

# The Hard Costs of Organizational Stressors: Do You Simply Put Up with These Steep Costs or Would You Like to Shrink Them?

Bringing Science to Organizational Diagnostics and Change Management

## A Reality Check

Organizational stressors assault your enterprise nine ways from Sunday. For one, these stressors emanate from *external business realities*—circumstances that are inherent in today’s complex, dynamic, cyclical, and global commercial environment:

- “Forty percent of workers report that their job is very or extremely stressful.”

- ReliaStar Financial, 1991

- “Problem at work are more strongly associated with health complaints than with any other life stressor—more so than even financial problems or family problems.”

- St. Paul Ins. Co., 1992

- “Health care expenditures are nearly 50% greater for workers who report high levels of stress.”

- Journal of Occ. & Env. Medicine, 1998

- “Corporate based stress management programs have two major disadvantages—the beneficial effects on stress symptoms are short-lived, and critical root causes (i.e., the upstream drivers) of organizational stress are typically ignored because the focus is on the employee and not the organizational environment.”

- NIOSH, 1999

- **Dramatic shifts in the marketplace, industry, and/or regulatory environment**
- Relentless pressure for new product development
- Morphing customer requirements and demands
- **Unforeseen or unmanageable events (a.k.a. white water)**
- **Quantum leaps in technology and IT**
- Volatile and ever-changing labor market
- Mergers and acquisitions
- **Over-heated growth**
- **Forced downsizing**
- Executive new business models
- High-risk operations situation
- **Pervasive operational problems**

For another, organizational stressors also stem from *employee realities*—from employees bringing their lives to work (which impacts their health and emotional status which, in turn, influences their work performance which, in turn...):

- “Worksite wellness promotion (i.e., the minimization of organizational stress) improves a company’s productivity by attracting superlative employees; reducing absenteeism and lost time; improving decision-making and time utilization (i.e., reduced “presenteeism”); building a reservoir of good-will toward management; and reducing employee turnover.”

- **Healthy Workforce 2010**  
U.S. DHHS

- “The goals of the *Alcoa Life!* program are to enhance the well-being and the quality of worklife of Alcoa’s people and their families and encourage and support personal development. We are asking people to do more than just come and make a living in the company. We are asking people to come and make a life in the company.”

- **Alain Belda**, President  
Alcoa

- “By investing in the total well-being of our employees, as they take on the challenges of complex lives, the laboratory not only contributes to the success of individuals, but we make tremendous strides toward organizational excellence, as well.”

- **John Browne**, Director  
Los Alamos National  
Laboratory

- **Family Pressures**
- Lifestyle factors
- **Financial circumstances**
- Coping resources
- **Physical symptoms**
- Job pressures
- **Health behavior**
- Personal issues
- **Social pressures**
- Psychological symptoms

The confluence of all these stressors lands squarely in the lap of an organization’s leaders, in the form of:

- **High or escalating-**
  - Employee health benefits costs
  - Workers’ Comp costs
  - Turnover
  - Absenteeism and burnout
  - Cost of human capital
  - Poor human resource utilization
- **Long or increasing cycle times for-**
  - Product development
  - Sales
  - Time-to-market
  - Problem resolution
- **Declining market position**
- **Increasing level of mistakes and re-work**
- **Poor decision-making and problem-solving**
- **Pervasive recurring problems**
- **Insufficient or decreasing-**
  - Focus
  - Creativity
  - Commitment
  - Collaboration
  - Initiative
  - Risk taking
- **Customer problems-**
  - Increased complaints, declining retention
- **Increased conflict or dissension**
- **Inflexible, non-adaptive organizational structures and processes**
- **Tarnished corporate reputation**
- **Increasing “presenteeism” (a.k.a. employees are MIA – there in body but not in mind or spirit)**

- “More than a third of workers (35%) say their jobs are harming their physical or emotional health, and 42% say that job pressures are interfering with their personal relationships.”

- **The American Workplace VII**, 2001  
The Martin Company

- “Stress costs businesses \$9,500 per employee—over \$300 billion—annually.”

- **Bureau of Labor Statistics**, 2000

- “More than half of the working people in the U.S. view job stress as a major problem in their lives, more than double that percentage in similar studies from a decade ago.”

- **Roper Starch 2000 Global Survey**

So, the **bad news** is that people are people and life happens, and there’s no firewall between home and work. The **good news**, though, is that this daunting array of stressors and costs that assault an enterprise and its people can be dramatically mitigated by that same organization’s workplace culture and people practices.

