

Reshaping Fintech Networks: The Impact of Downsizing on Resilience and Innovation

Rick Aalbers (Radboud University Working Paper, 2025)

When Klarna slashed 10% of its workforce in 2022 amid a valuation drop, the restructuring not only reshaped the company's financial trajectory but also disrupted its internal advice networks. Employees who once relied on structured managerial guidance had to pivot to peer-driven problem-solving, while others sought closer ties to executives to safeguard career paths. Similar patterns emerged across fintech firms facing cost-cutting measures, underscoring a fundamental question: How do organizational networks evolve post-downsizing, and what strategic actions can firms take to harness these shifts for resilience and innovation?

Building on my previous research on advice tie reallocation in downsizing contexts (Aalbers & Smit, 2025) and the role of vertical and horizontal cross-ties in driving innovation (Aalbers, Dolfma, & Leenders, 2015), this article explores how fintech firms can leverage network adaptations following restructuring. While downsizing often disrupts traditional knowledge flows, firms that proactively manage these network shifts can turn workforce reductions into opportunities for long-term strategic renewal.

The Shifting Network Dynamics of Downsizing

Downsizing ruffles feathers, intentionally and unintentionally. My research with Sander Smit (Aalbers & Smit, 2025) recently demonstrated that in the wake of corporate downsizing, employees adapt their advice-seeking behaviors in distinct ways. Employees shift their advice-seeking behaviors away from senior leaders and toward their peers, reflecting a recalibration of trust and accessibility. For example, in fintech firms undergoing restructuring, junior employees often rely on peer networks to navigate regulatory changes and operational uncertainties. Some employees begin engaging in upward networking post-downsizing, recognizing the necessity of strategic ties to maintain career viability.

This pattern is particularly evident in investment-driven fintech startups, where employees seek out executives to stay aligned with shifting corporate priorities. Differences in personal adaptability affect how employees establish new advice ties, influencing knowledge flows within the organization. Those with prior experience in turbulent environments, such as former employees of collapsed crypto exchanges, may more effectively rebuild strategic connections.

These findings resonate with Borgatti and Cross (2003), who argue that social networks shape information-seeking behaviors, and with Ibarra and Andrews (1993), who emphasize the role of network centrality in shaping employees' perceptions and decision-making during organizational transitions.

The Role of Cross-Ties in Innovation and Efficiency

Beyond downsizing, my earlier work with Dolfsma and Leenders (2015) highlighted the importance of vertical cross-hierarchy ties and horizontal cross-unit ties in fostering innovation. Our study for instance showed that the most successful new business development (NBD) project teams combine a dense network of cross-unit connections with strategically concentrated vertical ties to senior leadership. These findings align with Ibarra, Kilduff, and Tsai (2005), who argue that individuals and organizations must dynamically navigate different levels of network embeddedness to optimize performance. While horizontal ties enhance knowledge diversity, vertical ties ensure strategic alignment and resource access, which is needed for navigating post-downsizing environments.

Strategic Networking Tactics for Organizational Recovery

To capitalize on the network shifts caused by downsizing and optimize both innovation and operational efficiency, fintech firms can implement targeted networking strategies. Strengthening peer networks is needed, as fintech employees often turn to their colleagues for advice when regulatory uncertainty disrupts traditional reporting lines. For instance, compliance teams at digital banks like N26 developed peer-led advisory groups to navigate shifting European banking regulations after restructuring. At the same time, maintaining selective vertical ties ensures access to strategic resources, as seen in Revolut's leadership maintaining tight connections with key executives during its

rapid global expansion. Cross-unit collaboration fosters innovation by breaking down silos, which was evident when Stripe reorganized its engineering teams to accelerate the launch of its global payments API. Creating psychological safety in knowledge networks is also essential, as fintech employees need to feel comfortable seeking advice outside their immediate teams. Robinhood, for example, struggled with internal transparency, contributing to misalignment during the GameStop trading surge. Finally, balancing exploration and efficiency allows firms to tailor their network structures based on strategic priorities—neobanks like Monzo, driven by innovation, emphasize cross-functional connections, whereas payment processors like Adyen optimize efficiency by reinforcing vertical ties within regulatory compliance teams. By strategically leveraging these network shifts, fintech firms can navigate post-downsizing uncertainty while sustaining long-term growth and innovation.

Why These Insights Matter for Fintech Firms

The fintech industry has experienced significant upheaval in recent years, marked by high-profile collapses and increasing regulatory scrutiny (Ledbetter, 2024). Many fintech firms enjoyed rapid growth in the early 2020s, fueled by cheap capital and swift customer adoption, but found themselves struggling when market conditions shifted. This turbulent evolution highlights the critical role of strong internal networks in fostering resilience and adaptability. For example, companies like Robinhood revealed operational fragility when their inability to manage sudden spikes in trading volumes exposed weaknesses in their internal advice and escalation mechanisms. Additionally, fintech firms must navigate complex regulatory environments, where shifting rules demand continuous learning and adaptation. Cross-unit and cross-hierarchy networks are essential for ensuring compliance and proactively responding to legal challenges. Weak internal networks also contributed to compliance failures, such as those seen in the Paycheck Protection Program (PPP) fraud cases, showing that firms investing in strong advisory networks can improve oversight and coordination. Furthermore, the downfall of meme stock-driven platforms highlighted that fintech firms cannot rely solely on market hype. Instead, fostering robust peer and cross-unit networks can drive sustainable product innovation and customer-focused resilience. By recognizing these network dynamics, fintech firms can learn from past failures and build structures that support long-term stability and innovation.

Conclusion

When Stripe announced layoffs in 2022, its leadership emphasized the need to refocus on operational efficiency while preserving innovation. However, the company's restructuring also disrupted critical internal knowledge networks, forcing employees to shift how they sought advice and navigated uncertainty. Similar network shifts occur across fintech firms facing downsizing: some employees strengthen peer-based collaborations, others strategically align with senior leaders, and the most resilient individuals find ways to rebuild cross-functional knowledge flows.

As my research (Aalbers & Smit, 2025; Aalbers, Dolfma, & Leenders, 2015) demonstrates, these network dynamics are not just byproducts of downsizing—they are strategic levers that firms can actively shape. Organizations that recognize and adapt to these changes can transform disruption into an opportunity for long-term resilience. By fostering strong peer networks, balancing vertical and horizontal ties, and ensuring psychological safety in knowledge-sharing, fintech firms can navigate structural shifts while maintaining both innovation and operational excellence.

Downsizing fundamentally reshapes workplace networks, disrupting traditional advice-seeking patterns and altering the pathways through which knowledge flows. Ultimately however, downsizing does not have to signal decline. With a proactive approach to internal network restructuring, fintech companies can emerge from turbulent periods with stronger, more adaptive knowledge ecosystems—turning crisis into a foundation for future growth. As my ongoing research (Aalbers & Smit, 2025; Aalbers, Dolfma, & Leenders, 2015) empirically demonstrates, these shifts can be strategically managed to drive either innovation or operational excellence. By understanding and leveraging social network dynamics, fintech firms can transform a restructuring challenge into an opportunity for long-term resilience and strategic renewal. So, while downsizing triggered transitions inevitably ruffle feathers within an organization, they also create opportunities for firms to reconfigure their networks in ways that enhance long-term adaptability.

References

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