# THE HIGH COST OF A TOXIC WORKPLACE CULTURE

## HOW CULTURE IMPACTS THE WORKFORCE—AND THE BOTTOM LINE

# FOREWORD

We have reached a cultural tipping point in the workplace, driven by public attitude shifts on employment policies, blurred lines between work and home life, and generational differences in the expectations of work itself. It is no longer "enough" for employers to satisfy customers or appease shareholders; they must also become and remain good corporate citizens. Nowhere is it more important for employers to be good citizens than in the workplace itself, and there is no greater lever than the relationship between "People Managers" and their employees.

As working Americans challenge organizations to manage and lead differently, those that don't will find themselves left behind. It is time for all organizations to become more people-centric. Success in the workplace means prioritizing the management of people, guiding employees' development and cultivating a strong sense of collective purpose at work. Put frankly, it means focusing on "workplace culture"—the glue that keeps an organization together.

In July 2019, SHRM commissioned a survey of the U.S. workforce to better understand the importance of workplace culture and its profound impact on employees. What became clear is that a bad workplace culture can derail an organization, creating a toxic atmosphere that leaves employees frustrated and produces a very real bottom-line impact. A strong workplace culture, however, ensures employees act in the best interest of their organization and feel fulfilled within it. Organizations that build a great workplace culture will ultimately win the war for talent, innovating and growing for years to come.

We urge all organizations—and those leading them—to take on this challenge, producing an environment where employers and employees can thrive together.

Johnny C. Taylor, Jr.
President and CEO, SHRM

**38%** of American workers are "very satisfied" with their current job.

**49%** have thought about leaving their current organization.

**1/5** have left a job due to workplace culture.

**58%** of those who left a job due to culture claim People Managers are the main reason they ultimately left.

**25%** of Americans define organizational culture as a combination of employees' attitudes, actions and behaviors.

**76%** say their manager sets the culture of their workplace.

**36%** say their manager doesn't know how to lead a team.

**1/4**
- Dread going to work.
- Don't feel safe voicing their opinions about work-related issues.
- Don't feel respected and valued at work.

**4/10** say their manager fails to frequently engage in honest conversations about work topics.

**$223 B** is the cost of turnover due to workplace culture over the past 5 years.

# SOCIAL OPERATING SYSTEM

Culture is the heartbeat of an organization. It is the social operating system that shapes organizational values, defining how people work and determining how successfully. Of course, because workplace culture is dependent on the people establishing it, culture is active and always changing. While the fluidity of culture leads to difficulty sustaining strong workplaces, that fluidity also presents the opportunity for perpetual improvement. It is never too late for an organization to reform its culture from within, turning a negative into a positive.

This is especially important in today's environment, one defined by a rapidly changing workforce. American workplaces are more diverse than ever before, prompting organizations to focus not only on diversity but also on inclusion—conceptualizing what that means and putting it into practice. At the same time, technological advances have changed the ways the workforce communicates. Because of social media and other platforms, virtually all employees are brand ambassadors with a megaphone and an audience, posing strong reputational and, ultimately, financial risks for organizations.

Only by building a strong workplace culture can organizations hope to mitigate those risks and keep their employees satisfied at work. Great workplace cultures are associated with low employee turnover and high engagement, making these organizations more innovative, productive, and profitable. Bad cultures, on the other hand, leave employees dissatisfied and unproductive—and eager to move on. In fact, the high employee turnover (and low engagement) that stems from a bad workplace culture costs U.S. employers billions of dollars a year.[2]

Failing to build a strong workplace culture is not only detrimental to employees; it is also bad for business. Therefore, it is imperative for workplace decision-makers—from human resources professionals to People Managers—to be deliberate and persistent in creating a culture that can produce innovation and growth. The alternative is highly costly, in more ways than one.

[1]SHRM July 2019 Omnibus, Bureau of Labor Statistics, and the Center for American Progress. [2]SHRM July 2019 Omnibus, Bureau of Labor Statistics, and the Center for American Progress.

NEARLY 1/2 OF AMERICAN WORKERS HAVE THOUGHT ABOUT LEAVING THEIR CURRENT ORGANIZATION.

