

## MANAGERIAL INVESTMENT ON ORGANIZATIONAL STRESS

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### Abstract

*In a society affected by the economic and financial crisis and in the increasingly competitive environment it is important for any organization to adopt an organizational strategy to reduce costs without affecting its performance and market competitiveness. Human resources in a knowledge-based organization are increasingly affected by occupational stress, a phenomenon that generates lack of productivity. Technological development, scientific organization of production, development of the means of communication and transportation and the tightening of the competitive environment creates stress, which affects the ability of employees and managers to work efficiently, while also generating high costs for the organization as a whole. In this context, managerial attitudes and strategies need to invest, for the sake of the organisational welfare, in motivation, increased determination and coordination of the human resource, as the only resource capable of generating organizational effectiveness or non-effectiveness. Thus, in addition to economic and financial investment, in order to avoid the effects of occupational stress, there is a great need for a managerial "investment" defined by all the actions dealing with human resource coordination / motivation and by adequate managerial attitude, with the ultimate goal of attaining professional effectiveness and high level of organizational performance.*

**Keywords:** leadership, modern market economy human capital, motivation, organization, occupational stress.

**JEL Classification:** J24; J81; O15; O33.

### Introduction

The economic and organizational environment affected by current crisis, work overloads and organizational tensions are influencing the performance of the human resource, who feels increasingly stifled by work overloads, considerable mental and relational pressures and uncertainty of their future. When the needs of individuals are affected by lower living standards, job uncertainty or by social and organisational pressures and strains, human resources will lose efficiency. However, organization members can easily feel dismayed by today's fast pace, mergers, restructuring, relocations, as well as by the demands for stretch-targets that are increasingly hard to achieve and by contradictory orders, lack of support, organizational failures and many other factors generated by the individual as such, by the organization or by the society, which are doing nothing but facilitating the occurrence of stressful situations. Under these circumstances, any employee / member of an organization is subjected to *occupational stress* – a complex phenomenon resulting from confrontation of human

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resources with tasks/situations perceived as difficult to perform, as result of imbalances between the demands of the management and the material, intellectual and organizational resources of the employees.

### 1. Stress Related to Organizational Environment and Modern Market Economy

Occupational stress is a serious problem in the current organizational environment. A study conducted in 2003 by the European Foundation for the Improvement of Living and Working Conditions entitled ““Working Conditions in the Accessing and Candidate Countries (Report)”” confirms this assumption. Data obtained from this study define stress as the second largest health problem at workplace, with 22% of the human resources declaring themselves affected by occupational stress. Also, in most European states the percentage of occupational stress is ranging from 30% - 50%, in correlation with work supportability by employees.<sup>1</sup>

**Table 1 - Occupational stress among EU**  
**(Legend: VS - Very Satisfied, PS - Pretty Satisfied; NVS - Not Very Satisfied, NS – Not Satisfied)**

State	Stress	Work Supportability	Satisfaction with Work Conditions			
			VS	PS	NVS	NS
Bulgaria	51%	41%	22%	43%	22%	13%
Cyprus	45%	51%	27%	51%	17%	5%
Estonia	46%	61%	10%	61%	24%	5%
Lithuania	45%	56%	14%	54%	26%	6%
Latvia	39%	51%	17%	53%	23%	7%
Hungary	31%	48%	18%	62%	14%	6%
Malta	20%	54%	33%	49%	16%	2%
Poland	43%	54%	20%	54%	20%	6%
Romania	42%	48%	15%	53%	23%	9%
Slovenia	34%	30%	17%	48%	28%	6%
Slovakia	39%	47%	14%	57%	24%	6%
Czech	34%	56%	13%	65%	18%	3%

Source: European Foundation for the Improvement of Living and Working Conditions, 2003.

<sup>1</sup> European Foundation for the Improvement of Living and Working Conditions, 2003, *Working Conditions in the Accessing and Candidate Countries*, <http://www.protectiamuncii.ro/fop/romania/ro/pdfs/> Report on Working Conditions in EuropaEF0306RO.pdf.

