

Wellbeing Risks - the Untapped, Hidden Force Behind Better Operations, Conduct & Culture

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Key messages

- 1) Employee wellbeing, as distinct from health and safety, is an overlooked risk in most guidelines and frameworks for enterprise risk management.
- 2) Current approaches to managing employee wellbeing risks tend to be suboptimal or altogether non-existent.
- 3) Where addressed, employee wellbeing is identified and managed ineffectually without nuance in the overly broad bucket of 'organisational culture' or 'workplace health and safety'.
- 4) Integrating employee wellbeing risks explicitly into an organisation's formal risk management processes will improve the efficiency, effectiveness and value of risk management.
- 5) Employee wellbeing risks can be specifically identified, measured, monitored and transparently managed across all levels in an organisation using a robust wellbeing framework and reliable assessment and development methodologies.
- 6) Analysing and implementing employee wellbeing risk management will require consultation and stakeholder management with HR, Leadership Development, Talent, Health & Wellbeing functions, and the external expertise available in the burgeoning employee wellbeing sector.
- 7) An elevation in risk, compliance and governance as a core accountability for all leaders is a new source of tension and ironically represents a new threat to sustainability.

21st Century human pressure-cooker

On a global scale, the clouds of trade tensions, financial tightening, climate change, uncertainty re Brexit and slow-down of the Chinese economy are darkening the economic outlook. No matter whether private, government or not-for-profit in nature, leading today's organisations is tough. Tougher than ever before. As has been well documented, the 4th Industrial Revolution is characterised by omnipresent uncertainty, ubiquitous change and relentless disruption – for those in charge of running organisations, it's becoming an increasingly risky business.

One of the least well-understood risks is the unprecedented level of pressure being experienced by the humans in the system. From the very top to the very bottom, there's little doubt the nature of work and our workplaces are in transformation – they have been for a while and it looks set to continue. Sentiments such as 'the only thing that's certain is uncertainty itself' and 'if you're not feeling overwhelmed, you're out of touch with reality' are rife.

How many colleagues do you know for whom it has become the norm to 'double hat'? In the 'always on' era of 'do less with more', employees across all levels and sectors are increasingly expected not only to do their day jobs, but to lead or implement transformational change and (more recently) to also lift their game with significantly

increased levels of compliance and risk reporting.

Does burnout and overwork lead to risk?

Research published by the [British Psychological Society's Division of Occupational Psychology](#) in 2015 presents alarming evidence that **employees who are feeling burnt out engage in poorer decision making**, either by avoiding making decisions altogether as a result of being emotionally exhausted and having 'checked out', or by making spontaneous and irrational decisions.

Those suffering from burnout often reach and take riskier options without comprehensively analysing and evaluating alternatives due to underestimating the seriousness of consequences if things go wrong – they may feel 'beyond caring'. To get people to think and act in the long-term interests of the organisation requires them to feel a sense of investment and loyalty. People with lower levels of wellbeing are less likely to see beyond the short term (or even just the immediate future).

Analysing the risk of poor wellbeing

In September 2019, a wellbeing risk analysis performed by the workplace psychologists from EEK & SENSE on the wellbeing profiles of 2,720 leaders and professionals (across a wide variety of sectors globally – predominantly Australia) using the Global Leadership Wellbeing Survey revealed a concerning picture:

Around 60% of senior professionals

feel they are 'sometimes, always or usually' drowning in unnecessary admin or 'red tape' at work; stressed and anxious whilst at work and prone to high levels of self-doubt

- 75%** feel pulled in too many different directions in their roles;
- 80%** say concentration is compromised by competing demands for their attention;
- 63%** describe being at risk of burnout;
- 46%** say politics at work detract from their wellbeing;
- 28%** go as far as saying they experience toxic relationships at work;
- 23%** almost never get adequate sleep and;
- 5%** feel they 'never or rarely' trust their boss.

Whilst this paints an alarming picture of the risks to leaders' wellbeing (and we should be concerned by that for humanity's sake), **risk professionals should be especially wary that poor wellbeing could drive risky behaviour.**

Wellbeing as a driver of sustainable performance

The topic of wellbeing was one of the central focus areas at the influential World Government Summit in Dubai, February 2019. What became clearly established by the behavioural scientists, economists and governments present is that wellbeing can be rigorously measured and that [wellbeing in the workplace has a significant effect on corporate productivity and performance.](#)

We are seeing a growing emphasis on workplace wellbeing as a driver of investment decisions – because of its implications for corporate behaviour in the area of social risk.

In the May 2019 edition of the Company Director Magazine, an unusual piece on how [staff happiness could boost your organisation's productivity](#) highlighted how social risk, in particular the wellbeing of employees, is one example of the 'shifts underway in the corporate mindset'. Its author, Former SA Premier Jay Weatherill says that companies anticipating these trends will be '...well placed to reap the benefits. There seems to be every reason to regard wellbeing in the same light for all corporate enterprise.'

Wellbeing is not the same as Health & Safety

There is the Comcare view of the world i.e. 'to support participation and productivity through healthy and safe workplaces, minimising the impact of harm' by upholding the Safety, Rehabilitation and Compensation Act 1988 (SRC Act) through the Safety, Rehabilitation and Compensation Commission (SRCC) and adherence to the Work Health and Safety Act 2011 (WHS Act).

Then there's the wellbeing view of the world.

