

How to approach redundancies empathetically and make exits matter

How you exit someone is an important part of your culture and it says a lot about you and the company. At some point, you are going to have to let someone go, and it won't be easy. If it's not working for you, it's also not working for them, and it's important to understand why, even once it's over.

Temps de lecture : minute

14 August 2023

Anyone who has been through a divorce or a breakup knows that, later, things can be tricky if you are still angry. You might choose to spend time and effort in the aftermath, once the emotion is gone, trying to build a different relationship, or you might decide it's too difficult and move on. In business, your reputation depends on making the effort. Reputation is a long game. People who worked for finnCap are now on the boards of companies that give us work.

If it's a performance-based exit, you might be angry with that person and just want them out, and for the relationship to be over. It can be challenging when key people don't work out. Perhaps they have become disengaged, and an exit is the best solution, but you still want the person you are losing to be as positive as possible about you after they've left. Ask yourself how you will feel about the way you treated that person ten years down the line, when they might well be important to your business.

The most frightening and sensitive time for the person who is leaving is the few weeks after the exit. It will go a long way towards helping them

heal if you follow up with them, see how they're doing, ask what you can do to help, make introductions. If you mean it, and if you're a nice person, their final impression of you (the one that they share) will be positive, with a sense that you have valued them.

Achieving empathetic redundancies

We have had people come to us after redundancies that had been handled badly, or had been a terrible shock, and it took them a long time to recover. I felt the impact every day, in their insecurity, and had to be conscious of this whenever I dealt with them. Some people never recover. Redundancy has the potential to cause huge mental health problems.

Finance, generally, has a hire-and-fire culture, and the constant threat of redundancy is part of that. You hear of a firm in which there is a round of redundancies every year, and another that loses the bottom 10%, and you think how awful it must be to work there. We try to avoid redundancy as much as possible at finnCap. We will only do it when the market is particularly difficult, and we have usually only had to have one round every three or four years.

In certain financial services firms, where redundancy is part of the culture, the process is clinical. People are paid, but there is little emphasis on having good discussions, which is how you can make someone understand why it's them and why it's not working, and why it's not personal. You can't do this perfectly every time. Not everyone will get it – some people will never get it, and will be angry with you for the rest of their life – but most people will appreciate your effort if you acknowledge the human side of redundancy, and are careful in how you talk to them and the time you give them to accept it.

Alongside this, you will have an HR process and a script that you are expected to stick to. When you're still small-scale, it's likely that you will

call in some outside HR advice; you will be doing things by the book and it will all become clinical. If you go off script, HR will tell you that you're exposing the company to risk because someone can come back and sue you.

The law makes it hard to give people full explanations, but you can give some honest reasons. You might decide to take your own view on risk, which might not be the same as HR's. You will want to think about what this person's feelings about departing mean for your reputation, or your external culture. Are they a potential future supporter? What are they likely to say about you and can you change that? This means balancing the by-the-book advice with the human element of what's happening.

Decisions about exits are hard, especially with long-standing or senior team members, board members and shareholders, but not making the decisions will store up problems and block your growth. If you can keep the human aspect of the situation in view and continue treating people well, you will avoid most negative reputational repercussions. Treat all your alumni as potential future allies and make their last impression of you as positive as possible.

This is an extract from *The Secret Sauce* by Sam Smith, the founder and former CEO of *finnCap Group*.

Her new book *The Secret Sauce* explores how empathetic leadership can help superscale any business and empower the company's talent.

THE SECRET SAUCE

The title 'THE SECRET SAUCE' is written in a bold, dark blue, sans-serif font. The word 'THE' is at the top, 'SECRET' is in the middle, and 'SAUCE' is at the bottom. The letters are surrounded by several yellow paperclip illustrations. A thick, orange-brown sauce is dripping from the top of the letter 'U' in 'SAUCE', forming a puddle on the surface below.

Superscale your business
and empower your talent with
empathetic leadership

SAM SMITH

Buy The Secret Sauce

Article by Sam Smith