Whatever the type of organizational environment, the main causes of occupational stress are generated by:

1. *Professional activity carried out in unstable conditions* – cause for job insecurity, a situation which significantly increases the degree of occupational stress among human resources;

2. *Professional dissatisfaction* - more common in times of crisis when job restructuring, development of new communications technologies and allocation of a higher number of tasks to a smaller number of employees result into a soaring level of occupational stress;

3. *Work-related hassle* - a situation that damages self-esteem, generates anxiety, depression and even suicidal attempts, caused mainly by violence and intimidation at workplace;

4. *Imbalance between personal and professional time* – caused by work overload, inflexible working hours and the inability to adjust working hours according to personal needs, with the stress arising from such circumstances adversely impacting on occupational health and on work and family life ratio.

As a consequence of the organizational situations described above, as well as of the various *physical* (noise, strong light etc.) and/or *psychosocial* stressors (a sense of difficult situations, poor communication with others etc.), human resources suffer from negative effects having a disruptive role, which may be classified into the following five categories:

A. *Physical effects*: cardiovascular disease, headaches, obesity, stroke, increased glucose level, dilated eye pupils etc;

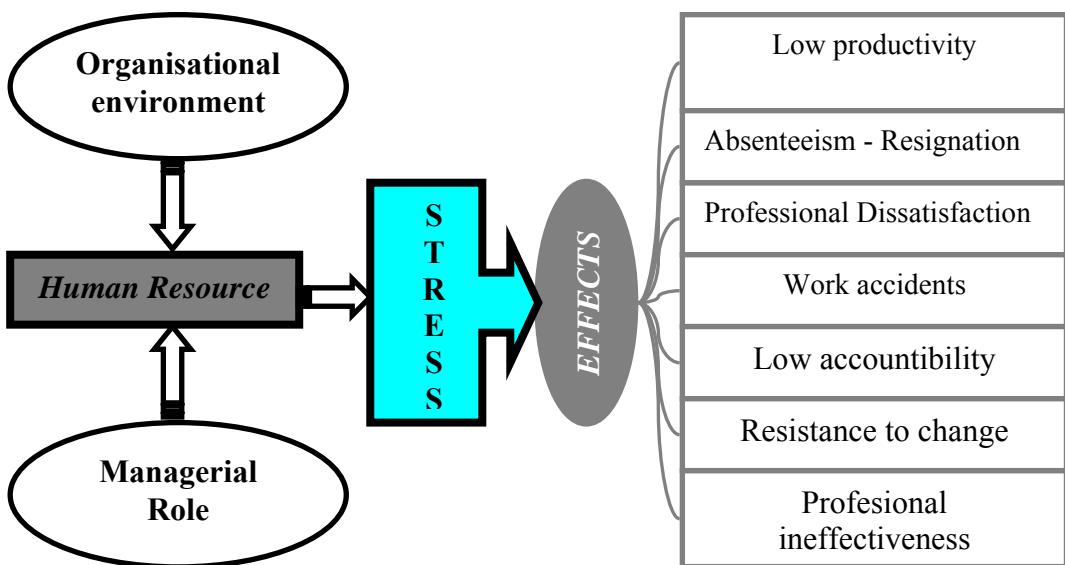
B. *Mental effects*: anxiety, apathy, depression, loss of self confidence, feelings of inferiority, frustration etc.;

C. *Behavioural effects*: predisposition to accidents, abuse of coffee, cigarettes, alcohol, aggressive and deviant behaviour, refusal to communicate with others;

D. *Cognitive effects*: diminished ability to rational decision making, poor concentration, poor attention, mental block etc;

E. *Organizational effects*: low productivity, absenteeism, professional dissatisfaction, impaired loyalty towards the organization, decreased professional accountability, sick leaves and even resignations.

Figure 1 - Effects of Occupational Stress on the Organisation



When occupational stress level is high, the negative effects mentioned above materialise at organizational and even social level in the form of economic and financial costs. A study on occupational stress conducted prior to the current economic crisis by The American Institute of Stress points out that “40% of staff replacement costs are due to stress”, which “causes losses of \$ 200-300 billion annually for the American economy<sup>2</sup> due to absenteeism, staff replacement, decreased productivity, accidents, direct medical expenses, legal costs, compensation and health insurance costs. In US, there are one million workers per business day absent from work for stress-related causes.