When wellbeing risks are well-managed, organisations invest in creating programs that identify wellbeing risks and support the wellbeing of their leaders, employees and teams in a holistic way, going far beyond the hackneyed notions of smoking cessation, step-a-thons and yoga classes. They consider wellbeing as a strategic and business imperative, both as a risk to be managed and as an opportunity to be seized. When done well, the impact on creating the right cultural DNA to sustain high performance, ethical conduct, strong reputations and trust is profound.

At EEK & SENSE, the workplace psychologists have a methodology for setting and monitoring well-being as a key risk indicator (KRI), underpinned by 6 dimensions evaluating individual, team and organisation wide wellbeing: (see pictured right)

Wellbeing is integral to good risk, compliance and governance

Risk, compliance and governance have long since been the focus of boards and the C-suite, but never more so than now. It doesn't matter whether you are a large complex corporate entity, a start-up, SME, public sector, NFP or consulting enterprise - there's barely a sliver of working life left where organisations don't have to be 100% mindful of rules, standards, ethics and due processes. In the last 2 years we've seen the Royal Commission into Aged Care Quality and

Safety, the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability and of course, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Banking royal commissioner Kenneth Hayne has urged Australian organisations to accept that 'trust in all sorts of institutions, governmental and private, has been damaged or destroyed'. Few business leaders would be foolish or brazen enough to dispute either the need or validity of growth in Royal Commissions. It's a vital sign of the times we live in, and we're bracing for more to come.

From the perspective of a psychologist, there are two key issues for risk professionals to consider:

- 1) *A concern that the growing power of risk and compliance functions has become the tail that's wagging the dog.*

Whilst the push for a lift in the quality of and trust in all institutions is all very appropriate, there's a job to be done to make sure this push is itself sustainable. We are seeing successful organisations moving from an innovative, growth oriented and 'risk-on' mindset to one of 'risk-off...' and without relief in growth targets or a reduction in economic expectations.

From an executive coaching perspective, we are seeing increasingly harried leaders who are feeling the usual high levels of accountability for financial outcomes alongside rapidly rising pressure to comply with new risk and governance codes. It's creating a spike in anxiety and stress, an erosion of autonomy, dilution of control and diffused responsibilities all of which are associated

with low wellbeing and a lack of sustainability.

We're also seeing those charged with the responsibility of transforming the organisation to new higher standards and better culture with more ethics and integrity almost dead on their feet from exhaustion. The combined irony is too much – in seeking to better manage risk, are organisations creating new risks threatening the sustainability of the enterprises they seek to enhance?

What is the pathway ahead? Overcoming these challenges will require delivering simplicity in risk frameworks (so that people focus on the most important things, and avoid 'busy-work'); never losing sight of (and indeed trying to emphasise) the need for risk frameworks to help businesses do great things (not just prevent bad things); and reframing the narrative. While downside risk is what has brought it into such sharp focus of late, if risk professionals and executives focus solely on downside risk it will surely continue to exacerbate this sense of drowning in negative, hard 'stuff'.

- 2) *An opportunity to integrate employee wellbeing in a much more nuanced and explicit way as part of good risk management.*

Organisations anticipating the trend towards a greater focus on employee wellbeing will be ahead of the game in terms of organisational risk, sustainability and productivity. Environment, social and governance (ESG) is an emerging discipline, and increasingly issues such as 'workplace culture' and 'executive behaviour' have a material impact on corporate performance.

My argument is that the response to conduct

and operational risk needs to be holistic and deep if it is to be effective in building sustainable organisations, and to do so it must have a sharp lens on wellbeing. In a PWC report ['Preparing for tomorrow's workforce today'](#) the top 10 organisational capabilities of the future include wellbeing and work-life balance. Without these, having the levels of inner agility, adaptability, innovation and empathy (the essential human skills of the future) becomes harder and harder. Without wellbeing, the workforce simply won't be able to (or if we listen to young talent – even want to) perform over the longer term to the standards that are expected.

The pursuit of a professional culture characterised by leaders and their teams being motivated and able to maintain sustainable high performance is what will yield an uplift in the standards of ethical conduct and in stronger, better operations. When an organisation's leaders have high levels of wellbeing, it casts a positive shadow across the whole organisation, bringing higher levels of staff engagement, higher levels of psychological safety, higher levels of job satisfaction and higher levels of happiness in the workplace. These factors are manifest in a well-run organisation that is poised to meet all of its objectives; productivity and even share price have been shown to be higher in organisations with high levels of employee wellbeing.

With low levels of leader and employee wellbeing the opposite occurs – there is a focus on short term results at the expense of sustainability, individuals burnout, their behaviour deteriorates and the standards that people accept (or walk past) drop.

The most progressive organisations are creating wellbeing ecosystems by putting in place specific leader-led wellbeing programs, with aligned practices and policies. Such initiatives start at the top, determining the wellbeing risks for senior leaders and educating and supporting them to help drive positive systemic change.

Wellbeing is an area of joint accountability; individuals are of course responsible for their choices but to hold them wholly responsible without due consideration of the organisation's policies, the behaviour and expectations of leaders or the design of the workplace environment is unethical.

-About the author:

Audrey is an Australian based registered psychologist and workplace wellbeing expert with 30 years of corporate experience. She is a Chartered Occupational Psychologist with the British Psychological Society (BPS), an Associate Fellow of the BPS and a member of the Division of Occupational Psychology and Psychotherapy Sections of the BPS. She is a renowned international author and speaker on all matters relating to leadership wellbeing and performance in the workplace, and the co-author of the Global Leadership Wellbeing Survey (GLWS).