**And you say**, “Can you prove that?”

And we say, “It’s already been proven many times over.”

## Testimonials

- “The OSP’s group profiling capability and the availability of a critical-item analysis makes it possible to intervene at the systemic, organizational level in a targeted way. This is the gold standard of organizational stress assessment.”

- Professor, **Harvard School of Public Health** and  
Former Associate Director, **NIH**

- “I was struck with your ability to take all those individual stress numbers and work them into group stress profiles suggesting what we might be able to do in a systematic way. That is, change things around to make the workplace less stressful... The PSN<sup>®</sup> and the OSP<sup>™</sup> enabled us to save more than \$13 million in health benefits and stress-related workers compensation in the first year.”

- Director, Human Resources  
**Fortune 200** Consumer Products Company

- “The Organization Stress Profile<sup>™</sup> enabled us to see what the organizational stress issues were for specific groups of employees, and it pointed the way to effective intervention on an organizational level. The Personal Stress Navigator<sup>®</sup> provided employees with the information they needed to really understand the stress in their lives and then do something about it...”

- Director of Human Resources  
**Fortune 500** Telecom Company

- “The PSN<sup>®</sup> is unique in that it gets a measurable response to stress reactivity without being invasive. The data from the Organization Stress Profile<sup>™</sup> helped us understand the problems created by stress and pointed toward a solution. The decrease in turnover rates was, in part, related to this effective intervention.”

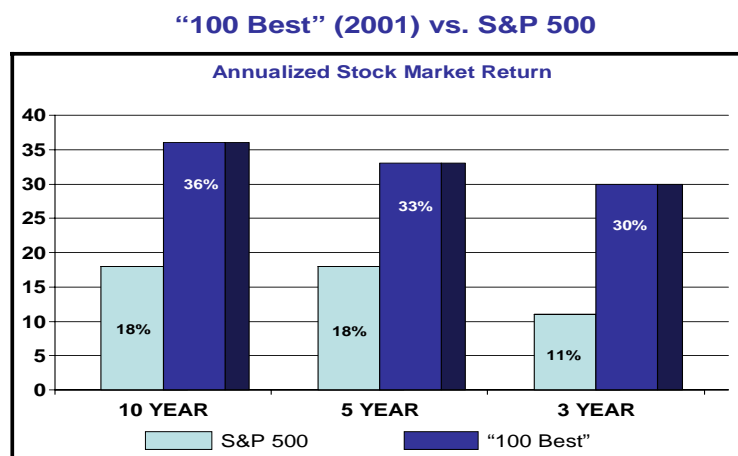
- Project Manager, **5000-employee hospital**

## The Proof: The Power of Culture and People Practices

Hard-nosed ROI research has proved hundreds of times that companies armed with: **(a)** an open mind, **(b)** a belief that more information is more, **(c)** an effective organizational assessment methodology, and **(d)** an appetite for experimentation and change are consistently able to turn what they had viewed as fixed costs (healthcare, turnover, absenteeism, disability, presenteeism, etc.) into variable costs and ultimately into substantial cost savings and enhanced organizational performance.

Investing in culture building and best (people) practices helps companies outpace their competitors, for example, by placing them on *FORTUNE*'s list of **100 Best Companies to Work For in America**. Time and again it's been shown that these are organizations that outperform their competitors that have under-attended to these two powerful levers for organizational performance. To prove the point, here's a look at a small sample of that research:

- 1. A meta-study by the DOL** of several hundred different research projects on organizational performance, examining the link between a company's investing in best-of-class people practices and improved bottom-line results concluded that:
  - There is a strong, positive relationship between training, developing, motivating, and empowering employees, on the one hand, and productivity improvements, employee satisfaction, and financial performance, on the other.
  - For over 700 public firms, it was found that gross return on capital for the lowest quartile companies (lowest on the quality of their people practices) was 3.7%; but for the top quartile, the gross ROC was 11.3%.
- 2. Independent financial analysis** of *FORTUNE*'s **100 Best To Work For**, using various profitability indicators, found that publicly traded companies on this 100 Best List consistently outperform major stock indices (by a factor of 2 or 3) over the ten-year period preceding their placement on the list. (They have half the employee turnover, as well.)



