

The Layoff Decision at Swiggy

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Abstract. This case discusses the post-layoff challenge faced by Swiggy, one of India's major food aggregators, during the Covid-19 pandemic. The nationwide lockdown announced on March 25, 2020, to combat Covid-19 had left the online food ordering and delivery business in limbo, forcing many food aggregators, including Swiggy, to re-align their businesses. This case analyses Swiggy CEO Sriharsha Majety's decision to layoff 1100 employees and the company's business model, values, and people policy. The case provides valuable insights on managing the motivation and morale of the surviving employees amidst an economic or financial crisis. Instructors of employee motivation, people management, strategy, and leadership programmes may find this case useful for teaching challenges business leaders face when managing layoffs, and strategies to keep the surviving workforce's morale and performance high, alternatives to layoffs, and workforce management during periods of realignment.

Keywords: Indian online food industry, employee morale, cut back on labour costs, furloughs.

1. Introduction

Layoff (termination of employment), particularly of large numbers of employees, is an undesirable decision for any organization. However, business leaders resort to this widely when faced with financial crises due to economic downturns, recessions, pandemics, bankruptcies, etc. Economic constraints force organizations to make tough decisions regarding cutting back on personnel to control costs and remain competitive. At the beginning of 2020, when the Covid-19 outbreak severely influenced the financial performance of several organizations, many adopted layoff as a survival strategy. In accordance with the

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Swiggy or any of its employees.

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trend, within two months of the Covid-19 pandemic-related lockdown in India, on May 18, 2020, Sriharsha Majety, the co-founder and CEO of Swiggy, announced the layoff of 1100 employees via a virtual town-hall session and an open email to the employees (See Exhibit 1). He intended to clarify and justify the need for cost reduction and the scaling down of business given the unexpected circumstances and the uncertainty ahead. Sriharsha Majety's email outlined a "care package" for the retrenched employees, such as financial support, equity, healthcare and wellness benefits, career transition support, connectivity support, learning support, and relocation support. It also elaborated that all the affected employees would be entitled to an extra month of ex-gratia in addition to their pay for the notice period for every year spent in the organization. This would amount to three to eight months of salary, depending on the employee's tenure with Swiggy.² While the email was a harbinger of sad news for some employees, Sriharsha Majety and the other co-founders, Nandan Reddy and Rahul Jaimini, were concerned about the impact of this layoff on the motivation levels of the surviving employees. They were contemplating how to boost their morale during the tough times when the organization was striving to navigate the Covid-19 impact.

Exhibit 1: Email by Swiggy's CEO, Sriharsha Majety, to its employees via an official blog post on May 18, 2020

Dear Team,

Thanks for attending the town hall today, and I hope you're staying safe and well. As I'd mentioned during the session, today is one of the saddest days for Swiggy as we have to go through an unfortunate downsizing exercise. With a heavy heart, I have tried to share the reasons and details of the process below, because you deserve to know.

As you all know, we started chalking out an accelerated path to profitability for the food delivery business last December. We also started making great progress on our unit economics over the following months before Covid hit us. We had mentioned that we will be focusing on being efficient everywhere - including employee costs - and that we'd come back when we have greater clarity.

As we came closer to chalking out the final details of that exercise, Covid hit us with another huge blow of uncertainty, forcing us to look even harder at our cost base and preparedness for the road ahead. While Covid might have long-term tailwinds for the delivery business and digital commerce when things settle eventually, nobody knows how long the uncertainty will last. We therefore need to be prepared to see through this winter, to emerge stronger on the other side. While all our hard work and some good luck has meant that we have had a stable setup all these years, we have to make some very hard decisions today.

I want to start by first sharing the management outlook and key business decisions we have made given the landscape.

The core food delivery business has been severely impacted and will stay impacted over the short term but is expected to start growing again after that. We need to hence prepare to come out stronger on the other side by continuing to build on capabilities that will help us make the most of the opportunity when things are better again. While we are very fortunate to have raised capital just

2. "Swiggy lays off 1100 employees as Covid -19 derails cloud kitchens", *Economic Times*, accessed September 15, 2021, <https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/swiggy-sacks-1100-employees-as-covid-19-derails-cloud-kitchens/articleshow/75801555.cms?from=mdr>

before Covid hit and have sufficient runway today, it is incredibly important to prepare for worse scenarios in the macro environment and make sure we are protected.

We also need to build a much leaner org and reduce costs to be able to withstand any further risks from the uncertainty. We will have to reduce our expenses such that we can achieve profitability with a smaller order volume than hitherto planned. This will be done keeping in mind already identified efficiencies, along with additional reductions in teams and initiatives that will have lower activity because of Covid.

We are choosing to scale down or shut down adjacent businesses that are either going to be highly volatile or will not be highly relevant for the next 18 months. The biggest impact here is on the cloud kitchens business, with many unknowns about volumes through the year. Since the onset of Covid, we have already begun the process of scaling down our kitchen facilities temporarily or permanently, depending on their outlook and profitability profile. We are already operating at significantly lower levels on our staffing and physical infra than our earlier footprint and will continue to optimize before we get more clarity on order volumes for food delivery.

