



THE PERFORMANCE PARADOX

Psychological Safety Climate, Leadership Clarity and
Followership as Joint Determinants of Sustainable
Organisational Performance

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Introduction

Mark Johnson, Founder - EGM Partners

Something has shifted in the workplace – and we are seeing it clearly here in South Australia.

Over the past several years, our state has experienced one of the tightest labour markets in the country, rapid wage growth, aggressive post-pandemic hiring, and now a recalibration phase where organisations are adjusting expectations around productivity, performance and leadership capability. At EGM Partners, through our work placing CFOs, COOs, HR Directors, Engineers and Executives across South Australia, one question consistently emerges in boardrooms:

How do we protect our people without losing performance?

This tension defines what I describe as the performance paradox. Organisations are investing more in wellbeing, psychological safety and compliance than ever before. At the same time, productivity remains under pressure, psychological injury claims are rising, and workplace disputes are increasing. The instinctive response has been to frame wellbeing and performance as competing priorities. However, what we are observing suggests the opposite: the real issue is not over-investment in wellbeing, but under-investment in leadership clarity and shared accountability.

One of the most significant patterns emerging in South Australian organisations is leadership avoidance. It rarely presents as incompetence or indifference. In fact, it often stems from good intentions. Leaders want to be supportive. They want to be inclusive. They want to reduce legal risk. Yet in attempting to protect psychological safety, some are hesitating to address underperformance, behavioural issues or cultural drift early enough. Difficult conversations are delayed. Standards become uneven. High performers who are culturally corrosive are sometimes tolerated longer than they should be. And culture, without exception, absorbs what leaders avoid.

The impact on productivity is subtle but profound. Avoidance does not typically result in immediate crisis. Instead, it shows up as slower decision-making, quieter meetings, declining discretionary effort and silent disengagement. Strong performers often withdraw first – not because they fear high standards, but because they lose confidence in inconsistent ones. In recruitment, we frequently see this before organisations do. Talented individuals rarely leave because they are challenged; they leave when leadership feels ambiguous or hesitant.

At the same time, followership dynamics are shifting. Leadership alone does not determine culture. Culture is co-created daily through the interaction between leaders and followers. Strong followership involves constructive challenge, shared responsibility and active engagement in standards. Weak followership manifests as passive compliance, quiet disengagement or, at times, the weaponisation of policy language to avoid accountability. When leadership avoidance combines with weak followership, productivity erosion accelerates.

South Australia's professional ecosystem adds another dimension to this dynamic. We operate within a tightly connected business community where reputation travels quickly and relationships are long-standing. Leadership quality therefore carries amplified impact. Organisations that demonstrate clarity, consistency and courage build reputational capital. Those that hesitate experience talent leakage and performance stagnation.

The highest-performing organisations we work with locally do something noticeably different. They are clear. They are consistent. They are early in their conversations. They combine care with standards. Psychological safety in these environments does not mean comfort; it means safe challenge. People understand expectations. Feedback is direct and respectful. Accountability is shared. Anxiety is reduced not through avoidance, but through clarity.

Ambiguity, more than workload, is becoming one of the most significant hidden stressors in modern organisations. Unclear expectations exhaust teams. Inconsistent standards undermine trust. Silence erodes culture. Leadership avoidance, although often well-intended, creates precisely the instability it seeks to prevent.

This paper explores the structural drivers underlying this performance paradox. It examines the role of psychosocial safety climate, leadership clarity and effective followership in shaping organisational outcomes. It argues that wellbeing and productivity are not opposites but interdependent conditions. When safety is combined with accountability – when care is integrated with standards – organisations tend to perform better, retain stronger talent and reduce dispute incidence.

The question for South Australian organisations is not whether to prioritise wellbeing or performance. It is whether we are prepared to lead clearly enough to achieve both.

