

MANAGING PEOPLE

Proof That Positive Work Cultures Are More Productive

by Emma Seppälä and Kim Cameron

December 01, 2015



Too many companies bet on having a cut-throat, high-pressure, take-no-prisoners culture to drive their financial success.

But a large and growing body of research on positive organizational psychology demonstrates that not only is a cut-throat environment harmful to productivity over time, but that a positive environment will lead to dramatic benefits for employers, employees, and the bottom line.

Although there's an assumption that stress and pressure push employees to perform more, better, and faster, what cutthroat organizations fail to recognize is the hidden costs incurred.

First, health care expenditures at high-pressure companies are nearly 50% greater than at other organizations. The American Psychological Association estimates that more than \$500 billion is siphoned off from the U.S. economy because of workplace stress, and 550 million workdays are lost each year due to stress on the job. Sixty percent to 80% of workplace accidents are attributed to stress, and it's estimated that more than 80% of doctor visits are due to stress. Workplace stress has been linked to health problems ranging from metabolic syndrome to cardiovascular disease and mortality.

The stress of belonging to hierarchies itself is linked to disease and death. One study showed that, the lower someone's rank in a hierarchy, the higher their chances of cardiovascular disease and death from heart attacks. In a large-scale study of over 3,000 employees conducted by Anna Nyberg at the Karolinska Institute, results showed a strong link between leadership behavior and heart disease in employees. Stress-producing bosses are literally bad for the heart.

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It takes a careful mix of mission, management, and culture.

Second is the cost of disengagement. While a cut-throat environment and a culture of fear can ensure engagement (and sometimes even excitement) for some time, research suggests that the inevitable stress it creates will likely lead to disengagement over the long term.

Engagement in work — which is associated with feeling valued, secure, supported, and respected — is generally negatively associated with a high-stress, cut-throat culture.

And disengagement is costly. In studies by the Queens School of Business and by the Gallup Organization, disengaged workers had 37% higher absenteeism, 49% more accidents, and 60% more errors and defects. In organizations with low employee engagement scores, they experienced 18% lower productivity, 16% lower profitability, 37%

lower job growth, and 65% lower share price over time. Importantly, businesses with highly engaged employees enjoyed 100% more job applications.

Lack of loyalty is a third cost. Research shows that workplace stress leads to an increase of almost 50% in voluntary turnover. People go on the job market, decline promotions, or resign. And the turnover costs associated with recruiting, training, lowered productivity, lost expertise, and so forth, are significant. The Center for American Progress estimates that replacing a single employee costs approximately 20% of that employee's salary.

For these reasons, many companies have established a wide variety of perks from working from home to office gyms. However, these companies still fail to take into account the research. A Gallup poll showed that, even when workplaces offered benefits such as flextime and work-from-home opportunities, engagement predicted wellbeing above and beyond anything else. Employees prefer workplace wellbeing to material benefits.

Wellbeing comes from one place, and one place only — a positive culture.

Creating a positive and healthy culture for your team rests on a few major principles. Our own research (see here and here) on the qualities of a positive workplace culture boils down to six essential characteristics:

- Caring for, being interested in, and maintaining responsibility for colleagues as friends.
- Providing support for one another, including offering kindness and compassion when others are struggling.
- Avoiding blame and forgive mistakes.
- Inspiring one another at work.
- Emphasizing the meaningfulness of the work.
- Treating one another with respect, gratitude, trust, and integrity.

As a boss, how can you foster these principles? The research points to four steps to try:

1. Foster social connections. A large number of empirical studies confirm that positive

social connections at work produce highly desirable results. For example, people get sick less often, recover twice as fast from surgery, experience less depression, learn faster and remember longer, tolerate pain and discomfort better, display more mental acuity, and perform better on the job. Conversely, research by Sarah Pressman at the University of California, Irvine, found that the probability of dying early is 20% higher for obese people, 30% higher for excessive drinkers, 50% higher for smokers, but a whopping 70% higher for people with poor social relationships. Toxic, stress-filled workplaces affect social relationships and, consequently, life expectancy.