While this crisis has impacted our core business negatively, there is no doubt that we are now at an inflection point for the penetration of digital commerce and home delivery in India. This offers us opportunities to continue investing our efforts in grocery and other service offerings that we think will continue to do well. We are going to invest in these high-confidence efforts to focus not on surviving alone, but on growing along the way by adapting very quickly. To enable this, we have already re-aligned some team members from other businesses into these initiatives.

Identify and significantly reduce every single indirect cost like hubs, office infrastructure, etc. While we will come back to share more information on this, it is one of the areas where we feel the cut is most prudent given it doesn't affect customer or employee experience. We've all done some of the greatest work of our time at Swiggy over the last few weeks working remotely, and that's reason enough to believe this can be done.

In line with the above business decisions, we unfortunately have to part ways with 1100 of our employees spanning across grades and functions in the cities and head office over the next few days. This is easily the hardest and longest deliberated decision the management team and I have been faced with over recent times. We have been fortunate to have some of the brightest missionary talent in the country join us over the last few years, and I would like to state unequivocally that this is not at all a reflection of anyone's performance.

Ever since the day it became clear that we will need to downsize, Girish and I were very clear about a few things. We have always believed in treating people with care and respect at Swiggy, and this process will be 10x more important from that perspective. Without the key contributions of every Swiggster, we wouldn't have gotten to where we are today, and it's really the least we can do in this unfortunate situation.

While we waited to see if we can have these conversations face to face, it's increasingly looking like a long time away before we get back to our offices. We are, however, definitely going to do this one-to-one and make sure we do this in the most respectful way possible.

Over the next few days, the HR team along with the line manager will have a one-to-one conversation with impacted employees providing further details regarding the next steps and clarifying any questions you may have. All other employees will receive appropriate communication from your line managers regarding the continuity of your role with Swiggy.

We are fully committed to providing the best financial, emotional and career-related support that we can to make this journey less painful, and to ease the burden on you and your families. We have done our best to be thoughtful and express our gratitude & support through a care package, with details below.

DETAILS OF THE CARE PACKAGE

Financial Support

While our primary objective is to ensure that all employees who are leaving us are able to meet their financial commitments and expenses till they find another role, we also want to display our gratitude

to team members who have worked with us for longer and have made sustained contributions over the years believing in the mission. The details are below:

All impacted employees will receive at least 3 months of salary irrespective of their notice period or tenure.

For every year they have spent with us, we will be offering an extra month of ex-gratia in addition to their notice period pay, working out to between 3-8 months of salary depending on the tenure.

e.g. If someone's notice period is 3 months and they've spent 5 years with us, they will get 8 months of salary.

Equity

Many team members have joined Swiggy believing in the growth potential of the company and even preferred ESOP to cash at the time of joining. While our standard ESOP policy has a 1-year cliff and annual vesting, we will now be extending ESOP vesting to the nearest quarter (including the months of notice period) and waive off the 1-year cliff for those who have not completed 1 year.

Healthcare & Wellness Benefits

During the current health crisis, we want to ensure we provide all possible support for the medical care of impacted employees and their families. To facilitate this, we are providing:

Medical Insurance cover for them and nominated family members till December 31 2020. Additionally, we will also be providing insurance cover for their parents.

Accident and Term insurance till December 31 2020

A Wellness Assistance Programme to ensure the physical, emotional/mental and financial well-being of impacted employees and their families, providing unlimited tele/video consultation access to experienced doctors, counsellors and financial advisors till December 31 2020.

Career Transition Support

We want to ensure a smooth career transition for the impacted employees, and want to help them find new opportunities. This is something the outplacement cell has been working really hard on and I hope we can get a large %age of impacted employees placed through this effort. I will also be sharing an update on our outplacement effort at a later time.

We will have a dedicated and fully-trained talent acquisition team assisting impacted employees round the clock in identifying suitable opportunities and providing necessary career support for the next 3 months.

We will also offer free outplacement support from RiseSmart for mid-senior management employees, giving full access to their career coaching services, content and personalized job search.

Connectivity Support

Given that connectivity is going to be paramount during this time from a career transition standpoint, impacted employees will be enabled to retain their allocated work laptops and be supported on mobile phone communication allowance for the next 3 months.

Learning Support

To ensure that the journey of upskilling oneself continues for the impacted employees, we will be providing free LinkedIn Learning access for the next 3 months, for both technical and professional skill development. We have also curated and assigned content to them around resume building, interviewing skills, emotional intelligence, etc. that will help them with their career transition during this time.

Relocation Support

We will support impacted employees who have relocated to join Swiggy within the last 1 year by reimbursing the expenses in case they wish to move back.

A dedicated set of HR team members will assist the impacted employees with their queries pertaining to the Care Package, reimbursement and settlements, insurance, and any other relevant areas.

To all impacted teammates, I cannot even imagine how stressful this can be and want to let you know we are by your side and are going to do everything we can to help with the situation. We have

all built the company together brick by brick and have been very lucky to have you join us on this journey. I am very sorry for having to make this decision, but want to wish you only the very best with everything and want to thank you deeply for all your contributions to Swiggy.