# THE LANDSCAPE OF CULTURE

Employees may leave a job for numerous reasons, and workplace culture is chief among them. From a lack of personal autonomy to the feeling of not being appreciated by superiors, any organization's workforce is susceptible to fluctuating morale. People Managers, in partnership with HR professionals, must nurture employee morale on a daily basis so high levels are maintained and low levels can be reversed. When morale dips low enough, it can lead to high turnover and workplace instability.

In today's competitive labor market, one of the leading reasons for high turnover is the emergence of a toxic atmosphere at work. Employees often leave bad workplace cultures in search of healthier environments, where they may feel more fulfilled on the job. Fierce competition for labor only amplifies the need for organizations to build strong workplace cultures and fight off the competition.

A failure to do so negatively impacts the bottom line, and quantifiably so. **Over the past five years, the cost of turnover due to workplace culture exceeded $223 billion.**[3] That is a nearly quarter-of-a-trillion-dollar cost borne by employers, simply because they didn't produce environments that result in employee retention and job satisfaction.

From the employee's perspective, the responsibility of building a strong workplace culture— and avoiding the cost associated with turnover—falls on the shoulders of C-suite executives and People Managers. Employees expect management to set the tone in the workplace, establishing its values and the communication channels necessary for managers to explain best practices and organizational goals.

Approximately **3 in 4 working Americans believe management establishes workplace culture,** laying the foundation for them to succeed at work.[4]

**Yet 1 in 3 U.S. workers claim their manager doesn't know how to lead a team.**[5] In turn, nearly **3 in 10 employees lack trust in their manager** to treat them fairly, while another **3 in 10 workers say their manager doesn't encourage a culture of open and transparent communication.**[6] In such cases, employees are unsure how to respond to certain situations at work, making it less likely that those goals are achieved. A breakdown in communication is perhaps the most common sign of a toxic atmosphere at work.

From employee uncertainty to the lack of trust in a manager's ability, a toxic atmosphere often forces workers to consider leaving a job, explore other options, and eventually pursue one of them. The workforce traces those signs of toxicity back to management, which is a representation of the broader culture in the workplace. Indeed, nearly 60 percent of employees claim People Managers are the reason they leave their respective organizations.[7] Managerial deficiencies are often the precursors to employee turnover.

Never has it been more important for People Managers, alongside HR professionals, to root out toxicity in the workplace and establish a culture that breeds employee satisfaction. Organizations simply cannot achieve their goals without employees who are engaged, productive, and fulfilled at work, and management is the critical touch point.

> **OVER THE PAST FIVE YEARS, THE COST OF TURNOVER DUE TO WORKPLACE CULTURE EXCEEDED $223 BILLION.**

[3]SHRM July 2019 Omnibus, Bureau of Labor Statistics, and the Center for American Progress. [4]SHRM July 2019 Omnibus. [5]SHRM July 2019 Omnibus. [6]SHRM July 2019 Omnibus. [7]SHRM July 2019 Omnibus.

"A BREAKDOWN IN COMMUNICATION IS PERHAPS THE MOST COMMON SIGN OF A TOXIC ATMOSPHERE AT WORK."

# TOXICITY AT WORK

At any organization, a strong workplace culture transcends the traditional characteristics of a "good job." It doesn't necessarily matter how much an employer pays or how many weeks of vacation are offered when a workplace culture is toxic. Toxicity can manifest itself in many ways, including sexual harassment and discriminatory treatment such as ageism.

Unfortunately, toxicity is rampant in the workplace. Almost two-thirds of working Americans say they have worked in a "toxic" workplace, with 26 percent of them saying they have worked in more than one.[8] Most blame that toxicity on poor management.[9]

Digging deeper, nearly 40 percent of HR professionals claim there have been more complaints of sexual harassment and discriminatory treatment in the last two years than in the two years prior.[10] A similar number of C-suite executives and People Managers have personally witnessed sexual harassment and discriminatory treatment that they believe were not reported.[11]

Age discrimination, an act whereby employees are treated unfairly on the basis of age, is another sign of a toxic workplace environment. Under U.S. employment law, only workers ages 40 and above are protected from age-related discrimination; however, workers of all ages can feel the negative effects of unfair treatment on the basis of age. Approximately 26 percent of workers ages 65 to 74 report experiencing age-related discrimination at work, while 20 percent of those ages 25 to 34 say the same.[12] Though age discrimination can occur at any point in the employment cycle, workers are most likely to experience it during the application process.[13]

