

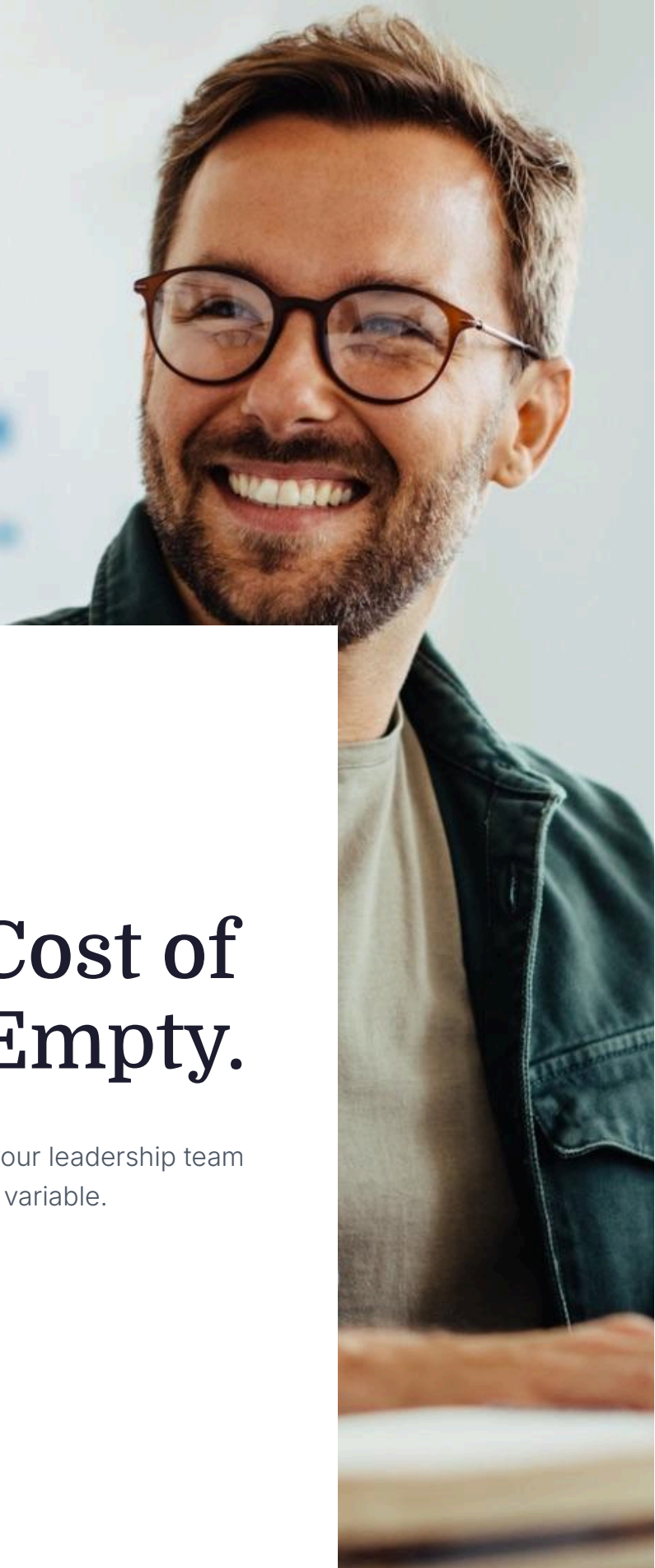


THE PILLARS WHITEPAPER SERIES

The Hidden Cost of Running on Empty.

Why the internal operating condition of your leadership team is your most undermanaged commercial variable.

March 2026 | thepillars.io



Executive Summary

This is not a paper about wellbeing. It is not about resilience programs, mindfulness, or any of the interventions that have become shorthand for 'soft spend' in the minds of most CFOs.

This is a paper about commercial performance; specifically, about an operating risk most organisations are not measuring, and a cost they are absorbing without knowing it.

If you are responsible for the performance of a leadership team, the argument in this paper is worth engaging with seriously. Not because it's comfortable, it's not, but because the commercial case is straightforward once you see it clearly.

01. The Unmanaged Variable

Most organisations manage external risk with considerable sophistication. Market conditions, competitive positioning, regulatory exposure, financial variance - these are tracked, reported, and acted on with dedicated resources and regular board-level attention.

The internal operating condition of the leadership team is rarely managed with the same rigour. Most organisations have no systematic view of whether their senior leaders are operating at capacity, where the degradation is occurring, or what it is costing them commercially. They assume that because the outputs are currently acceptable, the inputs must be fine.

