

Firing

The Right Way to Be Fired

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Even in the best of times, executives get fired, and in the worst, they get fired with disquieting frequency. Indeed, as the economy softens, you only have to glance at the newspaper to see layoffs left, right, and center, mainly to cut costs. You can be a top performer today and still lose your job. The question is: Can you lose it the right way?

For 22 years, we have worked closely with more than 500 senior executives in dozens of industries to manage their careers in good times and in bad. Over and over, we have observed how executives react to being fired or laid off. The majority handle termination with dignity, even elegance. They negotiate handsome severance packages, part with their employers on amicable terms, and position themselves for their next assignments. Yet some executives take actions that subsequently backfire, setting the stage for difficulty in procuring new jobs—and even destroying their careers.

What differentiates fired employees who make the best of their situations from those who do not? One answer is mind-set. Virtually every executive feels shock and anger upon losing a job, but those who rebound swiftly have usually absorbed what we call an “assignment mentality”; they see each job as a stepping-stone, a temporary career-building project. That’s good, because most

corporate boards and CEOs have this mind-set, too, a continuing phenomenon that emerged about 20 years ago. Most leaders see an executive in the ranks—even the best performers—as filling an assignment. When it's over—for strategic or financial reasons—so is the executive's tenure with the company.

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On an intellectual level, most executives know that the assignment mentality rules. Even so, some allow that reality to recede in their minds; it's only human nature. Then they get fired or are laid off and, like clockwork, fall into one of three traps. The first is the “lost identity” trap. Executives in this group have, over months or years, allowed themselves to “become” their jobs. Unable to imagine their companies existing without them or themselves existing without their companies, they react to termination with rage, even vengeance. The second is the “lost family” trap, the province of executives who believe that their coworkers are more than that—dear friends, even a second family. Under these circumstances, termination becomes painful estrangement, with attendant feelings of betrayal and sorrow. Finally, there is the “lost ego” trap, in which executives silently retreat from the company without negotiating fair termination packages and disappear into troughs of silent despair that make them reluctant to reach for the next opportunities.

We'll examine these traps, all of which can arise from being fired or laid off, in the following pages and then turn to a few strategies for making a dignified departure. But first, a few observations about the assignment mentality itself.

Which Mind-Set Do You Have?

The assignment model common in most companies today got its start in project-oriented industries—such as the arts, sports, agriculture, construction, and consulting. In these arenas, work comes and goes; individuals are contracted as needed; and work groups are continually assembled, altered, and dissolved. The assignment model presupposes the existence of “assignment executives”—people hired for two to six years to guide and implement a company’s strategy. Sometimes, a company itself may be on assignment, in the sense that its end is foreseeable: For example, a company faced with a short product life cycle, tough competition, or an unforgiving investment community may develop a corporate exit strategy. Such an exit strategy might be to increase shareholder value by 50% and then engineer an initial public offering or an acquisition by a larger competitor. Once this strategy is successful, a new group of senior managers replaces the outgoing one.

Although the assignment model is real, it is rarely discussed. A mythic belief lives alongside it in the minds of most employees. This is the “tenure mind-set”—the comforting sense that an organization willingly parts with valued employees only when they formally retire. It has long been dead in corporate America, although most companies won’t openly admit it. After all, letting employees know that their jobs are finite would make them feel disposable and would hurt recruiting efforts. For this reason, most companies perpetuate the tenure myth, particularly in corporate literature. Annual reports and other accounts, filled with glowing language about career paths, continually work to persuade employees that companies take long-term views of their career development.

Most of the time, the assignment and tenure mind-sets coexist peacefully. Externally hired CEOs truly understand that their jobs are pure assignments, because very specific termination and severance clauses are written into the employment contracts. For everyone else, the assignment nature of the job may not be clearly understood. Indeed, it’s easy to ignore, even to deny. Moreover, senior executives tend to believe their own jobs are the most secure. And it isn’t unusual for a founder, a CEO, or an executive promoted from within

to be lulled into the tenure mind-set. When the company's exit strategy dictates a departure and sets in motion a collision between the two mind-sets, disillusionment can emerge and executives can fall into one of the three traps.

Caught in the Quagmire

When terminated suddenly, even the most widely admired and competent executives can be overcome by anger and grief. Saddled by these emotional responses, they may take actions they later regret. Let's take a closer look at these three traps.

The Lost Identity Trap.

The people most susceptible to this trap are likely to have been with a company for some time; their jobs may have been cut short due to a sudden change in course or a pressing financial crisis. Such people often include founders and senior executives who have achieved positions of power through promotion. In the day-to-day demands of doing their jobs, executives who fall into this trap have nurtured the strong sense that they are indispensable; they may have heard as much from investors or board members. Confronted with sudden job loss, they fall apart and often lash out against the former company—now rife with “enemies.”

