

I fired 200 people in my career and this is how I'd handle current layoffs

Recent news in a nutshell: Tech companies are firing employees, sacking them and letting them go. More than 120,000 people have been recently laid off by major tech companies.

Temps de lecture : minute

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After the lockdown, there was so much money in the economy — businesses were hiring like crazy. A study shows that 850,00 jobs were added to the U.S. economy only in summer 2021.

The current mass layoffs is how we're paying for that growth. A sudden financial crisis has left many tech businesses on the verge of bankruptcy, unable to raise VC money as easily as before.

To survive, founders started to cut costs.

I've been there — during my career, I have fired about 200 people. In many cases, it was necessary for the business I ran to stay alive. Here's a couple of tips that will help business founders handle mass layoffs a bit more gracefully.

Why firing?

Most tech companies are focused on growing fast — they spend much more than they can earn and heavily rely on VC money. Once they can't raise VC money, they go bust. And, in 2021, raising money is challenging

as hell.

That's why, in an attempt to survive without external funding, tech firms started to cut costs.

Some public companies, however, do that due to pressure from investors. I've seen cases when investors write founders, "Well, let's start laying off people. It's time". But mostly businesses analyse runway and burn rates before resorting to it.

Before firing people, you can cut operating expenses like equipment, inventory costs, and offices. I know that Block, an American tech company, *gave up* its office in San Francisco to reduce costs and save a team.

But that's not much. A *Deloitte* study shows that, for a typical Fortune 500 company, payroll is \$1-2 billion per year, which averages between 50% to 60% of company spending. Eventually, it all comes down to letting some people go anyway.

Offer help when firing

Employers can be bad at talking to their staffers, and some jurisdictions forgive this flaw. Most of the states in America, for example, have an "At-will employment contract", which allows employers to dismiss people without giving justified reasons or informing in advance.

Situations when employees are fired by an email or a short video call are common there. Better.com, for example, abruptly fired 900 employees via Zoom in December last year.

In Britain, you can dismiss staffers without any formal warning only if they've committed gross misconduct (offensive behavior, damage, or theft). It is necessary to provide appropriate evidence to support your

decision, though.

In any case, firing someone doesn't have to be rough. It's a difficult decision for an employer, but for a worker it's more than that — it can be traumatising. So do it as gently as possible.

I report about lay-off decisions in person, use an individual approach, and help a former colleague by giving references to other companies.

It sounds banal, but being friendly and helpful helps retain good relationships and, when the economic situation changes, you can hire this person again. Sometimes, it's easier than hiring someone new and spending months on onboarding.

Ask for feedback

The words you use to fire an employee should be simple and to the point. Begin by saying cliché but universal, "I have some bad news for you. Today is your last day".

Then, explain your reasons, "I have to do it for the business to survive." Why not being honest?

Then, offer help: recommend a company to apply and write a reference letter.

It's important to let a fired employee give feedback on his work experience in a company. A good sign is when a dismissed worker recommends a company or re-joins it after the crisis is over.

What's happening at Twitter is an opposite example. The company has just fired about 50% employees and I doubt these people — after how they were treated — will want to work there again.

One of the fired employees tweeted: “Just got remotely logged out of my work laptop and removed from Slack. So sad it has to end this way”.

Companies that fire people in a heartless way are less successful in long-term.

Firing in family-like business

It’s hard to fire an employee if your workplace — by accident or on purpose — has become family-like.

Often, an employer has a choice between firing a person who’s been around for a long time or a new rapidly growing hire.

Making this decision is hard, but founders should think from the perspective of the company’s future. It is wiser to let the new hire grow professionally and fire the tenured employee who just clocks in and clocks out.

I like the Netflix approach, when people in a company are treated as team players. If a player underperforms, you substitute her.

It’s trickier when these people play on different positions — work in different departments. If this happens, the staffers should be evaluated by managers who usually don’t work with them. They should look at these workers’ performance on paper (effectiveness, quality, and efficiency) and decide.

Any crisis is hard for both employers and employees. But it always ends. When this one is over, will your business come out of it with a decent reputation?

Vital Laptinok is general partner at *Flyer One Ventures*.

Article by Vital Laptенок