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Musings

#46: Don't Let HR and Legal Run the Business

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We live in a litigious world. Obviously, you must manage risk and protect your organization from lawsuits or governmental fines. However, in doing this, you can't let HR and legal run the business.

Human resources departments are primarily staffed by nice, risk-averse people. That is simply their DNA. This aversion is reinforced by the labor practices of law firms which constantly say "don't do this or that." By definition, lawyers look at all risks, regardless of probability, and try to eliminate them. This leads to a culture of conservatism which is not unhealthy but needs to be balanced. Many developing executives will ask HR or legal if they can do something and then come back saying "HR said I can't let them go or legal said we can't do that." The decision makers have become the HR and legal departments.

How do you avoid this?

You must be smart enough about the law and regulations to understand where the "gray" is. For example, you should actually read the non-compete language of a prospective employee's agreement before legal says you can't hire him or her. If you are told, "you can't do that", ask for the specific contractual or regulatory language that prevents the action. Often, group think has taken over and there are not supporting regulations – it is just the way everybody has operated.

Younger lawyers can also be too black and white. I remember making an argument as a young lawyer telling a company that a certain activity would be considered "gun jumping" under securities laws. The older, wiser counsel from the company took me aside and said nicely "you are technically right but do you really think the risk is that high? What would happen if they did the interview?" The best lawyers say "if I understand it, here is what you want to do, how about doing it this way?"

You also need to hire a "how can we" executive to run these areas. My former colleague George Fogel once made buttons for his compliance team to wear to a management meeting simply saying "Yes we can" to set the tone.

You also have to size up the risk. Let's say your desired action clearly falls across the line. What is the chance that it actually will end up in litigation? I am not encouraging rogue behavior but rather not wanting leaders to be "gun shy dogs." For those who didn't grow up pheasant hunting, that means your hunting dog becomes afraid of gunfire. Think about the power of the electric fence for dogs. They become so scared of "the line" they don't even go close.

One thing I learned in law school was that ambiguity favors the enforcer. If there is no formal speed limit, how fast do you drive? Sophisticated regulatory folks understand this and try to keep things foggy and thus gain maximum power. They then can selectively enforce where they want. We all should want tight, specific definitions so you know where the lines are.

Happy 84th Birthday to my mom!

Be safe.

jml

Second Thoughts

Peloton reported its first quarter earnings. Revenue up 66%

Airbnb announced it was cutting 25% of its workforce. I have never met the co-founder and CEO Brian Chesky but have seen him interviewed and he appears to be a good leader (no Adam Neumann type). He is known to have sought out lots of mentors and vociferously sought best practices. It shows. Here is his memo to employees on the layoffs which I thought was excellent – honest, authentic, transparent, managing forward, making decisions based on principles. Pretty generous benefits using shareholder money while they are still unprofitable.

This is my seventh time talking to you from my house. Each time we've talked, I've shared good news and bad news, but today I have to share some very sad news.

When you've asked me about layoffs, I've said that nothing is off the table. Today, I must confirm that we are reducing the size of the Airbnb workforce. For a company like us whose mission is centered around belonging, this is incredibly difficult to confront, and it will be even harder for those who have to leave Airbnb. I am going to share as many details as I can on how I arrived at this decision, what we are doing for those leaving, and what will happen next.

Let me start with how we arrived at this decision. We are collectively living through the most harrowing crisis of our lifetime, and as it began to unfold, global travel came to a standstill. Airbnb's business has been hit hard, with revenue this year forecasted to be less than half of what we earned in 2019. In response, we raised \$2 billion in capital and dramatically cut costs that touched nearly every corner of Airbnb.

While these actions were necessary, it became clear that we would have to go further when we faced two hard truths:

- 1. We don't know exactly when travel will return.*
- 2. When travel does return, it will look different.*

While we know Airbnb's business will fully recover, the changes it will undergo are not temporary or short-lived. Because of this, we need to make more fundamental changes to Airbnb by reducing the size of our workforce around a more focused business strategy.

Out of our 7,500 Airbnb employees, nearly 1,900 teammates will have to leave Airbnb, comprising around 25% of our company. Since we cannot afford to do everything that we used to, these cuts had to be mapped to a more focused business.

A more focused business

Travel in this new world will look different, and we need to evolve Airbnb accordingly. People will want options that are closer to home, safer, and more affordable. But people will also yearn for something that feels like it's been taken away from them — human connection. When we started Airbnb, it was about belonging and connection. This crisis has sharpened our focus to get back to our roots, back to the basics, back to what is truly special about Airbnb — everyday people who host their homes and offer experiences.

This means that we will need to reduce our investment in activities that do not directly support the core of our host community. We are pausing our efforts in Transportation and Airbnb Studios, and we have to scale back our investments in Hotels and Lux.

These decisions are not a reflection of the work from people on these teams, and it does not mean everyone on these teams will be leaving us. Additionally, teams across all of Airbnb will be impacted. Many teams will be reduced in size based on how well they map to where Airbnb is headed.