Workplace cultures like these have wide-ranging effects on the workforce. Recent research shows a toxic workplace culture impacts an employee's engagement, productivity, and even health and wellness.[14] Toxic atmospheres are generally associated with stress, which affects employees in the workplace and at home. Over half (57 percent) report leaving work feeling exhausted, and a toxic atmosphere often compounds that stress.[15]

Additionally, spillover commonly occurs when employees bring their work stress home.[16] Nearly 3 in 10 Americans (28 percent) say their workplace culture makes them irritable at home And nearly half of working Americans have postponed important things in their personal life (e.g., family, friends, and life milestones) due to the demands of work.[17]

When they're part of a strong workplace culture, employees feel inspired to go to work, seeking out new opportunities to succeed in the workplace. A toxic culture, on the other hand, leaves them uninspired and unwilling to push themselves at work. Employees may even choose to skip work altogether, in an attempt to avoid toxicity. About 1 in 4 working Americans dread going into work, while 1 in 5 call in sick when they don't feel like going to work.[18]

At U.S. companies, the cost of productivity loss due to unplanned absences comes to approximately $431 billion per year.[19] Up to $86 billion of this lost productivity can be attributed to workers calling in sick when they don't feel like going to work.[20]

> **"ABOUT 1 IN 4 WORKING AMERICANS DREAD GOING INTO WORK."**

[8]National Association of Plan Advisors. [9]National Association of Plan Advisors. [10]SHRM July 2019 Omnibus. [11]SHRM 2019 Employment Culture Survey [12]SHRM January 2019 Omnibus [13]SHRM January 2019 Omnibus  [14]*Harvard Business Review,* December 2015. [15]SHRM July 2019 Omnibus. [16]SHRM July 2019 Omnibus. [17]SHRM July 2019 Omnibus. [18]SHRM July 2019 Omnibus. [19]SHRM July 2019 Omnibus, SHRM/Kronos survey, and the U.S. Census Bureau. [20]SHRM July 2019 Omnibus, SHRM/Kronos survey, and the U.S. Census Bureau.

"**TOXICITY IS RAMPANT IN THE WORKPLACE**, AND OFTEN MANIFESTS ITSELF AS SEXUAL HARASSMENT AND DISCRIMINATORY TREATMENT."

# AVERAGE ISN'T ENOUGH

In terms of productivity loss, the negative impact of a toxic workplace culture is clear. However, simply building an average culture can still have serious consequences for an organization.

Employees expect a lot of their employers; they expect a workplace culture that is better than just "average." After all, nearly half of U.S. workers have thought about leaving their current organization, and not all of those organizations are toxic.[21] Many are just "more of the same," failing to differentiate themselves as better than average.

An average culture still doesn't maximize employees' motivation on the job. Working Americans who describe their organization's culture as "average" still think about leaving and aren't likely to recommend that organization to others as one worth joining. More than 85 percent of American workers who say their organization has a strong workplace culture admit they talk positively to others about their organization outside of work, compared to just 57 percent of those who say their organization has an average culture.[22]

Workplace culture is a critical business asset. And organizations seeking to stand out from the crowd should treat it as such.

[21]SHRM July 2019 Omnibus. [22]SHRM July 2019 Omnibus.

## SPILLOVER INTO THE WORLD

The consequences of workplace culture will inevitably impact relationships outside the workplace and society at large.

**3/10** AMERICANS SAY THEIR WORKPLACE CULTURE MAKES THEM IRRITABLE AT HOME.

# BUILDING CULTURE

The key to a successful organization is a strong workplace culture, one based on disseminating strongly held and widely shared beliefs that are supported by strategy and structure. When a strong culture is built, it generally produces three outcomes: Employees understand how management wants them to respond to any situation, employees believe the expected response is the proper one, and employees know they will be rewarded for demonstrating the organization's values.

This requires continuous, open communication between People Managers, supported by HR, leadership, and other members of the workforce. Lack of communication is a leading contributor to the culture issues facing many workplaces. Nearly 4 in 10 working Americans say their manager fails to frequently engage in honest conversations about work topics.[23] Similarly, 1 in 5 Americans are uncomfortable engaging in such conversations with their manager, suggesting many People Managers fail to foster an environment of trust and comfort.[24] When employees don't trust or feel comfortable around their managers, they grow alienated from their workplace and that workplace grows more toxic.