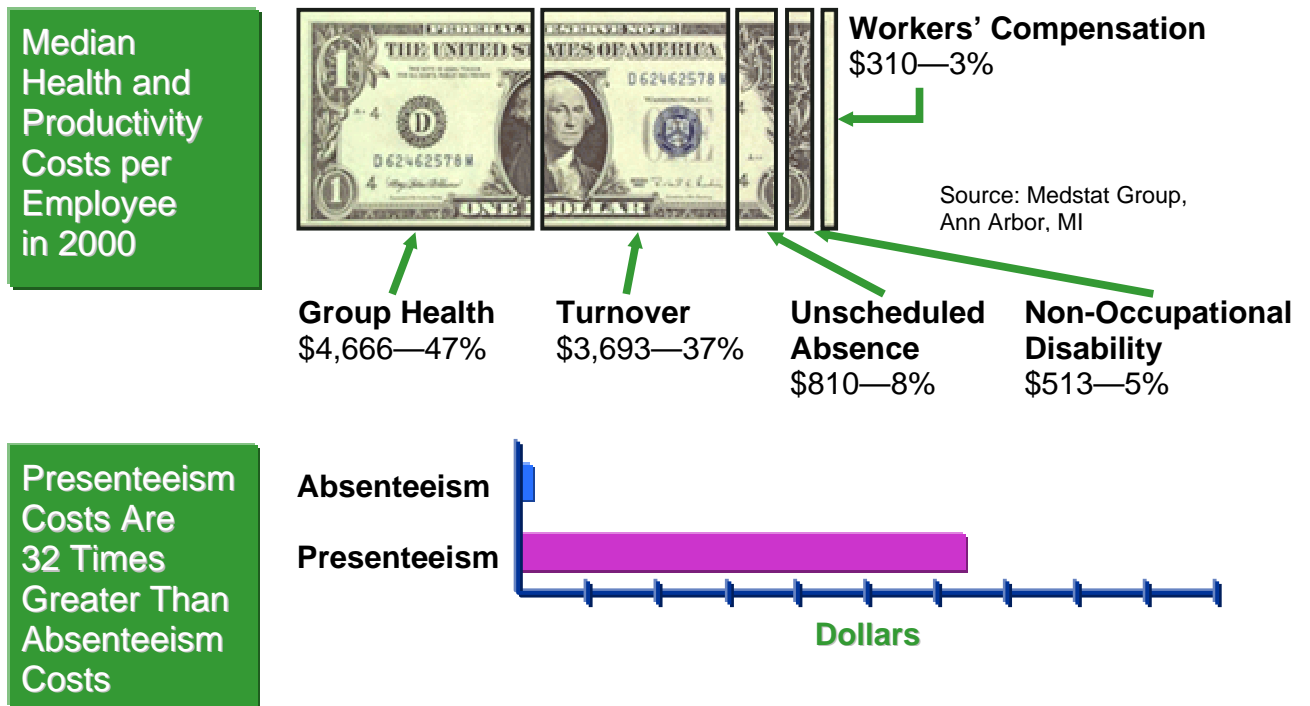
Source, Fortune, January 8, 2001

3. **The American Society for Training and Development (ASTD)** studied the training and development practices of 575 U.S.-based, publicly traded firms, for two years between 1996 and 1998. The ASTD findings were that firms in the top half (that had simply spent more on training and development) had an average total shareholder return during the following year of 36.9%. Those in the bottom half had an average return of half that.
4. **A leadership development study of 187 companies**, conducted in 2001 by DDI, compared a financial performance index to ratings of the quality of an organization's leadership development program. Companies were six times more likely to show "superior financial performance" if they had implemented high quality leadership development programs.
5. In another study, PDI found that 74% of people who get a job offer, but who then decide to stay with their current employer, do so because their current company was actively helping them develop in their current role and/or was helping them work toward their long-term career goals.
6. Citibank evaluated the wellness program it provides to 42,000 employees. Over a 38-month period, the bank spent \$2 million and **accrued \$12.6 million in cost-reduction** benefits from the impact of the program.
7. In a study of Executive Coaching conducted by Manchester, **358 organizations reported a 600% ROI**, on average.

## What If You Could Run an MRI on Organizational Stress?

Well, we can do that. But let's look first at a few more numbers. The partitioned dollar bill below represents the \$10,000 of non-compensation related costs to you, on average, per employee. (Note this is not even taking into account the enormous cost of presenteeism that results from stressors.) The widely accepted figures are as follows:

### The Health and Productivity Dollar



Then, if we take these MedStat numbers, cast them in the context of a company or a division of 750 employees (see spreadsheet), and incorporate the percentage of each of the five cost sources from above that are directly due to stressors, there are some specific conclusions we can draw about the real potential for substantial savings to this fictitious organization. (We can also clearly see the total annual costs due to this fictitious company's *median* levels of organizational stress—\$3,665,640.)

