary

In the end, the manager should summarize the total discussion and provide clear next steps for the employee to follow. Some of the next steps can be very strategic indeed.

## **Discussion & Conclusion**

BBN is an unavoidably stressful situation for small business owners and managers. However, this is a critical skill to develop. Not only are there potential legal issues involved, but it is an unavoidable duty. This is not a current focus in management education but should be incorporated into the communication skills developed in a business program.

SPIKES is a well-received model that has been adopted by the medical field. With slight modification, no doubt it can be a valuable tool for small business owners and managers. A well thought out process like SPIKES reduces the stress for both the messenger and the stakeholder receiving the bad news.

The SPIKES model addresses how to deliver the bad news, but there is one element mentioned that is not necessarily relevant to individual medical cases but of paramount importance to businesses. In the case of businesses, there is always a strategic element involved in delivering bad news and how to manage the business communications

element (Bies, 2013). If the SPIKES model were combined with recommendations on how to handle bad news from a strategic perspective, it could provide a comprehensive model for businesses.

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