In the European Union, the financial cost of occupational stress is affecting approximately 40 million employees, with expenditures estimated at about “EUR 20 billion per annum”<sup>3</sup>, productivity losses exclusive.

In a throbbing social environment such as the one we are living in, the huge work overload the human resource has to handle is one of the main cause of occupational stress, with long working hours generating overstress, loss of ability to concentrate and even health problems. A study conducted by the *Finnish Institute of Occupational Health* shows that there is a link between stress caused by number of hours worked and the health of the employees, particularly heart health. The results of the study performed on a sample of 2214 subjects have revealed that employees working 11 hours a day are exposed to a 60% higher risk of suffering from a heart attack, compared with employees who work three or four hours less. It was also

<sup>2</sup> [www.stress.org/job](http://www.stress.org/job).

<sup>3</sup> Griffiths Cox, Gonzales Rial, 2000, *Research on Work-Related Stress*, Report to the European Agency for Safety and Health at Work, Luxemburg, OPOCE.

found that those who work one hour or two over a seven-hour program do not show an increased cardiac risk<sup>4</sup>. At the European Union level, the highest average mandatory number of working hours per week is most common in retail industry (38.8 hours / week), followed by the chemical industry (38.6 hours / week) and the services industry (38.3 hours / week).

In Romania, according to a survey done by BestJobs in 2008 on a sample of 1660 subjects, 90% of Romanian employees do overtime work and 44.5% of them claim to have a work program of minimum 10 hours/day, with 25.8% remaining daily at work after hours doing overtime, while 29.7% working between 1 to 2 extra hours per day in addition to their mandatory work program. Also, most subjects, i.e. 56.8%, claimed that they have never been paid for overtime<sup>5</sup>.

Besides these causes and the macro-costs of the occupational stress, *social – interpersonal costs* are also relevant for the management of the knowledge-based organisation. Within each modern organisation there are various individuals and groups of people, whose needs and aspirations, attitudes, beliefs and lifestyles differ, in spite of their constant interacting with one another. The stability of an organization depends, amongst other factors, on maintaining an acceptable balance between all these groups. For employees, any disturbance in the organisational balance will lead to lower work efficiency, loss of career opportunities and even loss of employment, as well as to relational and/or familial tensions and depression. Often, in a lucrative environment, irritability caused by stress is transferred to the social life of the employee, where worker or manager role is inactive and unreasonable conflicting situations can be easily identified at family or relational level, as a proof of the social costs of work-related stress.

Such situations cause the organisation to incur material and temporal costs with recruiting and training new hires or training and counselling employees experiencing stress-related problems, with an adverse impact on production flow and organisation profitability / breakeven.

Profitability of a knowledge-based organization depends both on work ergonomics and employee's skills and corporate motivation system, as well as on the level of occupational stress, which affects inversely proportional work proficiency, according to the formula:

$$PP = A * M - S \quad [1]$$

where,

PP – *Professional performance*;

A – *Ability* (effect of employee's qualification, training and expertise);

<sup>4</sup> Marianna Virtanen, Archana Singh-Manoux, Jane E. Ferrie, David Gimeno, Michael G. Marmot, Marko Elovainio, Markus Jokela, Jussi Vahtera, and Mika Kivimäki, 2009, *Long working hours may be a risk factor for decline in cognitive function*, *American Journal of International Epidemiology*, volume 169 (no. 5), Helsinki, Finnish Institute of Occupational Health, pp. 596-605.

<sup>5</sup> <http://www.wall-street.ro/articol/Careers/48362/Noua-din-zece-salariali-din-Romania-sunt-ca-fac-ore-suplimentare.htm&#34;>

M – *Managerial motivation*;

S – *Organisational stress*.