Consider Fred, a 31-year-old engineer who received his degree from MIT and then spent three years working for a large computer manufacturer. There, he developed a key technology that allowed companies to tap into their large databases via the Internet. After inventing the software, Fred decided to found a company with his own sweat equity; in time, he accepted funding from a venture capital firm with the understanding that he would be surrendering control of day-to-day operations to one of the venture partners. The partner said that Fred's continued presence was extremely important and that he hoped that Fred would consider assuming the role of chairman. Eager to finance his company, Fred agreed.

Eventually, the VC firm hired a permanent CEO, a 54-year-old man who had plenty of managerial experience but who lacked the technical skills that Fred so prized in himself. When he wanted to drive home a point, the CEO called Fred “son”; in response, Fred would mutter, “I already have a father.” One day, the CEO and the VC met with Fred and fired him.

A few weeks later, Fred told us angrily, “I was kicked out of my own company.” By then, Fred had done a lot of damage. In the days after his termination, he phoned each of the partners of the VC firm and accused them of betrayal. He refused to pass on his operational or engineering knowledge to anyone within the company. And when an industry analyst called to find out what had happened, Fred “secretly” confided his anger and frustration. Soon, word of Fred’s unprofessional behavior circulated in both the large software industry and the small VC community. Eventually, Fred created a new start-up software company but, stamped as a person no one wanted to make deals with, was unable to secure further VC funding.

The Lost Family Trap.

This trap is most prevalent among people working in fields like marketing or magazine publishing or within start-ups—all environments of high emotional intensity. Employees in such organizations can form tight-knit, emotional bonds, just as troops in combat do. These bonds can become so close that relationships with people outside work may seem dull.

Like the main character in the 1970s sitcom *The Mary Tyler Moore Show*, executives with such intense connections can make work the emotional center of their universe. Projecting familial roles upon colleagues, who become surrogate parents, siblings, aunts, or uncles, these executives suffer grief when, on termination, the “old gang” suddenly grows distant. But who can blame the coworkers? Suffering from survivor guilt and perhaps worrying about losing their own jobs, they’re instinctively turning away from the person in pain. The coworkers, too, are in shock. Executives, however, caught

emotionally in the lost family trap, can't see this. They feel as if friendships have been severed and they've been rejected. As a result, they sink into bitterness and depression.

Justine was the CEO of a consumer goods manufacturing company that had once dominated its marketplace. A 15-year veteran of her company, she was an energetic workaholic who felt alive only when she was at work. Justine loved her husband and children, but she found family life mundane compared with the adrenaline-pumping game of business. Over time, however, the company began losing market share. Although the members of the board liked Justine, they felt that the company needed to go in a completely new direction by taking its manufacturing offshore; Justine fought this idea because it meant shutting down facilities and laying off beloved workers. The board, impatient to reposition the company to take advantage of new opportunities, unanimously voted to let Justine go and replace her with a new CEO.

On an intellectual level, Justine understood that anyone can be fired. As head of the company, she had arranged enough terminations to know how the game is played. But upon being fired herself, Justine believed she had lost not only her job and income but also the de facto family of which she believed herself the matriarch. When she reached out to her former subordinates, whom she had protected and befriended, they did not have time to meet her for drinks or dinner and seemed uninterested in how she was faring. The truth was that her "family" was afraid to go near her for fear that merely associating with Justine would bring them to the board's attention.

Unable to hide her depression and bitterness, Justine became an unattractive candidate. Recruiters felt she had failed to manage her board properly and hadn't rebounded from an event that should have been predictable. Unable to find work, Justine purchased a franchise retail operation, whose employees became a replacement family—and from which she could never be fired.

The Lost Ego Trap.

Executives who fall into the lost ego trap, in our observations, tend to be introverts. Such people work very effectively in areas of the company such as accounting and finance, R&D, manufacturing, or engineering, which don't demand high levels of socialization with outside constituencies. After being unexpectedly terminated, these executives tend to withdraw.

Consider Frank, a CFO for a retail company with \$50 million in sales. As a child, Frank was shy and had few friends; although he loved playing the piano, he never enjoyed public performance. After majoring in math in college, Frank earned his CPA and followed a career in finance, eventually attaining the rank of CFO. He became the acting head of the company when the CEO, after a bitter divorce, escaped on his sailboat to cruise around the world and enjoy an extended vacation on a tropical island. Although Frank was competent enough to earn the owner's trust during this long sabbatical, he was not able to prevent a loss of market share when the economy hit tough times. The fall in the company's fortunes forced the CEO to cut short his holiday; upon his return, he fired Frank and resumed control of the business with an eye toward selling it.

