

The hidden costs of cutting staff

North Shore accountant Butch Mawdsley advises business owners that staff cutting can be detrimental to your business. Instead, strong leadership is the key to helping your business survive the recession.

Mawdsley, a partner of RES Business Development and its business development division, 10X North Shore, points out that recent studies by the Certified Practising Accountants of Australia (CPA) show that half of all businesses that cut down on staff do not reduce their operating costs, two-thirds do not increase profit and over three-quarters do not increase productivity – showing that staff cutting does not ensure ongoing business success.

“Shedding staff may seem like an obvious cost-cutting measure, but managers often don’t realise the impact such a practice may have on workplace spirit and staff morale. Job insecurity is detrimental to staff motivation and is likely to result in reduced workplace productivity. Although management may have made the decision as a way to decrease costs, the opposite is often what actually occurs.”

Mawdsley suggests that instead of looking for ways to reduce costs, business owners should take more initiative and seek other ways to keep their businesses afloat.

“In such dire economic times, what will differentiate a business from its competitors is strong leadership. Business owners must lead with vision, connect with employees, implement high performance management practices and have a positive attitude.”