

Navigating layoffs

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OH BOO HOO, THE RICH CEO HAD A BAD DAY

I hesitate to write this because it's hard to have sympathy for leaders who execute layoffs while keeping their own jobs.* Yet layoffs happen, and there are better and worse ways to handle them.

Companies don't do layoffs capriciously. Sometimes economic situations change unexpectedly; for example, layoffs due to COVID-19 weren't due to a failure of leadership. But often it's true that leaders made bad choices, wasted investment dollars, or failed to build a profitable company. Some-

* While this is often true, justifying the stereotype, it's common for public company CEOs to be fired together with or just after layoffs. In the past few years, these included the CEOs of Peloton, CNN, IBM, Disney, Bed Bath & Beyond, AMC Networks, Stitch Fix, WeWork, Slack, Sears, JC Penny's, Boeing, and Uber. It is more common with public companies than private, and more common with professional CEOs than founder-CEOs.

times public companies follow changing Wall Street values—for example shifting to value profit more than growth—at the expense of employees.

Whether leadership was at fault or not, the task of executing layoffs is incredibly difficult, though you should not and will not find sympathy from your employees or the world at large. Why should they—the leader is responsible, yet the leader somehow gets to keep their job. Even if the leader is part of the layoff, they got paid more and likely have a nice severance too.

There's also a common perception that leaders are just moving numbers around on a spreadsheet, and don't care about the human consequences. I'm sure those evil bastards exist, but in my experience with startups in the past few decades, I've never seen that particular thing. I see leaders who throw up from the combination of guilt, shame, and anticipation, who say it's the worst day of their life, and who are permanently changed. Again, not asking for sympathy, but not every regrettable action is motivated by evil.

In any case, layoffs will happen, and there are better and worse ways to execute them. For the benefit of those laid off, those staying, the mental health of the leaders, and the health of the company, here are my suggestions.

REQUIREMENTS

However you execute the details, I believe you need to satisfy all of the following conditions. Often founders fixate on a few but not all, and that's why it goes especially poorly.

Accept that people will be unhappy

No matter how you do this, people will be upset—both those laid off and those who remain. Many won't believe your explanations, and encourage-

ment or grand vision statements will not assure them. Most people aren't really listening after hearing the news. These suggestions aren't about preventing anger and confusion—assume those will happen. This is about reducing turmoil, not avoiding it entirely. It will be bad; we're aiming for "least bad." Sorry, that's the job.

General Patton on the decision, Mother Teresa on the exit

This phrase from our wonderful CEO Heather Brunner is applicable to many human interactions, and especially here. Be firm in your decision but generous in the exit. Whoever's fault this is, the people who are laid off don't "deserve it," so be as generous as possible.

This means long severance, extended benefits, and career services for resume building and interview coaching. At minimum, find points of leverage: small things that make a big difference. For example, in America, setting someone's last day as April 2nd instead of March 30th gives them an entire additional month of health benefits. Find every little way to leverage kindness.

Focus on the survivors

How you manage the people who remain is even more vital to your company's future than how you handle those leaving. Those leaving aren't really listening—they know they've been unfairly fired and don't care about your corporate strategy and its rosy future. But those staying need to start rebuilding trust.

First, they need to see how generously you're treating departing colleagues. Do this because it's right, but also because it shows remaining staff that you're humane. You're doing what you believe is necessary, but doing everything you can to reduce damages to innocent people.

Talk specifically about the future this enables—not just better finances, but what you will execute to keep the company safe, healthy, and never go through this again. Maybe you're shutting down a failed second product while keeping the solid core business. Maybe you're reorganizing around more efficient processes everywhere. Whatever it is, be clear why this change creates future-proof safety. This had all better be worth it.

Tell everyone simultaneously

As soon as anyone gets even a small whiff of layoffs, 95% of the company will find out. The rumor mill moves at the speed of Slack, text messages,

and Discord groups you didn't know existed, often bouncing through alumni as quickly as current employees. You do not want your message preempted by crowd-sourced worst-case scenarios.

