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Cutting staff could hinder business

By [Jessica Stanic](#) on Tuesday, 21 April 2009

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Cutting down on staff during the recession as a cost-cutting measure could actually hinder a business' growth and profitability rather than help it, says Nic Clark, CEO of national business development franchise 10X Limited.

Recent studies conducted by the Certified Practicing 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 Clark, staff cutting is often the first thing businesses do when they try to reduce costs, however he believes it is not the most effective cost cutting measure.

"Managers often don't realise the impact such a practice may have on staff morale and the workplace spirit. Job insecurity can be damaging to staff motivation and is likely to result in reduced productivity. Although management may have made the decision as a way to decrease costs, the opposite is often what actually occurs."

Clark suggests that, instead of downsizing and 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."

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