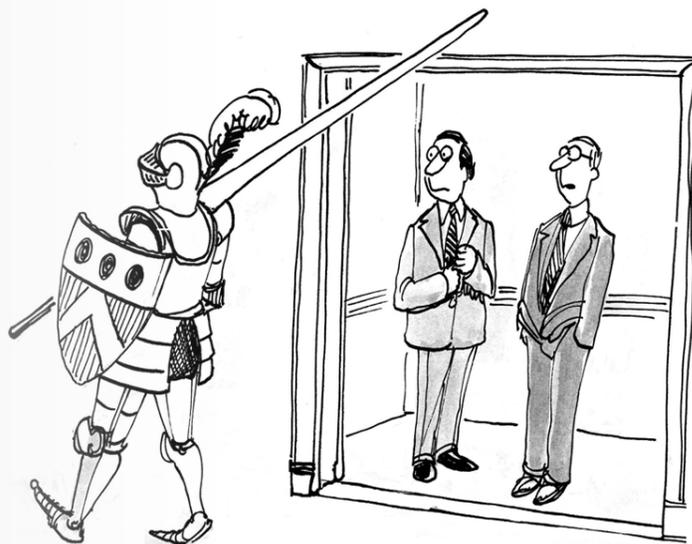


THE HIGH COST OF A TOXIC CULTURE

- ▲ Toxic Cultures Eventually Destroy Performance and Productivity
- ▲ Toxic Employees are often High Performing
- ▲ Eliminating Toxic Behavior is More Important than Developing Higher Performers



“I get so tired of jousting with that guy.”

‘X’ company is proud of “telling it like it is.”

That statement is oft repeated in print communications at the company and at leadership meetings. The head of the accounting department came from the East Coast. He was a senior leader that had been actively recruited and was a rising star. He had completely revamped the financial process, creating outstanding visibility into the company’s financial operations. But there were signals that all was not right.

He had been the subject of indirect complaints about his leadership style. He’d been overheard in his office loudly berating someone. No one would say anything, even when HR investigated. Turnover rose and absenteeism grew.

Another company’s president was preoccupied with the enterprise’s scores on “best places to work” surveys and was exceedingly proud of the buzz generated by the on-site childcare facility at its headquarters. Nevertheless, her staff struggled to meet the overbearing expectations she placed on them. She would often reject work at the last minute, requiring massive amounts of rework under unrealistic timelines. There was a pool among the old hands as to how long each new member of her team would last. The over/under was around 16 months. **People outside her span of control thrived; within, the pressure was intense, and turnover continued unabated.**

In a different enterprise, one of the executive team members thought he had all the answers. Because his area was the largest revenue generator, he refused to participate in collaborative efforts. **It was counterproductive to share information with any of his direct reports; when their boss found out about it, he immediately set about nullifying whatever action was proposed.** Worse, his people actively sought out peers, attempting to glean information to curry favor with their boss. People were afraid to share information.

Toxic cultures abound and take many forms. Dylan Minor and Michael Housman, writing a working paper at Harvard Business School, defined a toxic worker as someone who engages in behavior that is harmful to an organization, including either its property or people. **According to a report issued in 2019 by the Society for Human Resource Management (SHRM), one in five Americans have left a job in the past five years due to bad company culture.** They estimate that it has cost the American economy \$223 Billion.

The toll that toxic cultures take on productivity is substantial. Professors Christine Porath of Georgetown and Christine Pearson of the Thunderbird School of Management published a study on the costs of toxicity. They found that the impact of incivility among employees “markedly loosened bonds with their work life.” This lack of engagement, according to Porath and Pearson, has real costs in terms of productivity. **Nearly half of employees “decreased work effort” and intentionally spent less time at work, while 38 percent “intentionally decreased” the quality of their work.**



ENGAGEMENT STAKES

Gallup’s 2017 engagement report identified a wide range of difference between the highest and lowest performing organizations in terms of engagement.

- ▲ **41% Lower Absenteeism**
- ▲ **24% Lower Turnover (High-Turnover Organizations)**
- ▲ **59% Lower Turnover (Low-Turnover Organizations)**
- ▲ **28% Less Shrinkage**
- ▲ **70% Fewer Employee Safety Incidents**
- ▲ **58% Fewer Patient Safety Incidents**
- ▲ **40% Fewer Quality Incidents (Defects)**
- ▲ **10% Higher Customer Metrics**
- ▲ **17% Higher Productivity**
- ▲ **20% Higher Sales**
- ▲ **21% Higher Profitability**



Gallup’s engagement studies have routinely provided ample evidence that engaged employees deliver markedly higher productivity than those not engaged or, worse yet, actively disengaged. **Porath and Pearson further reported that 25 percent of employees who had been treated with incivility admitted to taking their frustrations out on customers. And 12 percent left their jobs due to uncivil treatment.**

Toxic workers influence cultures and lead them negatively. Minor and Housman found that it was more important to alter or reduce the toxic behaviors than to promote and recruit higher performers. **The good news is that organizations can identify these behaviors within cultures and take steps to address them.** The stakes are high, and the returns are there for motivated enterprises. Those enterprises currently experiencing toxic behaviors can achieve substantial improvement in all areas of the business. We will discuss solutions in our next conversation.