This is why, while it feels impersonal, you must announce to everybody simultaneously. And the first sentence is that with an extremely heavy heart, you are saddened to announce that we are having a lay-off. Do not bury the lede. Of course face-to-face conversations are necessary, but you have to break the news without staggered times. During the announcement, explain that you (or appropriate senior management in the case of 800+ employees) have one-on-ones with each departing person and are also willing to meet with anyone else to talk it through.

In larger companies with management layers, tell everyone they should feel comfortable contacting any leader they trust, even outside their department or chain of command. These conversations are appropriate and expected.

Visual and live

Zoom if everyone is remote because you have to do it simultaneously, but of course in person is better. Anything asynchronous or impersonal is the worst: email or even a prerecorded video. The medium matters; those media scream: Management is uncaring, inhuman, and couldn't even be bothered to tell me to my face.

Cut only once

The very worst thing is a follow-on mini-layoff, even a year later. Any remaining trust will evaporate completely. You justified the first cut, in that it would create a sustainable future; if more layoffs follow, you've proven that you're either a liar or incompetent. Both are excellent reasons for everyone else to flee.

WHAT GOOD LOOKS LIKE

This is a real-world example of layoffs done correctly.

I'm keeping the company and founders anonymous—partly for privacy, but also because I don't want search engines or AIs to permanently link this company to a layoff that happened over ten years ago. The company not only survived but maintained their culture and continues to thrive today.

Their approach was methodical and compassionate:

The company divided employees into two groups—those being laid off and those remaining. Each group was placed in a different conference room, with a co-founder leading each room. The news was delivered simultaneously to both groups.

The general message was identical, but the details were tuned for the audience. For those staying, they outlined the services being provided to departing colleagues but focused primarily on the company's future health, strategy, and execution. For those leaving, they minimized talk about “how great this is for the company” and instead focused on benefits, reassurance, and support.

While I'm not sure if they took questions during these sessions, my personal style is to take Q&A, fully realizing that it opens you up to nasty comments and difficult questions. This is valuable, as it gives you a chance to hear harsh truths, stand before everyone and take full responsibility, and show you aren't dodging accountability.

When someone is especially critical, not only of the facts but of you personally, taking the high road while accepting responsibility shows you fully understand the weight and consequences. The more extreme their criticism, the more moderate and reasonable you appear by simply acknowledging the truth and explaining the path forward.

If criticism becomes personal (“leadership doesn't care about us”), respond with honesty: “I don't expect sympathy—I'm the one who got us here. But last night I threw up because I was so nervous about doing this. I'm crushed and embarrassed. I feel guilty and shame that we are in this position. Some of you won't believe me and I'm not asking you to sympathize with me, but this is the hardest thing I've ever done. It's

made me question whether I should be doing this job at all. Now I feel an overwhelming responsibility to ensure we succeed, so that in retrospect we will all look back and see that this sad day was necessary for a safe, sustainable future. I don't expect you to believe me—I'm just telling you the truth.”

They were Mother Theresa on the exit. They provided six months of severance, one-on-one consulting services for each person to create a better resume, a strong cover letter, and interview practice. They paid for placement services to proactively help folks find another job before severance ran out. They wrote proactive letters of recommendation, without departing employees having to ask for them, so they could demonstrate this was because of company circumstances, not performance issues.

The aftermath? People who stayed actually comforted the founders, saying they understood how difficult this was, recognized the necessity, and appreciated that the company genuinely cared for employees. Dozens expressed this sentiment, even some of the people who were let go. You shouldn't have this as an expectation or a metric of “success,” but if the culture is wonderful, the founders are genuine, the execution is crisp and humane, it will go as well as it can go.

Were others secretly angry or immediately job-hunting? I'm sure so. But this approach made the worst day of the founders' lives as “least bad” as possible. By being honest, vulnerable, taking responsibility, and moving forward with those who still believed in the culture and vision, they navigated an impossible situation with as much grace as possible.

Now, plan carefully, do what you must, but you'd better be right this time.

Don't let them down again.

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