

You can have too much of a good thing, says study of financial analysts' work-life balance

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Last winter, Goldman Sachs reported it was working to make things better after a group of junior analysts revolted against 100-hour work weeks.

That's a smart thing to do, suggests a new study from the University of

Toronto's Rotman School of Management. Drawing from more than 6,000 employee reviews of their workplaces and data on their firms' forecasting accuracy, the research shows that making improvements to hardworking analysts' [work-life balance](#) produces dividends for the company and for the analysts' careers.

"There is a lot of anecdotal evidence, but here we provide large-scale evidence that supports the recent push to grant these employees at least some reprieve from the extremes of their jobs," said Ole-Kristian Hope, who is the Deloitte Professor of Accounting at the Rotman School, and worked on the research with three colleagues.

Too much of a good thing is possible, however. The study found there was a limit to the positive performance impact of improving work-life balance.

An analyst's forecast accuracy—that is, how correct their forecasts are about a company's future earnings and whether it's a recommended stock pick—maxed out once analysts' work-life balance hit about 3.5, or "okay," on a 5-point review scale.

Investment returns based on those stock recommendations showed a similar effect, with returns maxing out when work-life balance reached about 3 out of 5 points. It's thought that this is because people need a certain amount of mental stimulation and demand to process information efficiently.

"If you have too much work-life balance, that means you're not focusing enough on work," said Prof. Hope. "A little bit of stress is probably a good thing but if it's too much then the pressure becomes daunting and you can't do anything."

Optimized work-life balance was also found to support analysts' career

advancement, based on job mobility and promotion data and information from a recognized industry awards recognition program. Such awards influence analysts' compensation and career opportunities.

This is the first study to examine the role of work-life balance in financial analysts' performance and career advancement. It was made possible by the availability of employee reviews about the companies they work for via a social media platform called Glassdoor.

The researchers chose these employees to measure the impacts of work-life balance because of their reputation for being more professionally aggressive, career-oriented and having a higher tolerance for stress. Financial analysts can put in as much as 70 to 110 hours a week during quarterly earnings seasons, when companies are issuing their reports. "They're not your typical animals," said Prof. Hope, making it less obvious that work-life [balance](#) would affect them the same as it does other workers.

Financial analysts are also important to study because the information they provide contributes significantly to the operation of capital markets. "Learning about the source of variations in their work performance is important by itself," said Prof. Hope.

More information: Ole-Kristian Hope et al, Happy analysts, *Accounting, Organizations and Society* (2020). [DOI: 10.1016/j.aos.2020.101199](#)

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