



# Human Capital Risk:

Links between Organizational  
Factors and Counterproductive  
Workplace Behaviors

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# Managing Human Capital Risk: Don't Let Your Greatest Asset Become Your Greatest Liability

When negative workforce factors are combined with poor people practices, bad things happen. Incivility. Bullying. Harassment. Discrimination. Violence.

All of these present a risk that organizations simply can't ignore. If they do, they should expect any or all of the following: Lawsuits. Turnover. Absenteeism. Low productivity. Reputation damage. The business costs can be devastating, yet these situations arise every day and need to be managed:

*Consider the financial services firm where one of its founding principals was accused of multiple cases of harassment. Since he'd brought the company so much business, others turned a blind eye and allowed his reign of terror. It was only when four female employees resigned – and two filed lawsuits – that he finally had to face the reality of his actions.*

*Then there's the regional utility company, fresh off a merger that produced an immediate culture clash. Open conflict ensued as one side proclaimed themselves "winners" and the other side "losers." As management failed to address these issues, the situation escalated from lack of respect into an unsafe work environment – complete with physical altercations.*

*Finally, consider the call center with a strict culture that allowed no schedule flexibility and no regard for its employees' work-life balance. Many employees were single women responsible for childcare, yet male managers docked them a day's pay even if they only left for an hour. The result: huge turnover, high stress, poor performance, and a skyrocketing absentee rate – all of which led to massive financial losses.*

Research has identified direct, concrete links between organizational factors and workplace behavior – both positive and negative. As seen on the sidebar, counterproductive workplace behavior can wreak havoc on an organization's bottom line. Senior managers and HR professionals need to know the warning signs of counterproductive behaviors, as well as the workplace elements that enable such behaviors.

## Organizational Risk Factors

### Individual/Relational Level:

- Interpersonal conflict
- Lack of involvement with other people
- Power differentials or power struggles

### Job/Task Level:

- Heavy workload; high job demands and constraints
- Lack of job clarity
- Work role conflict
- Burnout
- Perceptions of low job security

### Management/Leadership Level:

- Ineffective leadership style (either authoritarian or laissez faire)
- Abusive supervision

### Broader Organization Level:

- **Social Norms**
  - Culture permissive of destructive behaviors (e.g., substance use, harassment)
  - Presence of employee alliances
- **Demographics**
  - Younger workforce
  - Male numerical dominance
  - Traditionally masculine jobs/norms
- **Uncertainty**
  - Frequent or major organizational change
  - Lack of clear policies, procedures, and processes
  - Structural (chain of command) ambiguity
- **Operating Norms**
  - Perceptions of low organizational justice (e.g., respectful interaction, explanation for change/decisions, allocation of resources, how problems are resolved)
  - Extreme tolerance of customer behavior or perception of customer power
  - High technology use

## Can Unhealthy Behaviors Be Predicted?

Organizations have a tendency to overestimate the personal causes of harmful workplace behaviors and underestimate the situational and organizational causes. Some companies are so concerned with minimizing destructive behavior that they focus entirely on screening out individuals that seem prone to aggression, dishonesty, and creating conflict. While this is an important approach, it's not enough.

Extensive research supports the relationship between organizational risk factors and the incidence of poor workplace behaviors. Risk factors lie at the individual/relational level, the task/job level, the leadership level, and the broader organization level (see Table 1).

Organizational Risk Factors	Counterproductive/Destructive Behaviors					
	Incivility	Bullying	Sexual Harassment	Violence	Substance Abuse	Deviance*
Individual/Relational	•	•	•			
Task/Job	•	•		•	•	•
Management/Leadership		•		•		•
<b>Broader Organization</b>						
Social Norms		•	•		•	
Demographics	•		•		•	
Uncertainty	•	•				
Operating Norms	•		•	•	•	•

\* e.g., theft, sabotage, withdrawal

## The Costs and Consequences of Counterproductive Workplace Behavior

**The financial costs of negative workplace behavior are staggering:**

- Theft, fraud, embezzlement, vandalism, sabotage: \$50-200 billion annually
- Workplace violence: over \$34 billion annually
- Bullying: 18.9 million work days lost – potentially \$111 billion annually

Counterproductive work behavior is more prevalent than might be expected and appears to be on the rise.

- Two million people are subject to some kind of workplace violence each year (OSHA estimate).
- Each week, an average of 18,000 assaults and 20 murders occur in US workplaces.
- At least 33% of employees have engaged in one or more form of these deviant behaviors: fraud, embezzlement, vandalism, theft, or sabotage.
- Workplace bullying is becoming a major public health concern with an estimated 71.5 million workers affected.
- Based on a poll by the Workplace Bullying Institute, 35% of Americans have been bullied at some point at work; an additional 15% have witnessed bullying.
- Nearly 95% of workers have experienced incivility from their coworkers; as many as 50% of employees experience workplace incivility on a weekly basis.
- Christine Porath, professor at Georgetown University, and Christine Pearson, professor at Thunderbird School of Global Management, document the toll that workplace incivility takes on the organization in their book, *The Cost of Bad Behavior*. In calculating costs associated with workplace incivility, Pearson and Porath suggest that:

- 33% of employees intentionally decrease the quality of their work.
- 37% reported a weakened sense of engagement with their employer.
- 50% reduce their work time and work effort.
- 50% contemplated changing their jobs.
- 12% actually quit their jobs.

Ignoring or avoiding organizational risk factors encourages negative work behaviors and weakens an organization's productivity (see Table 1). The presence and extent of these factors can and must be assessed, measured, and mitigated if a company wants to prosper.

## The Impact

The reality is that workplace misbehavior has been documented for workers in all types of organizations and at all levels of management. Direct links have been identified between organizational risk factors and negative workplace behaviors. The evidence of impact on individual employees and business results is mounting, including:

- Physical and mental health of employees (and their families): anxiety, depression, hypertension, digestive disturbances, and other conditions
- Employee satisfaction, morale, engagement, and loyalty decreased
- Individual productivity diminished
- EEO complaints, allegations of discrimination, and retaliation
- Employee withdrawal: absenteeism and turnover
- Failure to attract and retain talent
- Brand erosion
- Damage to corporate reputation

## The Opportunities

On the flip side, when organizational risk factors are well managed, the organization and its people benefit. For instance, organizational support, emotional support, job autonomy, a sense of meaningfulness in the work itself, and work resources have been linked not only to lower incidence of destructive behaviors but also to higher quality of work and employee engagement,

Smart businesses invest in creating safe climates via policies, procedures, and practices. Sound practices related to fairness, psychological safety, ethics, anti-violence, and organizational learning go a long way toward establishing a positive workplace and providing a framework for quickly responding to negative behaviors.

## The Response: Human Capital Risk Management

It's no secret that today's organizations face more complexity and uncertainty than ever before. Risk assessment and management are absolutely critical. The stakes are high, and scrutiny is strong. Human Capital Risk Management (HCRM) is an emerging field that recognizes the issues and the need to manage them proactively. HCRM is a research-based system designed to identify and assess risk – specifically the risk associated with people and behaviors – for the purpose of planning and mitigation.

Organizations can't afford to allow destructive workplace behavior or ignore workplace cultures that create and perpetuate it. Through effective risk management initiatives, smart businesses can take proactive steps to maximize their workforce potential while reducing costly risk.