2. Show empathy. As a boss, you have a huge impact on how your employees feel. A telling brain-imaging study found that, when employees recalled a boss that had been unkind or un-empathic, they showed increased activation in areas of the brain associated with avoidance and negative emotion while the opposite was true when they recalled an empathic boss. Moreover, Jane Dutton and her colleagues in the CompassionLab at the University of Michigan suggest that leaders who demonstrate compassion toward employees foster individual and collective resilience in challenging times.

3. Go out of your way to help. Ever had a manager or mentor who took a lot of trouble to help you when he or she did not have to? Chances are you have remained loyal to that person to this day. Jonathan Haidt at New York University's Stern School of Business shows in his research that when leaders are not just fair but self-sacrificing, their employees are actually moved and inspired to become more loyal and committed themselves. As a consequence, they are more likely to go out of their way to be helpful and friendly to other employees, thus creating a self-reinforcing cycle. Daan Van Knippenberg of Rotterdam School of Management shows that employees of self-sacrificing leaders are more cooperative because they trust their leaders more. They are also more productive and see their leaders as more effective and charismatic.

4. Encourage people to talk to you – especially about their problems. Not surprisingly, trusting that the leader has your best interests at heart improves employee performance. Employees feel safe rather than fearful and, as research by Amy Edmondson of Harvard demonstrates in her work on psychological safety, a culture of safety i.e. in

which leaders are inclusive, humble, and encourage their staff to speak up or ask for help, leads to better learning and performance outcomes. Rather than creating a culture of fear of negative consequences, feeling safe in the workplace helps encourage the spirit of experimentation so critical for innovation. Kamal Birdi of Sheffield University has shown that empowerment, when coupled with good training and teamwork, leads to superior performance outcomes whereas a range of efficient manufacturing and operations practices do not.

When you know a leader is committed to operating from a set of values based on interpersonal kindness, he or she sets the tone for the entire organization. In *Give and Take*, Wharton professor Adam Grant demonstrates that leader kindness and generosity are strong predictors of team and organizational effectiveness. Whereas harsh work climates are linked to poorer employee health, the opposite is true of positive work climates where employees tend to have lower heart rates and blood pressure as well as a stronger immune systems. A positive work climate also leads to a positive workplace culture which, again, boosts commitment, engagement, and performance. Happier employees make for not only a more congenial workplace but for improved customer service. As a consequence, a happy and caring culture at work not only improves employee well-being and productivity but also improved client health outcomes and satisfaction.

In sum, a positive workplace is more successful over time because it increases positive emotions and well-being. This, in turn, improves people's relationships with each other and amplifies their abilities and their creativity. It buffers against negative experiences such as stress, thus improving employees' ability to bounce back from challenges and difficulties while bolstering their health. And, it attracts employees, making them more loyal to the leader and to the organization as well as bringing out their best strengths. When organizations develop positive, virtuous cultures they achieve significantly higher levels of organizational effectiveness — including financial performance, customer satisfaction, productivity, and employee engagement.

Editor's note : Due to a typo, this article initially misstated the number of workdays lost due to stress each year. That number is estimated at 550 million, not 550 billion. The sentence has been corrected.



Emma Seppälä, Ph.D., is author of *The Happiness Track*, Co-Director of the Yale College Emotional Intelligence Project and Faculty Director of the Women's Leadership Program at the Yale School of Management. She is also Science Director of Stanford University's Center for Compassion and Altruism Research and Education. Follow her on Twitter @emmaseppala or her website www.emmaseppala.com

Kim Cameron, Ph.D., is the William Russell Kelly Professor of Management and Organizations at the Ross School of Business at the University of Michigan and the author of *Positive Leadership* and *Practicing Positive Leadership*.

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