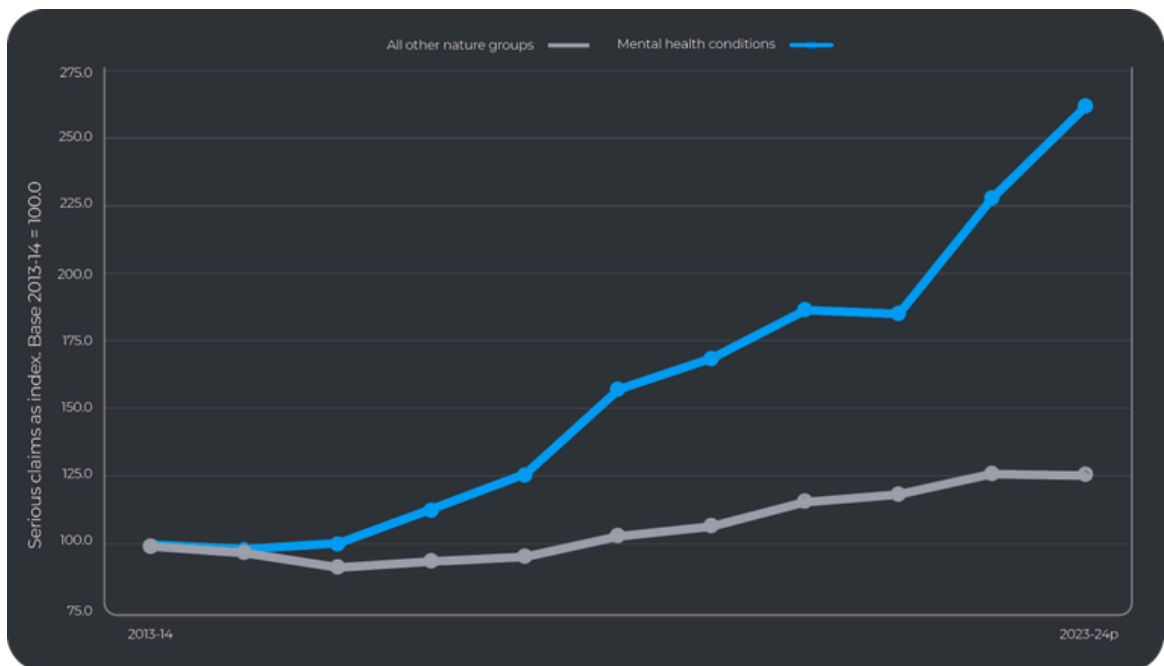
Cheers,

Jonno
Mark Johnson

Executive Leadership Message

Across advanced economies, productivity growth has slowed despite unprecedented investment in technology, digital transformation, and workforce flexibility. OECD data shows labour productivity growth weakening since the mid-2010s, a trend mirrored in Australia where productivity volatility has persisted even as organisations adopt hybrid work, automation and enhanced employee wellbeing initiatives (OECD, 2023; ABS, 2023).

Simultaneously, workforce health indicators suggest growing structural strain. Psychological injury claims now represent an increasing proportion of serious workers' compensation cases in Australia and typically involve longer recovery durations than physical injuries. Workplace dispute applications to the Fair Work Commission have also increased in recent reporting cycles. These combined trends suggest deeper organisational tensions rather than temporary economic cycles.



Index of serious claims, by Nature groupings, 2013-14 to 2023-24p

Source: Safe Work Australia

The instinctive response has been to frame wellbeing and performance as competing priorities. This paper argues the opposite:

Sustainable organisational performance emerges when psychological safety, leadership clarity and followership accountability operate together.

This integrated model is described here as Carefrontation – the deliberate balance of care, clarity and accountability in leadership systems.

The Australian Workforce Context

Australia presents a particularly interesting case study. The country has experienced:

- Persistently tight labour markets
- Post-pandemic wage inflation
- Rapid adoption of flexible work arrangements
- Rising mental health awareness
- Increasing regulatory attention on psychosocial risk

Despite these developments, productivity outcomes have not improved consistently. ABS productivity measures show uneven growth across industries, particularly knowledge-intensive sectors. Organisations report:

- Decision-making slowdowns
- Engagement volatility
- Increased absence durations
- Higher dispute incidence

Meanwhile, Safe Work Australia data highlights that mental health-related compensation claims:

- Involve longer time away from work
- Often carry higher compensation costs
- Reflect systemic workplace stressors rather than isolated incidents

These trends indicate that performance challenges cannot be attributed solely to macroeconomic conditions. Leadership systems, culture clarity and workforce dynamics play a significant mediating role.