Organizational Stress Cost Calculator							
# Emp	Cost Category	Cost per Employee	Total Cost	Due to Stress	5% Savings	30% Savings	Stress Severity (1-9)
750	Health Care	\$4,666	\$3,499,500	\$769,890	\$38,495	\$230,967	5
	Turnover	\$3,693	\$2,769,750	\$1,107,900	\$55,395	\$332,370	5
	Unscheduled Absence	\$810	\$607,500	\$303,750	\$15,188	\$91,125	5
	Presenteeism	\$3,240	\$2,430,000	\$1,215,000	\$60,750	\$364,500	5
	Worker's Compensation	\$310	\$232,500	\$76,725	\$3,836	\$23,018	5
	Non-Occupational Disability	\$513	\$384,750	\$192,375	\$9,619	\$57,713	5
	<b>Totals</b>		<b>\$13,232</b>	<b>\$9,924,000</b>	<b>\$3,665,640</b>	<b>\$183,282</b>	<b>\$1,099,692</b>

This spreadsheet is based on statistical findings from the most conservative research available and demonstrates the annual savings that an enterprise with 750 employees can realize from even the most modest organizational intervention (i.e., at the 5% savings level = \$183,282) or from a bit more ambitious organizational effectiveness initiative (i.e., at the 30% savings level = \$1,099,692).

**The numbers put the opportunity in focus:** If there were a way to locate the source(s) of the organizational stressors—a way to identify the true upstream drivers, then these root causes could be targeted with genuine solutions (as opposed to the common response which is to react to the symptoms of the stressors.)

Our firm uses a rigorously researched, web-enabled tool in conjunction with a high-powered analytic methodology—the Organizational Stress Profile™ (OSP) to conduct an Organizational Stress MRI. The OSP™ reveals invisible hot spots and then points directly at the richest targets for organizational intervention.

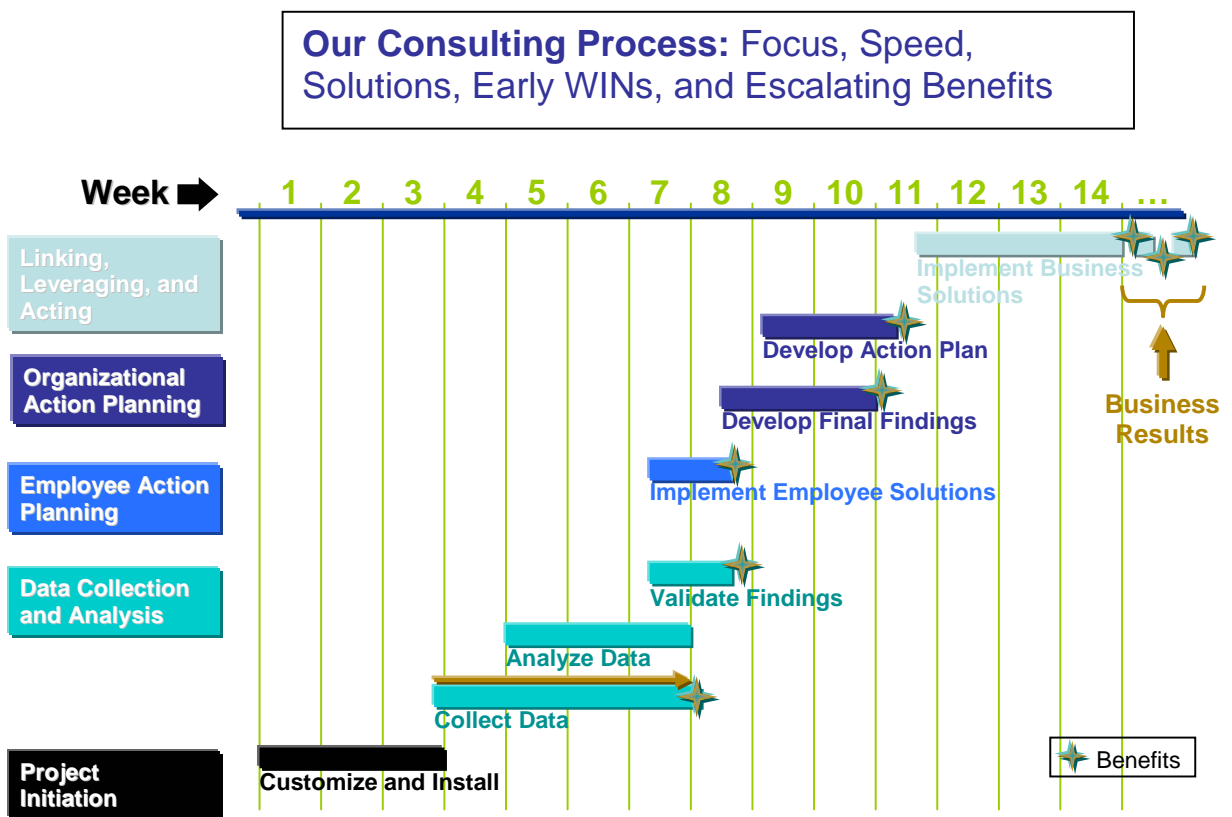
In this way both the enterprise and its employees learn what's hot and what's not; what targeted actions to take; and how to take these actions. And, top leadership has a new set of effective tools in hand:

