

How to layoff employees

By: **Guy Kawasaki**

We're in a bubble again. It's not as frothy as last time, but this time we know what to do, right? One good thing about the dotcom implosion in 2000 is that we got lots of practice laying people off. I'm afraid this valuable knowledge may get lost.

If you are scoffing ("We'll never downsize because we're growing so fast."), then you're the reader this month's column is intended for. Here's how to do layoffs right:

- 1. Take responsibility.** Ultimately, it is the CEO's decision to make the cuts, so don't blame it on the board of directors, market conditions, competition or whatever else. Simply say, "I made the decision. This is what we're going to do." If you don't have the courage to do this, don't be a CEO. Now more than ever, your company needs a leader, and leaders accept responsibility.
- 2. Cut deep and cut once.** Management is usually optimistic and believes things will get better soon, so it cuts the smallest number of people in anticipation of a miracle. Most of the time the miracle doesn't materialize, and the company ends up making additional cuts. By contrast, multiple cuts are terrible for the morale of the remaining employees. Given the choice, it's better to cut too deeply and risk the high-quality problem of having to rehire. If nothing else, it enables you to declare victory: "We've turned things around, and we're hiring again!"
- 3. Move fast.** One hour after your management team discusses the need to lay off employees, the entire company will know something is happening. If you think you need to lay people off, then do so. Once people sense a layoff is coming, productivity drops like a rock.
- 4. Clean house.** Painful as it may be, a layoff is a good time to terminate marginal employees. It's good for the company because doing so can take care of many personnel issues at once without having to differentiate between people who aren't performing and positions that you're eliminating. It's good for the marginal employee because he or she isn't tainted with getting fired. Finally, it's good for the remaining employees because they can see that you have a clue about who's performing and who isn't.
- 5. Whack "Freddy."** Most entrepreneurs have hired a friend, a friend of a friend, or a relative as a favor. When a layoff happens, all the employees will be looking to see what happens to "Freddy." Curiosity and speculation will ensue: "Did he survive the cut, or did he go? Is it cronyism or competence that counts at the company?"
- 6. Share the Pain.** When people around you are losing their jobs, you can share the pain too. Cut your pay. In fact the higher the employee, the bigger the percentage of pay reduction. Take a smaller office. Stay in motels. Sell the box seat tickets to the ball game. Do something, however symbolic.
- 7. Show consistency.** I cannot understand how companies can claim that they have to cut costs and then provide severance packages of six months to a year of salary.
- 8. Don't ask for pity.** Sometimes managers go to great lengths to show the person they're laying off how hard it is on them. This reminds me of the old definition of chutzpah: A boy murders his parents and then asks the court for leniency because he's an orphan. The person who suffers is the one being terminated, not the terminator.
- 9. Provide support.** Odds are, the people getting laid off aren't actually at fault. More than likely, it was the fault of upper management. Therefore, you have a moral obligation to provide services, such as job

counseling, resume writing assistance and job search help. There are companies that specialize in helping employees during layoffs and other transitions, so use them.

10. Don't let people self-select. If you let people choose to get laid off or retire, you might lose your best people. Deciding who to lay off should be a proactive decision: Select the go-forward team to ensure that you never have to lay people off again.

11. Show them the door. With a few exceptions, all you should do is let people finish out the day--maybe the week. (My theory is that Friday is the best day to do a layoff because it lets people have a weekend to decompress.) Showing people the door seems inhumane, but it's actually better for the people leaving and the people remaining.

12. Move forward. Let people say goodbye--then, get going. This is when leadership counts. Any yo-yo can run the show in good times, but it's bad times that separate the men from the boys and the women from the girls. After the layoff, the remaining employees will be feeling guilt ("Why did I survive the layoffs and my colleagues did not?") as well as wondering and worrying about the stability of their own jobs ("Will I survive the next round of layoffs?") and the future of the company ("Will the company survive at all?") Content Continues Below You need to set goals (or re-emphasize existing ones), explain what everyone on the team needs to do to meet them, and get going. The best way to move beyond a layoff is to get back to work.

13. Circulate. After all is said and done, you may want to retreat to your office, turn off your phones, stop answering e-mails and avoid everyone. But these are the worst actions you could take. This is the time to motivate by walking around. Employees will want to see you, talk to you and seek your advice. They don't want to think their leader is cowering in a foxhole. The brave face you put on may be a facade, but it is an important facade.

*Guy Kawasaki is the co-founder of Alltop, a managing director at VC firm Garage Technology Ventures, former chief evangelist for Apple Inc. and author of eight books — most recently *The Art of the Start*. Visit his company's site, alltop.com.*