Christopher Shen
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Economic Crisis: It's Hormonal

By

Jacqueline Maley

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Traditionally a feminine excuse, "hormones" may henceforth be the perfect catch-all for anyone trying to explain the credit crunch and its ripple effects.

A group of scientists from the University of Cambridge has drawn a link between testosterone and the financial risk-taking that helped bring down the global economy, and now an organisational psychologist has warned of the effect of the stress hormone cortisol on shrinking workforces.

Christopher Shen said re-trenchments, which were meant to increase efficiency, could result in an "appalling paradox" where the remaining employees were so stressed that their work became shoddy.

"Downsizing usually impairs productivity and efficiency, often quite dramatically," he said.

"When individuals experience an escalation in uncertainty, some circuits in the brain are inhibited … and individuals tend to become erratic and inefficient.

"In the workplace, we are very much products of our physiology and biology and, as much as our employers attempt to enshrine processes that make us structured and consistent and effective, our bodies do not always have that ability," he said.

The president-elect of the Endocrine Society of Australia, Vicki Clifton, said cortisol could have strange and detrimental effects on human behaviour.

“Too much cortisol can affect the frontal lobe of the brain, which has a role in figuring out what the best decision is from a rational perspective, and calculating the consequences of that action or decision,” she said.

If cortisol levels remain high over a sustained period, this can result in obesity and high cholesterol, says Matt Church, author of High Life 24/7, a book on balancing body chemistry. It can also have a debilitating effect on a worker’s ability to get along with others.

Another hormone that can affect productivity is testosterone.

A Cambridge University study of male traders in the City of London found that they made the greatest profits in the morning, when their testosterone levels were elevated.

Their successes led to the production of more testosterone, which made the men more confident and less risk-averse. They made decisions easily, but did not necessarily make sound decisions.

When the markets become volatile, the traders became stressed and their cortisol levels shot up. Over a long period of market-driven stress, the cortisol acted like a bad drug on their brain chemistry, making them uncertain and irrationally fearful.

The study’s co-author Joe Herbert said the consequence of traders’ hormone-fuelled actions had profound effect s not just on them but on the markets as a whole.

“Our work suggests that these decisions may be biased by emotional and hormonal factors that have not so far been considered in any detail,” he said.

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Based in Melbourne, Australia, Christopher Shen Consulting brings organisational psychology solutions to workplaces, helping people become stronger leaders and teams become better performers.

Website: www.christophershen.com.au