- The **CEO** will have a strategic map that will lead to even better business performance.
- The **CFO** will have clear guidelines for cost cutting at the source and for reducing risk.
- The **COO** will have targeted tactics for streamlining operations and increasing productivity.
- The **VP HR** will have detailed information on where to make human capital investments.

## Conducting the Organizational MRI

Our mission is simple. We strive to help our clients pinpoint their organizational stress hot spots and then take informed action. To accomplish this you need science; (you certainly don't need make-it-up-as-you-go). Our web-enabled stress test was developed and validated by two of the world's leading authorities on stress and the organizational costs of stress. This instrument (the Stress Navigator<sup>®</sup>) has been used by over a half million people.

To remedy the root causes of organizational pressures and the stressors that compromise a company's performance and its people's productivity, your best bet is to link science with a well designed Organizational Effectiveness (OE) methodology:



We know from over 20 years of organizational change work that one of the most critical components for a change initiative's success is a continuous series of small but meaningful WINS, beginning as early in the process as possible.

**Our research shows that we are able to get meaningful WINs as early as the third week of the process.** How? By merely responding to the Stress Navigator<sup>®</sup> instrument online, respondents show, on average, a 19% reduction in their own stress levels—simply from reading and answering the questions. This is pretty remarkable. Then, once they complete the inventory, they have instant access to their own comprehensive, personalized report that creates a sharp focus for them and points them directly toward solutions. The report accomplishes this by providing hot-links to web-enabled tutorials, providing each participant with a toolbox of 64 stress management tools. All of this can happen quickly and before any enterprise-wide OE initiatives roll out.

As you can see from the flow diagram above, we make certain that the WINs accumulate and the benefits of the process escalate. The ultimate objective, of course, is to impact business results in a way that will make a difference to all of your organization's stakeholders.

Let's take a look at a *Case Study*.

## Case Study: A Mission-Critical Product Development Team

### The Situation

- This high-profile, multi-national corporation was struggling to maintain global market share for one of its signature product.
- As a function of the competitive environment, the usual five-year product development cycle had been compressed to three years for this 850-member team.
- As a result of this compression, design and engineering specs were unstable and tinkering was on-going, even after manufacturing machinery was under construction. Machinery, then, had to be redesigned and rebuilt several times.
- Overtime was at an overwhelming level, stressing team members and their families. The **overtime** ⇒ mistake ⇒ **rework** ⇒ overtime cycle was in full bloom and taking a serious toll.
- In short this project was over a half-year behind schedule, with 75% cost overruns and a non-trivial increase in accidents, medical symptoms, and morale problems.

### The Solution

- The entire 850-member team took the Stress Navigator<sup>®</sup>.
- The Organizational Stress Profile™ analysis was conducted on the resulting data.
- The OSP findings zeroed in on the critical hot spots and the adverse business impact.

- Because the OSP findings are so detailed, quantitative, and statistically robust, the consulting team was able to convince management to change its approach to marshaling the resources of this 850-member team.

### **The Results**

- The company invested less than \$500K in this project over a nine-month period.
- The new product was released on time and to rave reviews.
- Cost overruns were reduced by \$3 million.
- Accidents, medical conditions, and lost time were cut in half.
- In summary, this mission-critical team, which had been on the very edge of collapse (there had been three suicides), had now reconstituted itself, delivered an enormous WIN on behalf of the corporation, and was ready to do battle on another day.

**We have the science.** We have the tools. **We have the methodology.** We have the expertise. Can we help your organization be best-in-class?