

Inc.

The Handbook of the American Entrepreneur

HOW I DID IT

BOBBI BROWN

**HALF A
BILLION
IN SALES**

(Almost enough to
make her blush)



THE ECO-ADVANTAGE

ENTERPRISE

**50 YEARS
DOWN THE
ROAD**

THE ART OF SCALING UP

Mario Barth's employees were difficult, his customers scared—and his business was illegal in towns everywhere. Naturally, it was time to expand.
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WHY
EVERYONE'S
TALKING ABOUT
WIDGETS

Priority



TIME-GUN FOR HERE.
At age 31, Rebecca Heyman is a
seasoned pro at firing workers.

Meet Rebecca. She's Here to Fire You

Consultants used to tell you to fire people. Now they'll do the firing for you By Max Chafkin

SEVERAL MONTHS AGO, Rebecca Heyman oversaw the firing of 20 software engineers whose jobs were being moved to China. She met with the erstwhile employees, described their severance, helped them gather their personal effects, and politely ushered them out of the building. On the surface it sounds like a typical downsizing—hardly uncommon in an era of offshoring and mergers and acquisitions. What made this situation somewhat odd, however, is that

prior to the fateful day, Heyman had never met these workers.

That's because she's a consultant with TriNet, a Bay Area firm that serves as a de facto human resources department for some 1,500 small companies. Although the bulk of Heyman's firing work consists of helping companies structure severance and document information in order to limit their legal liability, she often goes further, coaching managers on how to steel themselves, and, in some

circumstances, firing employees herself. "I work with some folks who have never fired someone before," says Heyman, who at 31 is one of TriNet's younger consultants. "They look to me to pull the trigger."

Welcome to the final frontier of human resources: the outsourced termination. The popularity of HR outsourcing and consulting, which was in its infancy only a decade ago, has exploded in recent years. Worldwide, the industry now accounts for \$88.7 billion in spending, according to IDC, a research firm in Framingham, Massachusetts. Big companies are responsible for most of that spending, but small companies that have traditionally relied on professional employer organizations, or PEOs, to manage payroll are increasingly outsourcing more complex tasks such as recruiting, performance reviews, and, yes, terminations. Rebecca Heyman's boss, TriNet founder Martin Babinec, says that demand for these services is growing so fast that he now does as much revenue in a given quarter as he did in all of 2002, when he booked \$22 million.

Outsourced terminations come at a time when a host of employers have been experimenting with new ways to fire people. When Oracle purchased PeopleSoft in 2005, for example, Oracle sent notices to some 5,000 employees by overnight mail. Packages were delivered to workers' homes on a Saturday; inside the envelopes, employees found either a job offer or a severance package. Radio Shack tried a different approach last year when it laid off roughly 400 employees by e-mail. "These stories are perverse," acknowledges Kevin Grauman, founder of Emportal, an HR-related

Recently a consultant was asked by a company president to fire the president's own sister-in-law.

software company in Walnut Creek, California. But companies are so fearful of wrongful termination lawsuits that they conclude they can't afford to be personal. Cold seems careful.

In an outsourced firing, a consultant typically meets with a CEO to script and rehearse the big conversation. On the day the ax falls, the consultant sits in on the meeting, taking notes and making sure the manager stays on message. "We're sitting right there," says JP Magill, co-founder of the Achilles Group, a Houston company that provides termination and other HR services. "And our client has exactly what they need to say written out verbatim."

In cases where the entrepreneur needs to fire an early employee or a co-founder—a circumstance common among fast-growing companies that are moving to professional management—Magill says it's best if Achilles handles the firing alone, with the boss in another room. "There can be an emotional barrier that neither person can get past," Magill explains. "At that point, you need to isolate the organization from the termination."

Why Outsource When You Can Automate?

If you can't decide whom you want to fire, new software will make the tough calls for you.

From the realm of the strange-but-true comes new software that hopes to do for layoffs what Quicken did for accounting. Vurv Optimize is a Web-based program that will pick for you which employees should go in a given round of layoffs. It works like this: An executive tells the program how many employees he or she wants to fire, and the software sends an e-mail blast to managers, asking them to rate their direct reports on a scale of 1 through 5. The program assesses those ratings, taking into account factors such as an employee's age, race, and union status to see who among the low scorers might be a lawsuit risk. The software then spits out a list of people who can be smoothly "offboarded" (that's consultant-speak for canned). Meanwhile, it draws data from company HR records to calculate severance payments, to cut final paychecks, and to distribute termination letters to managers for delivery. At the appointed hour, the system automatically deactivates the keyboards and e-mail accounts of the workers who are about to be fired. The application, which starts at \$100,000, is being used by the likes of Washington Mutual and American Airlines. —M.C.

Recently, an Achilles consultant named Stephanie Van Lue was asked by a company president to fire his own sister-in-law. In breaking the news, Van Lue stressed that the decision had nothing to do with the family relationship and that the company was obligated to treat her the same way as it treated other nonperforming employees. When the woman complained to her brother-in-law, he referred her back to Van Lue. "That was his way of separating himself from [the decision]," she says. After three phone calls with Van Lue, the employee accepted a severance package.

Not everyone is a fan of this new approach. "Outsourcing firing is a bad idea," says Dan Weinfurter, co-founder and CEO of Capital H Group, a recruiting firm based in Chicago. People who are fired talk, he warns, and increasingly, they blog. If you're perceived as being cold-hearted or simply clueless, you'll find it harder to recruit new employees.

For their part, firing specialists say a manager should never defer entirely to them, but that it doesn't hurt to have a consultant in the room in case the manager starts to get into trouble.

That happened recently in the Houston offices of Energy Alloys, a \$264 million metals company, as CFO Barry Smotherman prepared to fire the receptionist. The situation quickly got out of control. "I tried to put it in the best of terms, but she didn't get it," Smotherman recalls. "She wanted to debate." As Smotherman became flustered, and the receptionist pressed her case, Magill stepped in. "You don't understand," he told the woman, whom he'd never before met. "You don't work here anymore." And that settled the matter.

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