In this way, People Managers play an outsized role in shaping what a culture looks like on a daily basis—from employee engagement and job satisfaction to productivity and profitability. The best People Managers engage in active listening techniques, striving to understand their employees and clarifying information as necessary so those employees can better understand the messages being conveyed. Strong workplace cul-

> ## "1 IN 5 AMERICANS
> ### are uncomfortable engaging in conversations with their manager."

tures often begin with "values blueprinting"—a candid conversation about beliefs and principles. Once those values are blueprinted, communication remains an important step in identifying what works at work and what doesn't.

The philanthropic fashion company Toms is one example of a communication-based culture, introducing several practices and programs aimed at making its employees' lives more fulfilling. Known for its flexible work schedules, no-meeting Mondays, and eight weeks of paid paternity leave, Toms' management team has also created a new online platform called "Toms Idea Room," which solicits suggestions on pro-employee workplace policies from its workforce and then implements the most popular recommendations.[25] The company's Idea Room allows Toms to keep track of its core values, ensuring all members of the workforce—from management down—are adhering by them.

Strong workplace cultures like Toms' promote policies that represent the needs of the workforce and reflect the character of the organization. Examples of such policies can range from pay equity and workforce development programs to paid maternity and paternity leave and a harassment-free environment, but they all make a clear commitment to employees. They demonstrate an organization's commitment to being "better than average."

People Managers therefore become the messengers of workplace policies and the organizational character they reflect.

[23]SHRM July 2019 Omnibus.[24]SHRM July 2019 Omnibus.[25]Inc., May 2015.

# WORKPLACE CULTURE
# IS A SHARED RESPONSIBILITY

Historically, building a strong workplace culture has been considered an HR task. But it is a team effort. The best workplace cultures are built on the partnership of C-suite executives, HR professionals, and People Managers, who bring their own unique perspectives and capabilities to the discussion of workplace policy.

Great employees deserve great managers, and great managers cultivate great workplace cultures where organizations and employees thrive. Even more, great managers free up HR professionals to focus less on people issues and more on driving business results. This is why SHRM is launching new learning and development programs for People Managers in 2020, including a People Manager Qualification (PMQ) to aid new managers in developing soft skills, leadership skills, and the emotional intelligence needed for building high-performing teams. Far too many organizations promote great employees to management roles without providing the training and skills necessary for management success.

SHRM's new learning and development programs will also assist human resources departments in unlocking human potential across their organizations, empowering HR professionals to become strategic leaders in workforce development and social responsibility. In the end, People Managers and HR professionals will lead the way in building and sustaining workplace cultures that put the employee first.

True culture change occurs when it becomes a shared responsibility among People Managers, HR professionals, and other workplace decision-makers. Only together can they effectively drive the values and beliefs of an organization supported by strategy and structure that ushers in inclusive, engaged, and motivated work environments.

In today's world, the best workplace culture wins. Shared responsibility is the blueprint to victory—and the better workplaces American workers hope to see.

THE KEY **TO A SUCCESSFUL ORGANIZATION IS A STRONG WORKPLACE CULTURE.**

# MISSION

SHRM, the Society for Human Resource Management, creates better workplaces where employers and employees thrive together. As the voice of all things work, workers, and the workplace, SHRM is the foremost expert, convener, and thought leader on issues impacting today's evolving workplaces. With 300,000+ HR and business executive members in 165 countries, SHRM impacts the lives of more than 115 million workers and families globally.

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# METHODOLOGY

The 2019 SHRM Omnibus Survey was conducted from July 25 through July 30, using the AmeriSpeak Panel®, NORC at the University of Chicago's nationally representative, probability-based panel. Online and telephone interviews using landlines and cellphones were conducted with 1,014 adults. Some questions in the survey were asked to all respondents and others were asked only to a subset of 514 adults who were currently employed, working in an organization.

"**TRUE CULTURE CHANGE OCCURS WHEN IT BECOMES A SHARED RESPONSIBILITY** AMONG WORKPLACE DECISION-MAKERS."

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