Although he had been with the company for 12 years, Frank reacted to the news of his termination and scant severance without a complaint and quietly left, not wanting to make a fuss. It never occurred to him to consult an attorney skilled in severance negotiations for help in procuring a more generous termination package. Every book he read on job hunting recommended networking, but he just couldn't do it; he felt that the books were telling him to be someone he wasn't. Instead of reaching out to acquaintances or taking advantage of professional networks, he relied on third parties such as recruiters or on electronic job boards to find his next position; but these efforts produced few results.

Finally, an opportunity developed with a company 150 miles away from his home. Frank listened lackadaisically as the recruiter described the position. He was already conjuring the negative aspects of the deal. "I'll have to pull the kids out of school and away from all

their friends,” he thought. “My wife will have to quit the job she loves. We’ll have to sell our wonderful home in an uncertain housing market.” Frank told the recruiter he would think about it and hung up. But rather than balancing the imagined negatives with the job’s prospective benefits—the stable and growing company, a generous relocation package, the excellent position with an equity stake—Frank focused only on the downsides, which combined into an excuse to turn down the prospect without further consideration. Eventually, he accepted a far less promising position within ten miles of his house.

Exiting with Aplomb

Executives can fall into these traps—of fighting back, mourning, or fading away—when they are reacting to sudden or unexpected events. Better, of course, to be prepared, and in a moment, we’ll talk about how to do that. But first, here’s a piece of tactical advice. When fired or being laid off, follow the old saying and count to 100 to cool down. That is, resist the impulse to say the first thing that comes into your mind. In fact, try not to say much of anything. Contact an attorney who negotiates severance packages for senior executives. Do not call colleagues, send e-mails, or speak to reporters. In the next 48 hours, people will be contacting you. Say nothing until the severance contract has been signed. It is also important that your spouse or partner stick to whatever “official story” is being developed about you and the company.

That’s the short-term fix. Now let’s explore long-term strategies for departing correctly. These strategies all involve a proactive—even calculated—approach to termination. They also require adoption of the assignment mind-set: by remaining conscious of the impermanence of their jobs, executives will avoid merely reacting and can adopt systematic approaches to the next move.

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Rhonda exemplifies an executive who handled her termination the right way. As a child, she had been raised to believe the adage, “If you take care of the company, the company will take care of you.” After completing her MBA, she moved to San Francisco and worked at a mid-sized software company. When she and all her colleagues lost their jobs during an acquisition, Rhonda reevaluated her tenure mind-set. The experience persuaded her that the familiar adage was no longer tenable, and she learned to treat successive opportunities as moves toward her career goal of becoming a successful CEO.

Eventually, a new e-commerce venture with a focus on distribution hired Rhonda as its CEO. A top-tier VC firm had proffered the first financing round of \$3 million and also promised a second round of \$7 million. Rhonda—now armed with assignment thinking—negotiated a one-year severance package at full pay as part of the employment contract. Soon afterward, she began growing the company, and the VC partner expressed satisfaction with her efforts. But instead of nursing illusions of permanence, Rhonda kept a weather eye out for signs of the company’s approaching exit strategy. She likened her assignment to “parachuting onto a sailboat during a typhoon—I just landed with my hands on the tiller and went from there.” Aware of the perilousness of e-commerce ventures, she cultivated her network for the day when she would need it. She served on two corporate boards, one a computer hardware company and the other a wireless communications company, and spent one night every two weeks staying in touch by phone with top business contacts. These were upbeat conversations; she never complained to other executives about her work.

In the spring of 2000, when the Internet bubble burst, the VC partner announced that not only would his firm not put in the \$7 million but that it also wanted the whole operation shut down as soon as possible. Of course, Rhonda was angry at the partner for reneging on his promise. But she kept her negative feelings to herself; they passed

soon enough, for she was well positioned for the next assignment. The venture capitalist was so impressed by Rhonda's behavior that he wrote a glowing letter of recommendation that complemented her own efforts to procure a new assignment as CEO of a new distribution company with ample financing and a strong market position.

The single most important key to Rhonda's success was her assignment mentality. Although the tenure mind-set had felt natural and comforting to her, she understood that even the most desirable job today is finite. She also understood that she was responsible for crafting her own exit strategy.

In managing current assignments and protecting options for the future, executives can follow Rhonda's example by adopting the following strategies. While not surprising or new, these tasks can be forgotten or postponed by executives too enmeshed in day-to-day work to take care of their careers. And these tactics can prove invaluable during termination.

Insert a termination clause in your employment contract.