17,600

Serious Claims



35.7

Median time lost (weeks)



\$67,400

Median compensations paid (\$)



Safe Work Australia (2024). Work-related mental health conditions statistics. Retrieved from <https://www.safeworkaustralia.gov.au/statistics-and-research/statistics/work-related-mental-health-conditions>

Psychological Safety as a Performance Driver

Psychological safety refers to a shared belief that interpersonal risk-taking is acceptable in the workplace (Edmondson, 1999). This includes speaking up, challenging assumptions, admitting mistakes and asking for help.

Research consistently links psychological safety to:

- Innovation capability
- Knowledge sharing
- Learning behaviour
- Adaptive performance (Frazier et al., 2017)

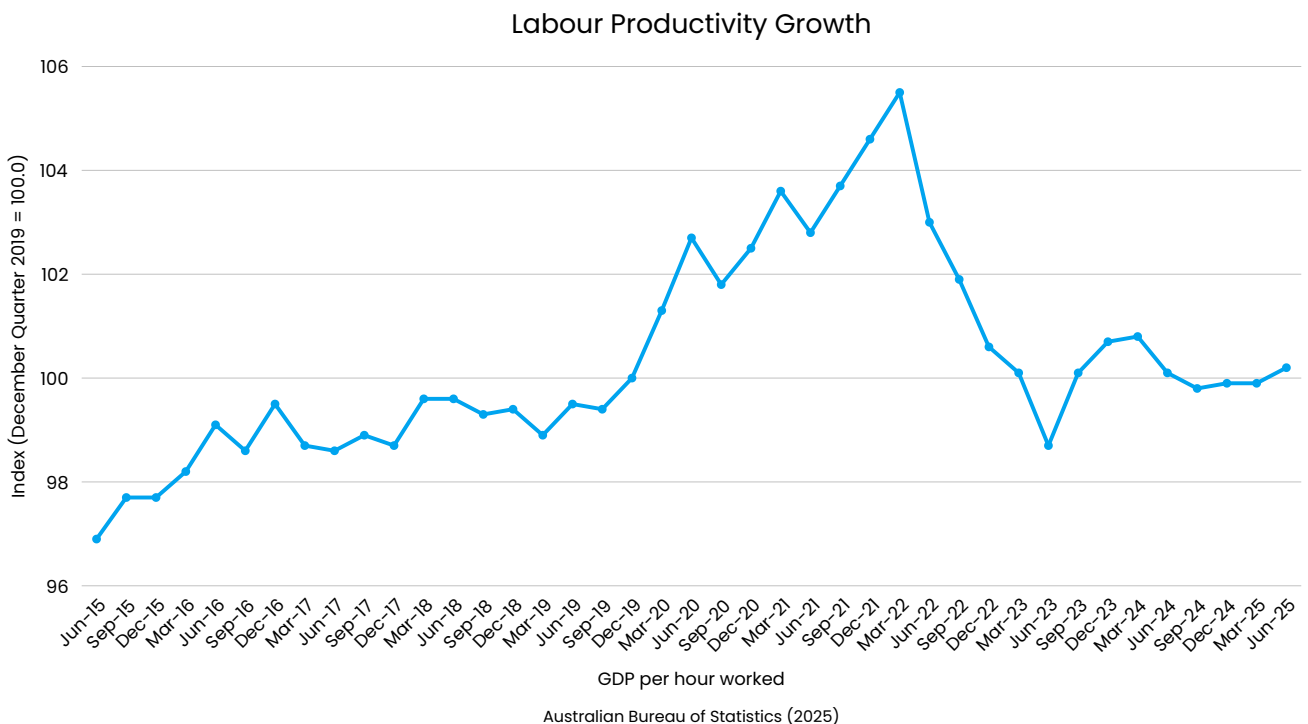
However, psychological safety is frequently misunderstood as comfort or the removal of performance pressure. Edmondson (2018) emphasises that the highest performing teams combine:

- High psychological safety
- High performance standards

Safety without standards risks complacency.

Standards without safety risk fear-based compliance. Australian workforce data reinforces this dynamic. Many organisations have expanded wellbeing initiatives, yet productivity volatility persists. This suggests wellbeing interventions alone are insufficient unless integrated with leadership clarity.

