

How tech companies can repair brand trust amid mass layoffs

As LinkedIn recently announced plans to layoff more than 600 employees, our attention is again drawn to, what seems to be, a never-ending stream of layoffs within the tech industry.

Temps de lecture : minute

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Microsoft has also announced multiple rounds of layoffs this year, including 10,000 positions it eliminated at the start of this year. And let's not forget Google's parent company Alphabet slashed its workforce by 12,000 people. Other companies to make layoffs this year include X, Meta and Amazon as well as a whole host of smaller companies.

But as employer branding becomes more important than ever, how do layoffs impact a brand's reputation and trust? Well, it all depends on how you communicate around them.

It's not just the layoffs, but how you handle the layoffs

Firstly, it's important to state that it's not so much the layoffs that impact your brand reputation, but more to do with how you handle them.

Let's also be realistic; you can't always help the fact there may be times when you need to let go of staff. It might be down to over projections on profits, or the impact of an event that wasn't anticipated in the macro environment, for example COVID or the cost of living crisis.

Of course, you're always going to prioritise profitability, but you'd be foolish to think that how you carry out the layoffs won't have consequences. No matter if you're a small company or a large company, the way you handle layoffs will affect your ability to attract future talent (when your company's booming again) and it will also affect how your consumers perceive your company (we believe that in the B2B environment, reputation often trumps a range of individual products – products which are often available from other vendors).

One sole round is much better than multiple

One mistake I've seen when tech companies announce layoffs is announcing many in the same year. It's much better to make one large round of layoffs than lots of small ones. I once worked at a company that had 18 rounds of redundancies in two years, and though it might not have been possible to do just one round, limiting the number would have helped morale.

Making lots of little layoffs has several negative consequences for your brand. It rattles employees and it makes them lose faith in the company. Some people may even leave prematurely out of fear they could be next. It also gives the illusion that your business is heading in a downwards trajectory, and it looks like you can't forecast properly. All of these do not look good to your stakeholders; current employees, future employees, investors, customers, etc.

Where possible, stick to one round of layoffs. Even if it's one large round, it's better than multiple.

Own your mistakes, be honest and be

empathetic

No one is claiming laying off staff is easy. This might be even more difficult in a small or medium-sized tech company, where founders build personal relationships with each and every individual employee. But also remember that it's a lot harder for the individual being laid off than the company doing the layoff. And companies can easily fall into the trap of being perceived as having a lack of compassion or empathy for the employees they have to let go of.

To avoid this, own your mistakes. Admit if you overforecasted, over-hired when business was booming – whatever it was, be honest and take accountability. Communicate when laid off employees will be notified and what support will be available for them. Tell your team what you're doing to ensure job safety.

A “nice” example of how a tech company handled layoffs in the right way was Stripe's handling of its layoffs last November. When Stripe announced that it was laying off 14% of its workers, impacting around 1,120 people, it published a *company-wide memo online* owning up to its mistakes, detailing the reasons, outlining how it was supporting laid-off staff, and even going so far as to set up an alumni email and encourage other companies to hire their laid-off employees. The move was a great example of demonstrating empathy and genuine sadness over what would undoubtedly have been a really tough time for employees.

Whilst the next year will undoubtedly be a period of uncertainty for many tech companies, the decisions you make over the next year can have an impact for years to come.

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