How we approached reductions

It was important that we had a clear set of principles, guided by our core values, for how we would approach reductions in our workforce. These were our guiding principles:

- *Map all reductions to our future business strategy and the capabilities we will need.*
- *Do as much as we can for those who are impacted.*
- *Be unwavering in our commitment to diversity.*
- *Optimize for 1:1 communication for those impacted.*
- *Wait to communicate any decisions until all details are landed — transparency of only partial information can make matters worse.*

I have done my best to stay true to these principles.

Process for making reductions

Our process started with creating a more focused business strategy built on a sustainable cost model. We assessed how each team mapped to our new strategy, and we determined the size and shape of each team going forward. We then did a comprehensive review of every team member and made decisions based on critical skills, and how well those skills matched our future business needs.

The result is that we will have to part with teammates that we love and value. We have great people leaving Airbnb, and other companies will be lucky to have them.

To take care of those that are leaving, we have looked across severance, equity, healthcare, and job support and done our best to treat everyone in a compassionate and thoughtful way.

Severance

Employees in the US will receive 14 weeks of base pay, plus one additional week for every year at Airbnb. Tenure will be rounded to the nearest year. For example, if someone has been at Airbnb for 3 years and 7 months, they will get an additional 4 weeks of salary, or 18 weeks of total pay. Outside the US, all employees will receive at least 14 weeks of pay, plus tenure increases consistent with their country-specific practices.

Equity

We are dropping the one-year cliff on equity for everyone we've hired in the past year so that everyone departing, regardless of how long they have been here, is a shareholder. Additionally, everyone leaving is eligible for the May 25 vesting date.

Healthcare

In the midst of a global health crisis of unknown duration, we want to limit the burden of healthcare costs. In the US, we will cover 12 months of health insurance through COBRA. In all other countries, we will cover health insurance costs through the end of 2020. This is because we're either legally unable to continue coverage, or our current plans will not allow for an extension. We will also provide four months of mental health support through KonTerra.

Job support

Our goal is to connect our teammates leaving Airbnb with new job opportunities. Here are five ways we can help:

- Alumni Talent Directory — We will be launching a public-facing website to help teammates leaving find new jobs. Departing employees can opt-in to have profiles, resumes, and work samples accessible to potential employers.*
- Alumni Placement Team — For the remainder of 2020, a significant portion of Airbnb Recruiting will become an Alumni Placement Team. Recruiters that are staying with Airbnb will provide support to departing employees to help them find their next job.*
- RiseSmart — We are offering four months of career services through RiseSmart, a company that specializes in career transition and job placement services.*
- Employee Offered Alumni Support — We are encouraging all remaining employees to opt-in to a program to assist departing teammates find their next role.*
- Laptops — A computer is an important tool to find new work, so we are allowing everyone leaving to keep their Apple laptops.*

Here is what will happen next

I want to provide clarity to all of you as soon as possible. We have employees in 24 countries, and the time it will take to provide clarity will vary based on local laws and practices. Some countries require notifications about employment to be received in a very specific way. While our process may differ by country, we have tried to be thoughtful in planning for every employee.

In the US and Canada, I can provide immediate clarity. Within the next few hours, those of you leaving Airbnb will receive a calendar invite to a departure meeting with a senior leader in your department. It

was important to us that wherever we legally could, people were informed in a personal, 1:1 conversation. The final working day for departing employees based in the US and Canada will be Monday, May 11. We felt Monday would give people time to begin taking next steps and say goodbye — we understand and respect how important this is.

Some employees who are staying will have a new role, and will receive a meeting invite with the subject “New Role” to learn more about it. For those of you in the US and Canada who are staying on the Airbnb team, you will not receive a calendar invite.

At 6pm pacific time, I will host a world@ meeting for our Asia-Pacific teams. At 12am pacific time, I will host a world@ meeting for our Europe and Middle East teams. Following each of these meetings, we’ll proceed with next steps in each country based on local practices.

I’ve asked all Airbnb leaders to wait to bring their teams together until the end of this week out of respect to our teammates being impacted. I want to give everyone the next few days to process this, and I’ll host a CEO Q&A again this Thursday at 4pm pacific time.

Some final words

As I have learned these past eight weeks, a crisis brings you clarity about what is truly important. Though we have been through a whirlwind, some things are more clear to me than ever before.

First, I am thankful for everyone here at Airbnb. Throughout this harrowing experience, I have been inspired by all of you. Even in the worst of circumstances, I’ve seen the very best of us. The world needs human connection now more than ever, and I know that Airbnb will rise to the occasion. I believe this because I believe in you.

Second, I have a deep feeling of love for all of you. Our mission is not merely about travel. When we started Airbnb, our original tagline was, “Travel like a human.” The human part was always more important than the travel part. What we are about is belonging, and at the center of belonging is love.

To those of you staying,

One of the most important ways we can honor those who are leaving is for them to know that their contributions mattered, and that they will always be part of Airbnb’s story. I am confident their work will live on, just like this mission will live on.

To those leaving Airbnb,

I am truly sorry. Please know this is not your fault. The world will never stop seeking the qualities and talents that you brought to Airbnb...that helped make Airbnb. I want to thank you, from the bottom of my heart, for sharing them with us.

Brian