Psychological safety works best when it supports performance – not when it replaces it.



Psychosocial Safety Climate (PSC) and Organisational Health

PSC reflects leadership commitment to psychological health as demonstrated through policies, communication and operational behaviour (Dollard & Bakker, 2010). Strong PSC environments correlate with:

- Lower workplace bullying (Tuckey et al., 2012)
- Reduced emotional exhaustion (Law et al., 2011)
- Higher engagement and retention (Dollard & Bakker, 2010)

In Australia, increasing regulatory attention to psychosocial hazards has elevated PSC from an HR initiative to a governance issue. Boards now face explicit obligations to manage psychological risk. PSC influences how employees interpret pressure:

- Structured pressure feels purposeful
- Ambiguous pressure feels threatening

Where PSC is strong but expectations unclear, employees experience mixed signals. Support exists, but direction does not. This combination often increases rather than reduces stress. PSC therefore requires alignment with leadership clarity.

Leadership Clarity: The Missing Productivity Lever

Role ambiguity has been recognised as a major occupational stressor since early organisational psychology research (Kahn et al., 1964). Modern work structures – hybrid teams, matrix reporting and rapid change cycles – amplify this risk. Leadership clarity reduces:

- Cognitive overload
- Decision friction
- Conflict escalation
- Perceived unfairness

Gallup global workplace studies consistently show clarity of expectations as one of the strongest engagement drivers.

In Australia's current labour market, where talent mobility remains relatively high, unclear expectations often lead to:

- Quiet disengagement
- Talent leakage
- Increased recruitment churn

Clarity does not constrain flexibility. It provides the structure within which flexibility can operate productively.

Followership Capability and Distributed Accountability

Leadership discourse often focuses exclusively on leaders, yet organisational performance emerges through interaction between leaders and followers. Effective followership includes:

- Constructive challenge
- Ethical responsibility
- Shared accountability (Simms, 2021)

Shared leadership research demonstrates that distributed accountability improves adaptability and execution speed (Pearce & Conger, 2003). Leader–Member Exchange theory highlights reciprocal relational dynamics that influence engagement and performance (Graen & Uhl-Bien, 1995).

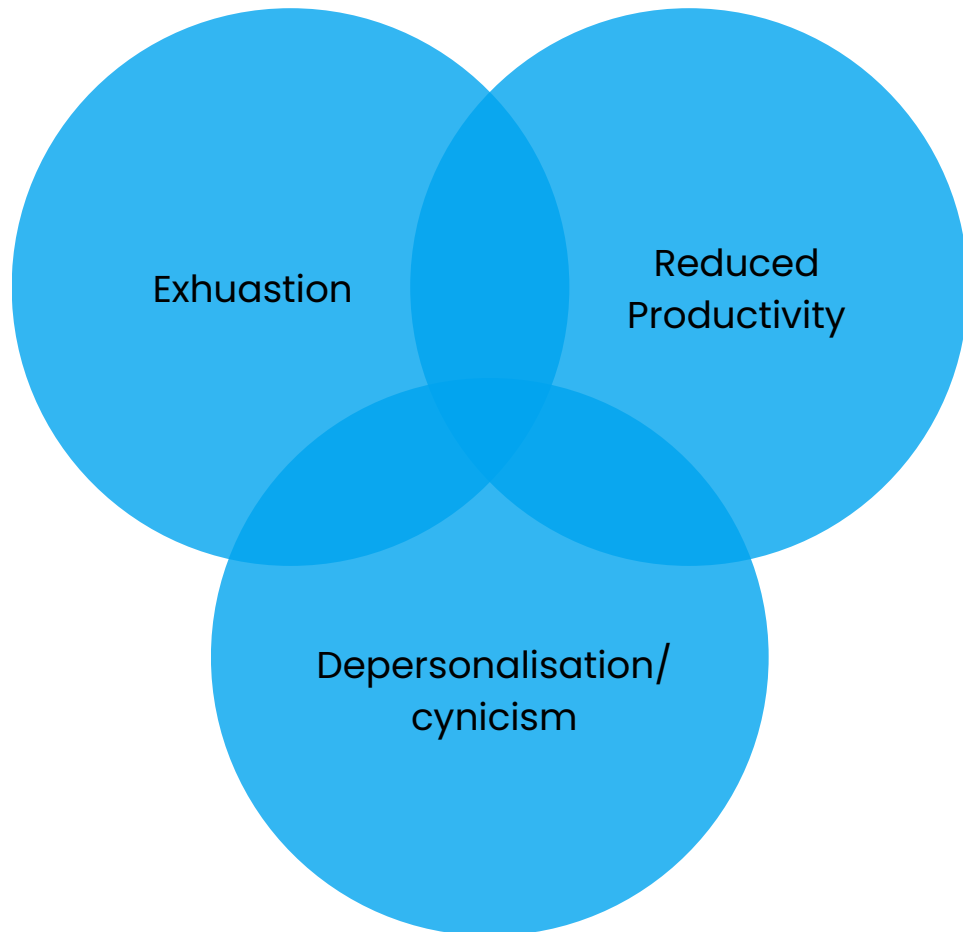
In practical terms, organisations with strong followership cultures typically experience:

- Faster problem identification
- Reduced leadership bottlenecks
- Higher ownership levels
- Greater cultural resilience

Weak followership, by contrast, increases leadership burden and slows decision cycles.

Burnout, Avoidance and Cultural Drift

Burnout is strongly associated with sustained overload combined with ambiguity and unresolved organisational tension (Maslach, 2001).



The three symptoms of burnout (Maslach Burnout Inventory)

Organisational culture shapes how pressure is experienced (Schein, 2010). Avoidance cultures – where difficult conversations are delayed – allow dysfunction to persist (Argyris, 1991). Common avoidance drivers include:

- Desire to protect psychological safety
- Legal risk sensitivity
- Leadership confidence gaps

However, delayed clarity increases anxiety. Employees generally prefer clear expectations to prolonged uncertainty.

In Australia's increasingly regulated workplace environment, clarity also reduces compliance risk.

The Carefrontation Framework

A Proprietary Leadership Model

Carefrontation integrates three leadership pillars:

1. Psychological Safety (Care)

- Enables voice
- Encourages innovation
- Supports wellbeing

2. Leadership Clarity (Confrontation)

- Defines expectations
- Enables accountability
- Reduces ambiguity

3. Followership Accountability

- Distributes responsibility
- Strengthens culture
- Sustains performance

Introduced publicly at the HR Leader Summit (Johnson, 2026), Carefrontation reframes leadership from either/or thinking to integrated system design.

Organisations operating in the Carefrontation zone demonstrate:

- Lower dispute incidence
- Higher engagement stability
- Faster execution
- Reduced burnout risk

It represents a leadership operating model rather than a standalone initiative.

Practical Implications for Australian Organisations

Organisations seeking sustainable performance should:

Measure Psychosocial Safety Climate Annually

Treat PSC as a governance metric rather than a culture survey question.

Integrate HR and WHS Governance

Psychological risk is now a board-level responsibility in Australia.

Train Leaders Before Promotion

Technical expertise does not equal leadership clarity.

Develop Structured Followership Capability

Accountability must be culturally distributed.

Reward Early Intervention

Delayed feedback compounds risk and reduces performance stability.

These actions reduce compliance exposure while strengthening productivity outcomes.

Conclusion

The performance paradox dissolves when viewed through systems alignment rather than ideology. Psychological safety improves learning behaviour and adaptive performance (Edmondson, 1999). Psychosocial Safety Climate reduces strain and improves engagement (Dollard & Bakker, 2010). Leadership clarity reduces ambiguity and occupational stress (Kahn et al., 1964). Followership capability sustains accountability and resilience (Simms, 2021). Individually, each improves performance conditions. Together, they create sustainable organisational capability.

The Australian workforce data suggests organisations are not struggling because they prioritise wellbeing. They struggle when wellbeing is disconnected from clarity and accountability.

Wellbeing is not the opposite of performance. It is one of its structural drivers.

Carefrontation offers a pathway forward – integrating care with clarity so organisations can protect their people while sustaining performance.

The organisations that master this integration will outperform not because they demand more from employees, but because they enable employees to perform sustainably.

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