

URL: <https://stvp.stanford.edu/clips/cut-early-not-often-and-with-empathy>

One of the hardest, most painful parts of managing a crisis, says Threshold Ventures partner Heidi Roizen, is layoffs. But immediately and drastically cutting costs and positions, she adds, is ultimately better than repeatedly demoralizing and destabilizing your staff with an endless series of smaller layoffs. By cutting deep early on, you allow remaining employees to cohere and rebuild with much higher confidence. Furthermore, she adds, it's crucial to make any layoffs with maximum empathy. That's even more true in the COVID-19 crisis, she says, since many people are struggling with health issues as well as economic ones.



## Transcript

Point number seven, the most successful leaders of past crises that I've experienced have moved faster and cut deeper than most everyone else.. Okay, that's painful, let's face it.. It is awful to cut deeper.. It is awful to make a fast decision.. It feels extremely uncomfortable and it is painful.. Most startups that are venture backed are not yet running profitably, since mostly they're either working on something big that requires a lotta money before they can generate revenue or they often trade profit for growth.. So literally for them, time is money and delays cost money.. I have seen entrepreneurs in this current downturn move immediately to cost cutting measures and I have seen entrepreneurs who are still months after the first signs that things are gonna be bad, are still wondering what to do, because they're not just grabbing it and saying we have to make the change, we have to cut deep.. By the way, cutting deep, in way it feels bad, it feels like the wrong thing to do.. But I would argue in retrospect, usually those deep cuts are actual better for morale, than what I would call the death by a 1,000 cuts..

Because again most employees are thinking about, what's gonna happen to me? What's gonna happen to me? And if this week you lay off 10 people and then you say it's fine and the next week you lay off another 10 people and then you say it's fine and then the week after that you layoff another 10 people, what are your employees gonna think? This is an unstable place and I can't count on it being here.. Where if you take a lotta the pain up front and deal with it once, you can allow your, I'm sorry, your employees to regroup and feel a little bit more confident, hopefully, that you've cut deep enough that you have a path forward to survive.. So I really do believe that it is better to go fast and deep and then rebuild around what is left.. Now again, entrepreneurs are optimists and it's really hard for them to think that things are really gonna be bad.. And it's really hard for them to think that everything isn't gonna just bounce back to normal.. And to those entrepreneurs I usually say, well look if it does, it bounces back sooner, if you can raise more money, if your revenues don't suffer, you can build back up again.. But don't anticipate the good stuff happening until you know the good stuff is gonna happen.. Okay, number eight, the best leaders don't forget their empathy and their humanity.. This is also so hard at a time like this when a leader has to make decisions that result in people losing their jobs.. Often the decision really is, look you can let 25% of your team go now, or you can let 100% of them go later when you run outta money..

Even then, knowing that doesn't make this easier, but recognizing the difficulty and the loss and having empathy for those affected, while it may not change the result, it's gonna change how everyone feels about what happened.. I think that you can, you know, go out and look, there've been all sorts of, you know since again, we are in such unprecedented times where people are literally being laid off by Zoom, there are even good ways and bad ways to lay off people when you can't physically be present.. There is personal approach, there are things that companies and their investors can do to help people redeploy elsewhere or come back at a later time.. You know just understanding and recognizing that we are all humans first, and we're our job second.. You can have empathy while you're still making difficult decisions.. And someday when things recover, and they will recover, you will be judged by the empathy you had and people will determine whether they wanna come back or even stay and follow you by the things you did as a leader during the difficult times.. I think the other thing to remember that's difficult about this crisis, unlike any of the ones before, is we are literally dealing with people who are not only dealing with financial issues, but health issues.. I know people who have been impact by COVID.. I know people who have passed away from COVID.. For people, who are their families who dealing with this sorts of thing, this isn't just a minor setback..

This is life changing and life or death.. And so recognize, also particularly for entrepreneurs who have employees in their companies affected personally by COVID, from a health perspective, that you need to give people time and space to cope with

things outside of work, because we're just dealing with things we've never had to deal with before...