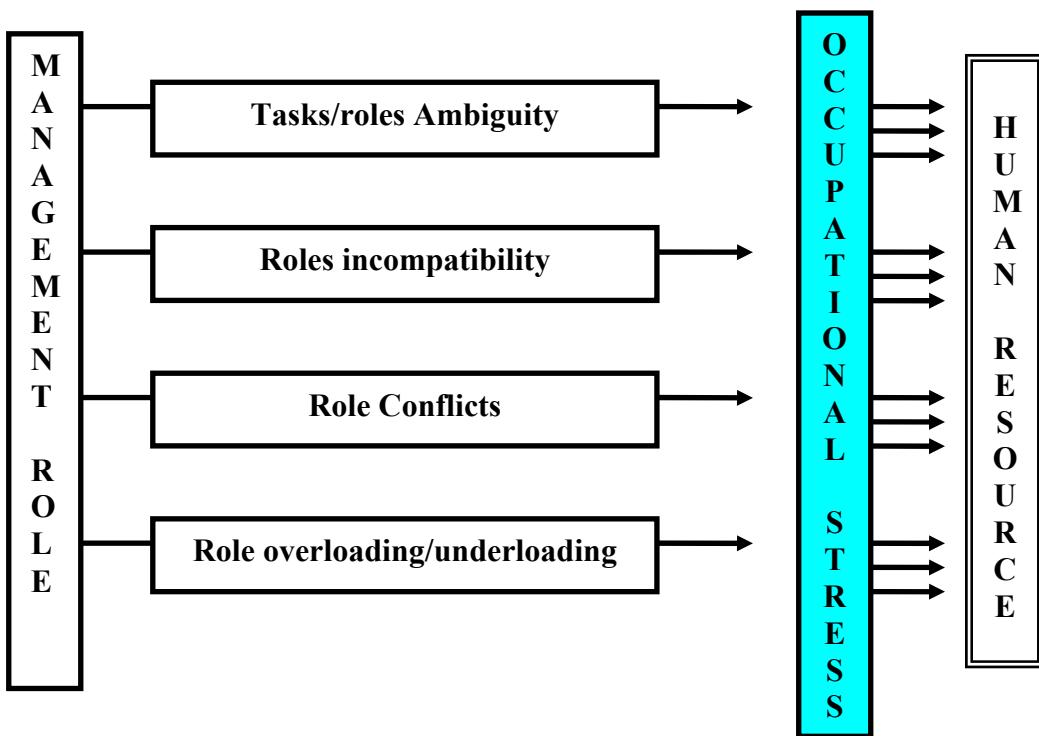
The lower the occupational stress level, the stronger the effect exerted by managerial motivation and professional capability of the human resource. In a crisis situation, an excessive amplification of the stress level may nullify the entire managerial effort designed to motivate and involve the human resource, causing lack of productivity or even bankruptcy/collapse. Managerial capability can be the key to organizational success, given that the manager is responsible for the efficiency / inefficiency of the motivational strategies or for the employees' level of professional training, which are tasks coming under the manager's specific coordination and representation powers.

Also, managerial capability does not necessarily lie in eliminating "*the scourge*", but in controlling it and in anticipating its possible consequences, along with taking specific measures to counteract, avoid or mitigate adverse effects. The manager's investment in combating occupational stress is not necessarily a financial one, which would be difficult to achieve in times of crisis, but rather an investment based on direct influence and situational adaptability, which is less costly and more effective from the professional and/or organizational viewpoint. Besides a positive managerial attitude, successful stress management programs implemented in some organizations involve specific techniques for training staff to become able to perceive any stressful situation and develop appropriate mechanisms to cope with it.

## **2. Managerial Investment in Organizational Stress Control**

In a situation where a good choice is difficult to make, the manager's professionalism plays an essential role in raising employees' awareness and their sense of full and active involvement in attaining corporate excellence and avoiding inefficiency and professional ineffectiveness. Occupational stress is the effect of mismanagement of human resources, insofar as, besides the many different social and / or organizational causes, *managerial role and organizational climate* are crucial for avoiding tasks and roles ambiguity, incompatibility, conflict and overloading/underloading, as these are potentially stress-generating factors within the organization.

