TIGHTENING YOUR BELT

Cutting costs means cutting jobs, right? Wrong. **Karen Higginbottom** looks at other ways to make savings – and why redundancies should be the last resort

Times are tough for organisations. The brutal cuts befalling the public sector will inevitably have a knock-on effect on all UK companies. Managers are looking for ways to reduce costs and one of the more obvious routes is making people redundant.

However, the contrasting fortunes of US Airways and SouthWest Airlines after the terrorist attacks of September 11, 2001 show that cutting jobs isn't always the answer. In a difficult time for the aviation industry, US Airways laid off 1,000 staff. In 2006, the Journal of Applied Behavioral Science published a study, Relationships, Layoffs and Organisational Resilience, revealing that the layoffs, which were intended to foster recovery, actually inhibited it in the four years following the crisis. By contrast, SouthWest Airlines chose to lose money in the short term to avoid redundancies, and managed to ride out the financial storm.

Reducing costs through redundancies can be a false economy, according to Colin Barrow, author of Cut Costs, Not Corners. "Research suggests that it's moderately ineffective and you end up with a demoralised workforce looking for another job," he says.

How organisations approach cost cutting is informed by their view of the recession and the sector they operate in, says Abby Ghobadian, professor of organisational performance at the Henley School of Management. "Organisations