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News

Hidden costs of staff cutting

Wednesday, 24 June 2009



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

Resorting to staff downsizing in an attempt to cut operating costs is one of the biggest mistakes a business owner can make under the current economic downturn, according to Butch, a business improvement specialist and partner of local accounting firm RES Business Development and its business development division, 10X North Shore.

In fact, as he points out, recent studies as detailed by the Certified Practising Accountants of Australia (CPA) have shown 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 the ongoing success of a business.

According to Butch, "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."

Butch has in recent times seen many local business owners fall into the trap of staff cutting in order to reduce expenses and increase profit. In line with new findings from a just-released report on Australian businesses, He 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 their employees, implement high performance management practices and have a positive attitude."

10X North Shore teaches business owners how to put these leadership strategies into practice. One of the key outcomes of participating in the 10X Coaching Club is a business owner's ability to apply powerful leadership in their business. The result has been that 10X Coaching Club members are achieving extraordinary results despite the economic downturn.

As a trusted industry advisor, Butch is more than just an accountant to his clients. "10X North Shore is committed to helping North Shore business owners realise their full leadership potential to improve their businesses at a time where business sustainability is more important than ever."

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