



# Case Study: Shutting Down a Department Without Blowback

A Labor-Sensitive Exit in  
Latin America

# Case Study: Winding Down a Department Without Legal Blowback in a Labor-Sensitive Market

## Executive Summary

In a region known for high labor risk, a client engaged Pholus to support the quiet closure of an entire department. By coordinating with local legal counsel, developing clear communication for affected staff, and controlling the narrative with upstream stakeholders, Pholus delivered a clean, dispute-free wind-down.

## Key Results & Indicators

- Zero labor complaints filed post-closure
- Full severance issued without negotiation breakdown
- Staff communications reviewed and approved within 48 hours
- No media coverage or reputation damage triggered
- Closure completed on schedule with no legal delays

## **Introduction**

In many Latin American countries, labor disputes are not an exception—they're expected. Even small structural changes can trigger costly litigation, public backlash, or administrative intervention. For foreign-affiliated or reputationally sensitive organizations, winding down a single department can quickly escalate from an operational decision into a high-risk legal and political event.

Pholus was engaged by a multinational client operating in one such country after they made the difficult decision to close an entire department. The goal was clear: exit responsibly, support affected employees, and prevent a wave of legal or reputational blowback. But execution would require precise messaging, cross-border coordination, and deep local awareness.

## **The Problem**

The client had a department that had become strategically nonviable. The division had been underperforming for years, and internal reviews showed that continued investment would yield diminishing returns. The leadership team agreed: the department needed to be wound down.

But in the host country, mass termination is rarely straightforward. Labor disputes are both culturally and structurally common, and even lawful terminations can trigger:

- Lengthy arbitration processes
- Government inquiries
- Public complaints on social media or through unions
- Financial settlements far exceeding the contractual obligations

In short: mismanaging the message could cost more than keeping the department open.

The client's legal counsel had the local knowledge. Pholus brought the structure, sequencing, and stakeholder framing. Together, we made the exit clean.

## **The Plan of Action**

Pholus worked hand-in-hand with the client's in-house counsel and a trusted local legal

advisor to ensure that the exit plan was not just lawful—but understandable, defensible, and grounded in respect.

**1. Internal Positioning and Framing:** Our first priority was helping internal leadership agree on *why* the department was being closed—not in abstract financial terms, but in human terms that could be communicated with empathy and consistency.

We facilitated a short series of executive sessions to clarify:

- What alternative options had been explored
- What the company had done to avoid closure
- What principles would guide the wind-down (dignity, fairness, transparency)

By doing so, we preempted the risk of mixed messages across HR, legal, operations, and external affairs.

**2. Drafting Employee Communications with Dual Objectives:** We worked closely with legal counsel to draft employee-facing communications that served two purposes:

- First, to clearly explain the company's decision in terms that respected the reality of the workers' contributions
- Second, to reduce the likelihood of formal challenges by meeting both the *letter* and the *spirit* of local employment law

The notices were written in plain, localized language. They acknowledged the social and economic context while carefully avoiding language that could trigger grounds for dispute under regional labor statutes. Employees were offered individual meetings, resources for transition, and—in several cases—outplacement assistance coordinated through local partners.

**3. Coordinating with Local Counsel to Avoid Procedural Traps:** Pholus does not replace legal advice—but we amplify it.

We acted as an interface between in-house legal, local counsel, and internal stakeholders to ensure all procedural steps were met:

- Proper notice periods
- Documentation of non-retaliatory rationale
- Voluntary exit packages framed within acceptable norms
- Avoidance of group termination thresholds that would have triggered additional oversight

Every document was stress-tested with local labor counsel to ensure that what sounded “supportive” from a Western corporate perspective didn’t create unintended obligations under local law.

**4. Stakeholder Alignment and Board Communication:** In parallel, Pholus helped the client prepare an internal briefing for its board and other non-local stakeholders. This document explained:

- The legal, reputational, and financial risks of the wind-down
- How those risks were being actively mitigated
- Why the sequencing of communications mattered
- How success would be measured (no legal claims, minimal reputational fallout, positive exit interviews)

By providing this, leadership avoided the perception that the decision had been made hastily or without full consideration of downstream effects.

### **The Outcome**

The department was fully wound down over a 45-day period. No lawsuits were filed. No claims were brought to the labor tribunal. Not a single employee posted negative commentary about the organization on social media.

In a country where mass terminations almost always result in conflict, the absence of legal blowback wasn’t just a relief—it was a signal of careful, ethical execution.

The client preserved its brand, avoided six-figure legal exposure, and demonstrated to employees across the organization that restructuring—even when difficult—would be handled with care and clarity.

### **Final Thoughts**

In labor-sensitive markets, it's not enough to follow the law. You must also manage perception, protect relationships, and communicate with discipline.

Pholus specializes in high-stakes exits, closures, and restructuring initiatives in fragile or complex jurisdictions. Whether you're closing a department or reducing headcount, we help you do it right—with legal alignment, narrative control, and human dignity.

If you're facing a workforce transition in a risk-prone region, talk to us first. We'll help you exit clean—without losing your values or your footing.



## About Pholus

Pholus is a discreet advisory firm that supports founders, boards, and stakeholders in fragile or complex environments. We specialize in quiet interventions, exit planning, and operational clarity when reputations, relationships, or resources are at risk.

**Need to navigate something delicate or high-stakes?** We work behind the scenes to help you stabilize, reset, or exit — without triggering avoidable fallout.

**Visit us:** <https://www.pholus.co/> **Email:** [contact@pholus.co](mailto:contact@pholus.co) **Signal:** pholus.01

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