That assumption is increasingly hard to sustain.



These are not fringe statistics. They describe the operating conditions inside which your leadership team is currently making decisions, leading people, and determining your organisation's capacity to execute on its strategy.

The most consequential unmanaged variable in most organisations is not on the risk register. It is the operating condition of the people the business depends on most.

The research on the performance consequences is unambiguous. Leaders operating under sustained pressure without adequate capacity reserves make measurably worse decisions, lead their teams less effectively, and are significantly more likely to make the kinds of errors - in judgment, in relationship, in strategic direction - that compound quietly until they become visible at exactly the wrong moment.

The cost does not appear as a line item. That is precisely why it persists.

02. Capability Versus Capacity

There is a distinction most organisations have not yet built into how they think about their leadership teams, and it is the distinction that explains most of what follows.

Capability is the technical and professional skill set - the knowledge, qualifications, and accumulated experience that make someone effective in their role. Most organisations invest heavily in selecting and developing for this. Capability is relatively stable. It can be assessed, trained, and promoted against.

Capacity is different. It is the reserve of cognitive, emotional, and physical resources a leader has available to deploy their capability - particularly under sustained pressure and complexity.

Capacity fluctuates. It is shaped by what is happening across the whole of a person's life, not just the part visible at work. And unlike capability, it cannot be improved through training programs, or performance management.

Capability determines what a leader can do. Capacity determines what they actually deliver - consistently, under pressure, in the decisions that matter commercially.

The gap between the two is where most organisations are losing performance without knowing it. A leadership team high on capability but running low on capacity will not produce high-capability outcomes. It will produce inconsistent ones, strong under favourable conditions, unreliable when conditions tighten. And in most competitive markets, conditions tighten regularly.

Capacity is shaped by five interconnected domains: how a leader is functioning as an individual - physically, mentally, in terms of clarity and direction - the quality of their close relationships, their sense of identity and connection beyond work, their financial clarity, and the structures and demands of the role itself. When these are aligned, leaders have deep operating reserves. When any is under sustained strain, the drag on performance is measurable, compounding, and almost always attributed to the wrong cause.

03. The performance equation

When capacity is sufficient and the key domains are aligned, performance follows a predictable structure. Four drivers combine to produce it:

$$\text{Performance} = \frac{\text{Clarity} \times \text{Conduct} \times \text{Consistency} \times \text{Connection}}{\text{Resistors}}$$

Drivers of performance

Prohibitors of performance

01. Clarity

Knowing what matters, why it matters, and where to direct attention. Leaders without it default to activity over impact - reactive rather than intentional. Their teams feel the difference before they can articulate it.

02. Conduct

Acting in consistent alignment with stated priorities. The gap between what a leader says they stand for and how they behave under pressure is one of the most corrosive and difficult-to-reverse forces in any organisation.

03. Consistency

Showing up at the same standard regardless of external conditions. A team whose leader delivers at 80% every week outperforms one whose leader swings between 110% and 50%. Variance is expensive. Consistency is the commercial multiplier.

04. Connection

The quality of relationships that enable performance - within the team, across the organisation, and at home. Connection determines psychological safety, discretionary effort, and whether the people who matter stay.

05. Resistors

Resistors are the blockers that sit between a leader and their full operating capacity - unresolved conflict, financial stress, physical depletion, values misalignment, competing priorities. They are rarely visible from outside. But they operate continuously, quietly reducing the ceiling on what is achievable. When resistors are identified and addressed, the four drivers above are free to compound.

04. Leading indicators and lagging outcomes

Every commercial organisation measures lagging indicators: revenue, sales conversion, productivity, client retention. These numbers matter. But they measure what has already happened. They tell you the score at full time; they do not tell you what is happening on the field.

What most organisations do not measure are the leading indicators - the upstream conditions that determine whether those lagging outcomes will improve, hold, or deteriorate over the next quarter and year. Decision quality under pressure. Capacity reserves. Values alignment. Cognitive clarity. These are inputs. Revenue and productivity are outputs.

An organisation that manages lagging indicators while leaving the leading indicators unmanaged is steering entirely by the wake.

This distinction has a direct commercial implication. A leader who has not built the internal foundations for sustained performance cannot drive better lagging indicators over time, not because they lack skill, but because they lack the capacity to deploy that skill consistently under pressure.