A new hire is never more attractive to the company than on the day before signing an employment contract; that's when you best control the terms of your employment. If you are newly hired or in the process of being promoted to a position that requires signing a new employment or confidentiality contract, it's possible to build your exit terms into the agreement. Like a prenuptial agreement that protects both sides if a marriage is dissolved, the insertion of such a clause at the time of hire feels completely counterintuitive. Nevertheless, it's your best hedge against a bitter exit. Hire a lawyer with experience in employment contract negotiation to insert clauses that will provide a satisfactory exit package in the event of termination.

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Schedule network calls.

Make networking a discipline, not a catch-as-catch-can activity. In an assignment-driven world, keeping one's network of professional acquaintances intact is time-consuming, but it's a critical cost of doing business. The importance of networking is obvious—which may be why managers, who sometimes put their own career needs on hold, rarely think of it. Unless network calls are explicitly scheduled and rigorously carried out, they can remain mere intentions. A biweekly calendar note reminds you to get in touch with the important people in your network—especially those with their own strong networks such as valued advisers to CEOs or partners within law, consulting, or accounting firms.

Raise your visibility—by stealth.

Most executives understand that if they conduct personal self-branding PR campaigns, their companies will automatically fire them; the only person with official sanction to “represent” the company is likely to be the CEO. On occasion, your company's public relations team may be able to provide you with speaking engagements or bylined articles in trade publications; but such opportunities can be rare.

That's where stealth comes in. You may not be able to talk to reporters, but you can certainly raise your visibility with other professionals. You can serve on for-profit boards, at least one of which should be in an industry other than your own. This is so important that we routinely suggest adding a clause requiring board service into an employment contract. In addition to garnering useful

perspectives from peers in other arenas, serving on industry boards expands the network both within and beyond one's core business—making it possible to move into new companies and industries later on. You can also play a selective and strategic leadership role in a trade association. By volunteering for externally oriented committees—such as membership, marketing, legislative affairs, or programs—you'll be able to get in front of outside constituencies while retaining a strong industry profile.

Watch for exit signs.

Being terminated should not come as a surprise, but it sometimes does. Some companies provide no warning to employees about to be terminated, for fear that advance notice may result in damage to the company—from sabotage of computer systems, for example. To be as prepared as possible, pay attention to your company's culture of termination (see the sidebar “Auf Wiedersehen: How to Fire Right”). Are people severed harshly and hustled out of the building, or is the door left open for a possible return? If the former, you may want to raise your guard and take some proactive steps. Likewise, watch for how the company itself is planning to exit, because your job depends on it. Examine the position and assignment changes within the company; do position descriptions or sets of responsibilities—including your own—imply an end? If yours does, it's entirely fair to ask whether your position will continue or how it will change once this particular work is complete. It's also helpful to cultivate a strong relationship with a founder or another trusted adviser who has “seen it all before” and who can help you stay aware of prospective changes. Remember—if you think you are about to be fired, you probably are. But if you are confused by signals being given to you, consider hiring an executive coach to help you sort them out (see the sidebar “Do You Need an Agent?”).

Auf Wiedersehen: How To Fire Right

Every industry boasts companies with traditions of never rehiring people who leave, regardless of how well those ...



Do You Need an Agent?

Consider the following scenario: A recruiter calls you about a “fantastic” opportunity with another company, but you are ...



Volunteer to be terminated.

If the company’s exit strategy appears to include you, consider volunteering to be terminated before it occurs. By initiating such a discussion, you become the actor rather than the one who is acted upon. Here’s what happened when Joe, the CEO of a large firm, volunteered to be laid off as his company was acquired. The terms of his existing contract allowed Joe to stay on for two years as president of the newly merged organization while the CEO of the acquiring company became chairman. But rather than waiting to be terminated after the contract expired, Joe approached the new chairman with a suggestion. Joe said that while he knew that the contract was a fair one, he fully appreciated that the acquiring company would want to run things differently. He offered to resign, provided that an excellent severance agreement could be developed. The chairman, delighted to be saved the trouble of firing Joe, was extraordinarily generous, and Joe’s severance package allowed him to retire altogether.

We do not mean to suggest that executives become overly wary and move from job to job or from company to company too quickly; a lot of mobility is as damaging as a little. Rather, we posit that in most cases, a degree of self-interest in one's career—as understood in its broadest, lifespanning sense—is both healthy and necessary. Executives who hold on to the tenure myth may find it difficult to assume an assignment mentality, and understandably so. It's natural to want to believe that the company for which you work so hard cares about you. But allowing yourself to be lulled into a false sense of security sets you up for shock and disappointment when you are fired or laid off.

On the corporate level, terminations are among the most predictable crises in business. When you develop an assignment mind-set, your termination becomes predictable on a personal level, too. Then even an experience as negative as being fired can turn out to be strangely empowering. It's ironic, but true: When you assume control over the way you are fired, you can gain control over your career.

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