Figure 2 - Occupational Stress Factors Generated by Managerial Roles



Professional / organizational activity as such is not a stress in itself, as stress is normally the result of individual response to certain stimuli. The four organisational stressors mentioned above, whose primary cause is the managerial role, are the most frequently encountered in organizational-managerial situations - triggering stress at workplace. Absence of an adequate prognosis on the effects of such situations and lack of managerial concern for prevention of these effects can easily lead to organisational stress and professional ineffectiveness. Examining each such situation in relation with the organisational-managerial context will define its stressor “nature” as follows:

- *Roles / tasks ambiguity* - an employee occupying a position whose tasks and roles are not clearly defined will be confused about the work he/she is expected to perform and will experience ambiguity-related stress, working less effectively, which will generate dissatisfaction and increase stress levels. A similar effect occurs in case of duplication of the tasks / roles of an employee, a situation which will generate a feeling of insecurity, mistrust and irritation. Role ambiguity occurs when the employee does not know what is expected of him/her, is uncertain about his/her job responsibilities and about his/her manager's expectations. The main consequences of stress caused by role and task ambiguity are low motivation, defidelisation, poor performance of the human resource;

- *Roles incompatibility* – occurs when an employee's expectations with regard to his/ her roles and tasks differ significantly from those of his/her peers. Contradictory demands and imperatives, which do not seem appropriate and consistent with the employee's personality or his/her set of values, will generate conflicts of the *individual vs. role* type, which will ultimately result in stressful situations.

Unlike role ambiguity, in the case of a *role incompatibility* situation, the employee knows what his/her superiors expect of him/her, but the expectations concerned are incompatible with the employee's personality, skills and standards. Because of this type of conflict, the so-called *traitors* will emerge at organisation level, who will readily disclose their organization practices, thus causing significant economic losses to the organisation in the benefit of its competitors;

- *Roles conflict* - occurs when an employee has to fulfil several different, with conflicting situation generated by the request that he/she should simultaneously fulfil them all. This type of conflict is obvious when an employee does not know what expectation he/she should meet faster and better. In the course of one's professional life, the most disturbing role-related conflict is the employee vs. parent / spouse role. This conflict can be avoided only through application of an appropriate organizational motivation policy, which best meets the needs of the employee. Stress generated by role conflict will lead to poor health of employees (anxiety, depression, stress), fear and sense of hopelessness, dissatisfaction with career development, job fluctuation, early retirement or resignation;

- *Role overloading or underloading* – these are organisational situations typical for human resources working at an inadequate pace, with work-related stress being the consequence of the diversity and the quantity of the work performed (*role overload*) or of the underutilisation of the human resource within the organization (*role underload*). Stress caused by *quantitative overload* (within a given timeframe employees are required to do more work than they can actually handle) or by *qualitative overload* (employees perceive the task assigned as difficult to achieve, feeling incapable to cope with the manager's request) generates payment complaints, conflicts between work and family life, feelings of dissatisfaction etc. Also, *quantitative underloading* (employee has little work to do and experience a feeling of "boredom") and *qualitative underload* (employee feels that he/she is not used to his/her full mental potential and therefore experiences a feeling of "daily routine") are impacting on the organizational interests by reducing employees' response capacity and increasing the risk of work accidents.

All the situations described above are the effect of poor managerial strategy / attitude and are generating organisational stress, which are adversely impacting on the performance of the human resources, causing significant economic and financial costs to the organisation. These negative effects could be significantly diminished by a competent managerial "investment". Determining employees to actively involve themselves in the business of their organisation, applying efficient employee motivation and business management policies, coupled with an optimal communication, will reduce occupational stress and implicitly the rate of resignation,

absenteeism, occupational accidents, medical expenses etc., while enhancing employees' loyalty and increasing work productivity. To this end, in order to prevent occupational stress, prioritization of managerial pursuits is effective provided only that it is based on the motivational theory developed by the American economist of Japanese origin, William Ouchi, known as "Theory Z", which postulates the need for the individual attain self-achievement at workplace and the need of intersection between the employee's work environment and his/her family and social environment, a strategy which may potentially counteract the negative effects of organizational stress.

