

Scaling intelligently in the age of lay-offs and hyper-inflation

With continued slow growth in tech, investors will more readily scrutinise startups and deploy capital at a slower pace. Startups are therefore likely to curtail their growth, resulting in more layoffs and business consolidation.

If the current compression extends into the first half of 2023, the pressure on HR and People teams will continue to grow as they pivot their approach to hiring, team building, budget planning, and more. In the European context, we've seen some levels of delays for the tech compression to materialise. Europe lagged behind the U.S. in terms of lay-offs, but we have not escaped them and approximately 14,000 European tech workers lost their jobs this year.

Atomico recently reported that the European tech ecosystem lost more than \$400B in value this year, and there is a likelihood that the situation will become more aggressive in Europe in the quarters to come before we emerge on the other side.

The transforming role of the People

Leader

If the situation does deteriorate, People teams will continue to be put under stress to adjust the company strategy and approach, and cuts within talent functions will likely grow – which is in line with what we've already seen in the second half of 2022.

The approach to company building has changed immensely in 2022, accelerated in the light of the downturn. We transitioned from explosive company growth in 2021 with aggressive hiring strategies, to a more conservative approach revolving around business optimisation, cash preservation, and the elevation of the existing workforce.

Right now, Talent, HR and Finance teams are coming together to reassess how they allocate budget and plan for their next phase of growth under the assumption that the pace of that growth will be slower. This includes re-evaluating their tech infrastructure to make sure it is fit for purpose and made of tools that can mitigate data management risks and help with process optimisation to save time and costs.

Everything is fluid at the moment, and organisations are paying closer attention to their people when planning. The question they're facing is how do you still grow, doing more with less, over the next twelve to eighteen months amidst this uncertainty?

We're now entering a new wave of change where once again HR and People Ops have the most meaningful role in helping organisations figure out the impact of hyper-inflation for their staff, navigating downturn, and mitigating the risks of layoff and their impact on culture.

So how do you prepare for your next stage of growth?

There has been a notable shift in the employer-employee dynamic in recent years. Prior to the pandemic tech hiring was competitive, and for a long time, workers were in the driver's seat. They enjoyed inflated salaries and benefits but despite hyper-inflation, if capital isn't abundant it is unrealistic to expect wages to go up, more perks for teams, and a soft and relaxed working environment. From 2020 until 2022 while companies were trying to attract talent, they were inflating packages, and implementing initiatives and structuring teams in a way that wasn't conducive to high quality work – inevitably attracting a certain archetype of candidates.

Now it's war time, and companies need mission driven operators that are joining for the right reasons and with the desire to build for the long term. These are challenging times. The market is changing rapidly, valuations of public companies are being slashed, and a lot of market capital is being evaporated. In the current turbulence, the importance of the People Leader is amplified. Unfortunately, businesses need to make difficult decisions, and to make them fast in order to keep afloat. The role is as necessary to a company's success in navigating the difficult times as they were during hyper-growth we saw during the pandemic.

As companies prepare for 2023, they need to scale in a more intelligent way and be mindful that retention is incredibly important for sustainable growth. Startups need to invest in existing employees and focus on providing people with clarity around how their role might evolve and the level of impact they can drive.

Let's focus on the quality of talent we hire, not volumes. Make sure the people hired are exceptional and understand the qualities of building a startup and really want to contribute to its success. Retaining employees is challenging, and if you're small, you don't have lots of resources to allocate to training. If you're scaling fast, things can change all the time so your training and onboarding processes need to evolve every other month.

At the end of the day, building a company is a long game. If you hire the right people you're going to see their value in how they help you to navigate the good times and the bad. Being more intelligent in how companies of all sizes grow and manage their teams is important, and giving the HR team the tools to look at staff and manage them an imperative in 2023.

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