Short-term targets can be hit through effort and pressure. But performance on that basis degrades. The peaks get shorter. The troughs get longer. The cost of carrying a leadership team operating well below its actual ceiling compounds across quarters - in revenue not generated, in clients not retained, in talent that concludes the organisation is not somewhere it can build a career.

When a leader's operating capacity genuinely increases, three specific commercial outcomes follow, and they aren't subtle:

Outcome 1: Decision quality improves under pressure

Cognitive science is consistent on this: depleted individuals exhibit narrower thinking, increased risk aversion, and a measurably reduced range of options considered, particularly under time pressure. In a commercial environment these are not abstract limitations. They show up in negotiations that do not close, in strategic calls that defaulted to the conservative option when boldness was warranted, in hiring decisions made from the wrong frame at significant cost.

A leader with genuine capacity reserves makes better commercial calls, not just on good days but in the meetings and moments that actually determine outcomes. In a revenue business, better decisions compound fast.

Outcome 2: The team performs differently

A leader's operating condition is not private. It transmits through behaviour, presence, and the quality of attention they bring to their team. Research on organisational performance finds

consistently that a leader's operating state directly affects the psychological safety, motivation, and discretionary effort of their direct reports.

Revenue teams do not underperform because of skill gaps. They underperform because their leader is operating below capacity and the effect flows downward: reactive management instead of proactive leadership, fewer genuine development conversations, a team that waits for direction rather than initiates. The performance ceiling of any commercial team is largely set by the operating condition of the person leading it. That is not opinion, it is a structural reality that shows up in the numbers.

Outcome 3: Consistency replaces peaks and troughs

Performance variance is one of the most expensive and least-examined problems in commercial organisations. It makes planning unreliable, erodes team confidence, and damages client relationships that depend on predictability.

Consistency is not a personality trait. It is a capacity outcome. Leaders who have the operating reserves to show up at the same standard under different conditions do so because their internal architecture supports it, not because they are trying harder.

05. What doing nothing actually costs

In the Australian market specifically, the numbers are concrete enough to anchor a commercial assessment.

Cost 1: The direct cost of leadership attrition

The Australian HR Institute estimates that replacing a senior or specialist leader costs between 150% and 200% of annual salary, once recruitment, onboarding, transition productivity loss, and the impact on the remaining team are fully accounted for. For a leadership team member on \$250,000, that is a replacement cost of \$375,000 to \$500,000 per exit.

Australian data attributes 40% of resignations directly to burnout or prolonged workplace stress - a cause that is rarely named in exit interviews and almost never addressed at source.

Sources: AHRI via scalesuite.com.au; foremind.com.au

Cost 2: The invisible cost of sustained underperformance

A senior leader operating at 70% of their actual capacity is not a visible problem. They are attending meetings, managing their team, and delivering against some targets. But the delta between 70% and 90% capacity, compounded across a leadership team of eight to

twelve people over twelve months, represents a material commercial gap that appears nowhere in the P&L and is almost never attributed to its actual cause.

Burnout-driven costs to Australian businesses are estimated at \$14 to \$39 billion annually in direct, measurable impacts: absenteeism, sick leave, and turnover. The indirect costs - poor commercial decisions, missed opportunities, degraded client relationships, teams operating below their capability, are not captured in that figure and are almost certainly larger.

Sources: UNSW Business School, businessthink.unsw.edu.au; Melbourne Business School, mbs.edu

Cost 3: The cost of misdiagnosis

When performance problems are attributed to the wrong cause - capability, strategy, market conditions, team structure - organisations invest in the wrong interventions. Restructures, capability programs, new tools, and external hires are expensive and frequently ineffective when the underlying issue is the operating capacity of the people being restructured around.

The cost of misdiagnosis is not just the spend on interventions that do not work. It is the opportunity cost of the twelve to eighteen months during which the actual problem continued to compound while the organisation addressed its symptoms.

Sources: UNSW Business School, businessthink.unsw.edu.au; Melbourne Business School, mbs.edu

06. What actually changes performance at this level

The evidence on what produces lasting commercial improvement for senior leaders is consistent. It is not an off-site, or a 360-degree feedback process. Those interventions address the surface. They do not reach the conditions producing the underperformance.

Three things distinguish interventions that drive measurable commercial change from those that generate goodwill and a positive response survey:

Objective measurement before, during, and after

The leading indicators that determine performance - capacity reserves, values alignment, decision quality, the degree of misalignment across the key life domains can be measured. Establishing an objective baseline before any intervention, tracking change at defined intervals, and connecting that change to commercial outcomes is what separates a performance program from a leadership experience. Without measurement, there is no accountability and no way to distinguish what worked from what felt good.