**Table 2 - Stages of "Z Theory" and stressful organizational situations generated by unprofessional managerial conduct adversely impacting on the human resources**

<i>"Theory Z"</i>	<i>Stressful organizational situations generated by unprofessional managerial conduct</i>
<b><i>Higher needs</i></b> (recognition, esteem, status, self-achievement)	<ul style="list-style-type: none"> <li>• Lack of concern for efficient management of human resources due to exclusive orientation of the management towards economic and financial interests of the organization;</li> <li>• Lack of consultations with employees with regard to decisions that are concerning them;</li> <li>• Lack of recognition of personal merits of the employees and superficial or careless approach to the organizational issues raised by them;</li> </ul>
<b><i>Increased attention paid to human resource</i></b> (teamwork, decision-making by consensus, the average individual in the organization and realization of its intersection with the social environment and family, emphasizing group responsibilities)	<ul style="list-style-type: none"> <li>• Lack of social support to human resources;</li> <li>• Failure to build up accountability among employees or to delegate responsibilities;</li> <li>• Biased managerial attitude, namely the unreasonable favouring of some employees in the detriment of others, with negative impact on teamwork;</li> <li>• Lack of empathy for employees' personal / family issues;</li> </ul>

<p><b>Increased confidence among members of the organization</b> (job security - long-term job occupation, individual allegiance to corporate culture and his/her involvement in its development, goals setting and improved outcomes, informal control)</p>	<ul style="list-style-type: none"> <li>• Inducing a sense of insecurity among human resources by adopting a rigid management style, with frequent reproaches / threats (job insecurity, wage loss, reward reduction / cancellation);</li> <li>• Failure to involve human resources in attaining company goals;</li> <li>• Inhibition of the cross-interaction between employees, as well as ignoring the importance of team buildlings.</li> </ul>
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Managerial investment is reflected in the manager's attitude relative to how well he/she is aware of / examines the human resources under his/her subordination and their expectations and personality, as well as to how human resource strategies are being implemented. Managers can alleviate or even counteract stress within their organization by investing their knowledge and skills in implementing methods and means of dealing with human resource issues, such as:

✓ *Defining jobs* in such a manner as to enable the employee to apply his/her own skills and judgement, assigning him/her varied tasks, which are difficult enough to maintain his/her interest active;

✓ *Designing human resource* activities to such extent that the employee attains a certain degree of responsibility and is allowed to take part in decisions impacting on the company business;

✓ *Manager-employee meetings* (quarterly or at least yearly) to discuss about employee's performance and responsibilities, expectations of the employee's superiors, as well as issues dealing with corporate objectives, employee's restrictions and expected course of action, possible support and rewards;

✓ *Encouraging communication between departments and sectors*, as well as vertical communication, along the entire hierarchical management chain, and ensuring constructive feedback to each individual (with regard to work outcomes, performance evaluation etc.)

✓ *Delegation of decision powers* so that people at every level of the organization may take part in the decisions affecting their employment and promotion opportunities;

✓ *Implementing a time management strategy* according to a clearly defined planning and prioritization made public to all employees, given that a reduction in time-off in favour of business activities is generating stress and poor productivity;

✓ *Implementing a proper motivational strategy* based on unbiased assessment of the needs of the human resources. Satisfaction of higher needs (esteem, security, social, self-achievement) enhances employee's loyalty to the company and influences his/her behaviour and drive to act in the best interest of the organization;

✓ *Promoting ergonomics at workplace*, since the pursuit of lucrative activities in a healthy environment (work space, air, light, noise etc..) is a comfort factor with

positive effects on work productivity;

✓ *Management through objectives* – employees' participation to business planning, goals setting and decision-making within their organization.

## Conclusion

The impact of stress on a person can manifest in a variety of forms. Repositioning the center of gravity in the effective use of human capital that stands out the diminution or even eliminate occupational stress is par excellence the substance of economic efficiency and a measure of fertility vitally important work, which is why saving time reasonably be regarded as a last court as labor-saving and labor productivity growth as a fundamental form through which the economy of time.

Organizational success depends on the balance attained among organization members. This balance may be easily disturbed by occupational stress, frustration, dramatic drop in work productivity and efficiency, passivity, unwillingness to assume responsibility, low motivation, personal conflicts and even employees' dissatisfaction with their leaders / managers, all these being symptoms of occupational stress within the organisation. The extent to which a manager is capable to promptly identify and invest his/her own skills and abilities in trying to reduce or even counteract such symptoms is crucial for the success of the organization and for its professional/organizational performance.

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