

Why working your employees to death isn't good for your company

Second quarter earnings are out and, hey, good news! Profits are up, even though revenues are down, thanks to rampant cost-cutting (read layoffs). Maybe that's starting to change. But according to some accounts, like this New York Times story, some companies nonetheless figure they're going to continue this MO over the long-term.

If cost-cutting is what you need to do to grow the bottom line, it's hard to argue against that approach. Except for two problems.

First, companies aren't doing anything constructive with their cash at the moment. In fact they're not doing much of anything at all with it, other than letting the money pile up and gather a few basis points of interest.

Second, this approach amounts to cutting off your nose to spite your face, as it were. Over the long-term, growing your company by operating with many fewer employees and expecting them to work in a state of constant speed-up is untenable. It isn't just me saying that. There's a lot of research to support the conclusions that over-working your employees relentlessly leads to 1) a decline in creativity and innovation and an increase in, well, dumb decisions and 2) anything from depression to early death.

Neither are helpful for success over the long haul, to say the least.

On the innovation and dumb thinking issue, perhaps most important is research into what's known as "downshifting", according to David Lee, a management consultant who specializes in creating creative workforces. He points to a series of studies showing that, when people are under great stress, their brain functioning changes.

So instead of having access to higher brain functions located in the frontal lobe, such as the ability to think flexibly and make important connections, a more primitive part of the brain takes over. And that area of our gray matter leads us to stick to the tried and true and avoid anything new. "Instead of being agile, which is what the economy needs, people get locked in," says Lee. "If you're in a constant state of fear, you'll always tend to have a more primitive response."

As for the correlation between over-work and heightened stress and increased illness, the evidence is so clear, there's even an official term for it in Japan: *karoshi* or "death by over-work." If that's not convincing, according to a study just published in the journal *Occupational and Environmental Medicine*, having a high pressure job increases women's risk of heart disease. In the study, researchers from Denmark assessed the impact of work pressure on a group of nurses over a period of 15 years. Nurses who said their work pressures were too high were 25 percent more likely to develop heart disease as colleagues who felt the stress was manageable and appropriate.

This work 'em till they drop attitude doesn't seem to be particularly effective in retaining top producers, either. Apparently, a lot of them are jumping ship these days. According to Right Management, a management consulting firm (full disclosure: I write for them), 54 percent of companies report that "a lot" of their high-performing employees up and quit during the first half of the year. Only 28 percent of the 550 respondents said they were able to retain their top talent.

If companies started spending some of that cash they've built up, perhaps they might contribute to economic growth. But the combination of no spending and no hiring--that's a recipe for long-term stagnation.