The Pillars program establishes an objective baseline at entry using a structured diagnostic across 25 performance-relevant domains, assesses progress at three months, and conducts a final measurement at six months. The data tracks the leading indicators of performance over time. Across every cohort completed to date, burnout propensity has reduced by an average of 15.4%, measured capacity has increased by 9.2%, and overall performance indicators have improved by 11%. No cohort has shown an overall decline.

Structured diagnostics, not surface-level reporting

Leaders are poorly positioned to identify their own performance constraints accurately. The same depletion that creates the problem also reduces the metacognitive clarity needed to diagnose it. Interventions driven by what a participant reports feeling in a coaching session are constrained by that limitation from the start.

The Pillars uses a structured diagnostic framework in which participants respond to assessments across the full range of domains that influence operating capacity. This produces an objective map of where capacity is being generated and where it is being eroded, enabling the program to be structured around what the data reveals, not what the participant self-nominates as the priority. The distinction is significant: surface-level reporting tells you how someone is experiencing their situation today. Structured diagnostic data tells you where the operating architecture is under strain and where targeted intervention will move the dial.

Duration that matches the depth of the problem

Operating patterns that have developed over years do not change in a one off workshop. Sustainable, measurable change in how a senior leader performs under pressure requires months of structured accountability, expert support, and targeted practice, not an event. The organisations that see lasting improvement in commercial leadership performance invest in programs with the rigour and duration to match the problem they are actually solving.

The gap between a capable leader and an exceptional commercial performer is rarely about what they know. It is almost always about what is getting in the way - and whether the organisation has ever looked at it seriously.

07. The diagnostic questions

Before considering any specific intervention, the more useful starting point is an honest assessment of where your leadership team is actually operating right now.

Not the assessment that would appear in a performance review. The honest one.

If your three most critical leaders were operating at full capacity, genuinely - what would be materially different in your commercial results over the next twelve months?

If the answer has significant commercial content - revenue, client outcomes, strategic execution, team retention...then the question of what is limiting their capacity is not a personal question. It is a business one.

1. How consistently are your senior leaders making high-quality commercial decisions under pressure, not in the good periods, but across the full year?
2. Where in your organisation is performance most dependent on one or two individuals? What does that dependency cost you when those individuals are under sustained strain?
3. When you look at your highest-potential leaders, what is actually limiting their next level of commercial impact - capability, or the capacity to deploy it?
4. What does attrition among your top performers cost you per head in real terms? How much of that attrition is driven by the quality of the immediate leadership experience?
5. How much of what you currently attribute to strategy, market conditions, or team structure is actually a function of the operating condition of the people leading through it?

These are not comfortable questions. They are not designed to be. The organisations willing to ask them honestly tend to find the answers clarifying, and the cost of not acting on them considerable.

08. A final provocation

Most organisations that read an argument like this will find the logic sound, the evidence clear, and the questions worth sitting with.

And then they return to managing performance through the conventional instruments - targets, reviews, restructures, capability programs ... without ever addressing the upstream conditions that determine whether those instruments produce the results they are designed for.

The reason is not ignorance. It is that taking this seriously requires acknowledging something that is genuinely difficult to put in a board paper: the most important lever in your organisation's commercial performance is not a system, a strategy, or a structure. It is the internal operating condition of the people you are most dependent on.

That is harder to report against. But the organisations that act on it, rather than waiting until the cost becomes impossible to explain away, tend to have a meaningful and compounding commercial advantage over those that do not.

The question is not whether your leaders have the capability to deliver what you need. The question is whether they have the operating foundation to sustain it.

If that question has commercial resonance, it is probably worth a direct conversation.

09. About The Pillars

The Pillars is a structured, data-led program that builds the internal operating architecture leaders need to perform at their best under sustained pressure, complexity, and accelerated change. Over seven months, we work with leadership teams to identify what is driving performance, remove what is limiting it, and develop the capacity to lead more effectively and deliver measurable commercial results - consistently.

The program is grounded in self-determination theory, goal-setting research, and value alignment studies, and overseen by Dr Chris Meier, PhD in Behavioural Economics. Every cohort is assessed at baseline, three months, and six months, tracking the leading indicators of performance with objective data, not opinion.

To explore whether The Pillars is the right fit for your leadership team: thepillars.io

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