

A Framework For Managing Employee Terminations

Measuring Where You Should Be on the Goodbye vs Aufwiedersehen Continuum

Consider McKinsey & Company. Most associates who enter partnership track will not make partners. And there is an up-or-out philosophy that is typical of most large professional service firms. The end of employment actually becomes the start of their membership as McKinsey Alumni. McKinsey goes out of its way to assist departing professionals and maintains an active alumni group. The managing partner of McKinsey routinely visits McKinsey Alumni organizations around the world to keep the relationship going.

On the other hand, we observe an increasing tendency among the US companies to treat the end of employment phase with the same care that companies give its office trash: Get it out of the building as cheaply as possible. Don't break any laws. I don't care where

it goes or what happens to it. It's trash. Most North American companies fall somewhere between these two continuums. But I do see that the trend in the US is more towards treating departing employees like trash rather than as valued resources to be cultivated for the future.

This article will provide leaders with a business-oriented framework for helping them decide where on the goodbye - auf wiedersehen continuum their company ought to be when treating departing employees.

Goodbye Scenario

The word "goodbye" is a verb meaning the act of parting. A goodbye scenario assumes that once employees leave the building, they will never be a threat factor for the firm's future. The relationship was transactional and the transaction is

now over. In the US, it is commonly thought that once you get employees to sign a waiver of rights to sue the company in return for enhanced outplacement/severance benefits, the company has managed its threats.

If the firm defines the employee termination as a goodbye scenario, it implies that the organization can be guided by a business model that says, "What is the least expensive way of terminating this relationship?"

Aufwiedersehen Scenario

Auf wiedersehen is the German word for "until we meet again." It has a very different quality than the English "goodbye." In an auf wiedersehen scenario, the assumption is that once the employees physically leave the building, they will continue to be a threat to the firm's future even if they sign waiver of rights contracts. For example:

- Once they get jobs at new companies, one or more of these companies might be a sales prospect or a takeover target. They could use their negative experience with you to become sources of opposition.
- They continue to be shareholders in the company even if they are no longer employees.
- They may attend alumni programs at their graduate schools or colleges and discourage graduates from joining your firm.
- They may encourage members of their extended families, villages, or tribes not to purchase products or to use your services.
- They may post negative reviews about the company on the Internet



for customers, employees, and prospective acquisition targets to read.

Each of these scenarios assumes the capability of retaliation plus uncertainty of that retaliation. And that retaliation could harm the strategic interests of the company.

These are classic Aufwiedersehen scenarios. A practical defensive strategy is to treat employees with dignity on the way out even to the point of helping former employees feel like they continue as members in the corporate family.

Are Companies Employing Too Narrow A Perspective About Risk Management When Making Termination Decisions?

At many of our US-based client companies, termination decisions are made at a table with the voices of human resources, legal, and finance sitting down and planning the termination/outplacement programs.

In my opinion, these functional voices are both necessary and insufficient.

The voice of HR will focus on the ease of administration and uniformity of application.

The voice of finance will focus on cost reduction.

The voice of legal will focus on reducing legal risks.

As mentioned earlier, what about the other retaliatory risks that are not being considered?

We employ a framework like the one below to help structure the conversation with our clients:

Termination Threat Analysis Once Non-Competition and Non-Disparagement Agreements Lapse

Rate each factor on a 0-9 scale. A score of 0 means that the factor does not apply. 1 means minor threat whereas 9

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Exhibit I	
Factors	Score
• Ability to harm M&A objectives	-
• Ability to harm strategic alliances	-
• Ability to negatively influence sales	-
• Ability to negatively influence talent we seek to hire	-
• Ability to negatively influence the community where we operate	-
• Ability to post negative information on the web	-
• Ability to recommend family/friends/tribes not purchase our products-	-

means a significant threat. We assume departing employees have the capability. The focus of this review is the perceived threat to the company if that capability is exercised.

In applying these and other risk factors, the objective of the meeting is for the group to determine if the end of employment decision approaches the Goodbye end of the continuum or the Aufwiedersehen end of the continuum. As the agreed upon number moves towards 9, the company ought to employ an aufwiedersehen scenario to the point of calling departing employees alumni and setting up alumni programs. As the agreed upon number moves towards 1, the company can afford to employ a goodbye scenario and use cost/legal compliance/ease of administration as the cornerstone of decision making.

Ethical vs Contingency Based Approach to Managing Terminations

I love working for client companies that treat departing professionals with dignity on the grounds that it is consistent with corporate values. This article does not assume that companies have such positive ethical values and provides leaders with a contingency-based approach to managing end of employment decisions based on a broader and more strategic framework of risk assessment.

Bring the voice of strategy and marketing to the decision making table when making end of employment decisions.

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Reference # 03M-2009-08-10-10