Regards

Harsha

Source: Covid hit us with huge blow of uncertainty”: Swiggy CEO to Employees, May 18, 2020, accessed November 2, 2021, <https://www.ndtv.com/business/covid-hit-us-with-huge-blow-of-uncertainty-swiggy-ceo-to-employees-2230780>

2. Company Background

Swiggy, the largest online food-ordering and delivery platform in India, headquartered in Bengaluru, was founded in 2014 by Sriharsha Majety, Nandan Reddy, and Rahul Jaimini. The company’s roots were from Bundl Technologies Private Limited, an e-commerce venture previously run by Sriharsha Majety and Nandan Reddy. The duo later approached Rahul Jaimini, with their vision of Swiggy, and the parent holding company Bundl Technologies Private Limited entered the Indian online food ordering and delivery business in 2014. In August of the same year, Swiggy partnered with restaurants in Bengaluru, and a team of “hunger saviours” began to deliver food rapidly within 40 minutes. In May 2015, the company raised the first round of funding to launch its home-grown food aggregator application, enabling people to order food and have it delivered right to their doorsteps. Swiggy became India’s largest food-ordering platform, offering various benefits ranging from lightning-fast deliveries, to live-order tracking, to no restrictions on order amount, and to having food delivered to the customer’s preferred place.³ Swiggy had come a long way since its inception in 2014, with just 35 initial orders to its three big successes—Swiggy Instamart, Swiggy Genie, and the Health Hub in 2020 (see Exhibit 2).

Swiggy changed the dynamics of the online food and delivery industry in India. With a countrywide network of more than 125,000 restaurant partners, over 10,000 employees, 20,000 plus delivery executives, a pan India presence in over 500 cities,⁴ the largest delivery fleet, and the resources to cater to over 20 million customers across the country, Swiggy changed the way India ordered and ate.⁵ Flushed with success by October 2019, Swiggy’s goal was to become the third-largest employer in the country behind the Indian Army and Indian Railways by hiring 300,000 people in 18 months to take its workforce to 500,000.⁶

3. “What’s the Swiggy story? Swiggy”, accessed October 8, 2021, <https://careers.swiggy.com/discover-our-world/>

4. “What’s behind the scenes?” Swiggy, accessed October 8, 2021, <https://careers.swiggy.com/>

5. “Our success is your success, partner with us”, Swiggy, accessed October 8, 2021, <https://partner-with-us.swiggy.com/swiggy.html>

Exhibit 2: Journey of Swiggy

Years	Remarks
2014	Founded in 2014, Swiggy grew from just 35 orders in the first month.
2015	Swiggy received its first funding of 2 million.
2017	Swiggy witnessed the introduction of Cloud Kitchen and Swiggy Pop
2018	Swiggy launched Swiggy Stores, Swiggy Super, Swiggy Go, and Swiggy Daily.
2019	With only 100 cities at the start of 2019, Swiggy expanded across 500 cities in one year.
2020	Swiggy's big three successes: Swiggy Instamart, Swiggy Genie, and Health Hub,

Source: The Swiggy Journey, Swiggy, accessed November 2, 2021, <https://careers.swiggy.com/#/about>

2.1. The Swiggy Founders

Sriharsha Majety, the CEO and co-founder of Swiggy, came from a family of entrepreneurs. With an MBA degree in finance from a top management institute in India, Majety worked as an associate at Nomura International. After a brief stint in London as an investment banker, he returned to India to start his entrepreneurial journey.⁷ A passionate traveller, Majety took time off to tour across Europe and Asia on a low budget to gain some perspective on the next steps to take in life.⁸ Before Swiggy, he co-founded Bundl.

Nandan Reddy was a post-graduate in physics from a top engineering institute in India, worked as head of operations (social media) at SourcePilani (the first rural BPO in India to serve both national and international clients in the social media sector vertical). His career included companies like Intellectap and IDinsight. He was also a founding partner at Zurna and founder of Galla.⁹ Reddy also worked on the logistics platform Bundl along with Majety and was keen to explore the potential of the hyperlocal delivery while tracking the space. Both Reddy and Majety saw great potential in the logistics and shipping sector in the e-commerce platform. They wanted to provide people with the fastest way to make shipments across the country. However, the e-commerce sector's changing

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6. "Swiggy plans to hire 3 lakh people in 18 months; aims to become third-largest employer in country", accessed October 4, 2021, <https://www.businesstoday.in/sectors/jobs/swiggy-plans-to-hire-3-lakh-people-in-18-months-aims-to-become-third-largest-employer-in-country/story/385604.html>
 7. Bio, SEEDTOSCALE, accessed January 27, 2022, <https://www.seedtoscale.com/people/sriharsha-majety#:~:text=Bio,offices%20in%20India%20and%20London.>
 8. "10 things you didn't know about Sriharsha Majety", Money Inc, accessed January 27, 2022, <https://moneyinc.com/sriharsha-majety/>
 9. Nandan Reddy, LinkedIn, accessed January 27, 2022, <https://www.linkedin.com/in/nandan-reddy-1830659/?originalSubdomain=in>