When Does Employee Wellbeing Drive Firm Growth? Burnout Prevention Climate and the Returns to Innovation Investment

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Abstract

Employee wellbeing has been recognized as a strategic resource for organizational success, yet prior research has reported mixed findings regarding its impact on firm performance. While some studies suggest that employee wellbeing enhances productivity and organizational outcomes, others find limited or inconsistent effects. These conflicting findings raise an important question regarding the conditions under which wellbeing creates economic value. Drawing on psychological safety theory, dynamic capabilities, and complementary assets perspectives, this study examines whether a burnout prevention climate functions as a complementary organizational capability that enables firms to realize the returns from innovation investments.

Using employee reviews from Glassdoor matched with Compustat financial data, this study focuses on startups and mid-sized growth-oriented firms rather than large established corporations. Burnout prevention climate is measured through text-based analysis of employee reviews, and its relationship with future sales growth is examined using panel fixed-effects models. The moderating role of R&D intensity is also investigated.

The results show that burnout prevention climate has only a limited direct effect on future sales growth. However, its positive impact becomes significantly stronger as R&D intensity increases. Johnson–Neyman analysis further reveals that the effect is significant only among firms with relatively high levels of R&D investment. These findings indicate that employee wellbeing does not uniformly translate into organizational growth; rather, it generates economic value when combined with innovation-oriented strategic investments.

This study identifies innovation intensity as a critical boundary condition of the wellbeing–performance relationship and conceptualizes burnout prevention climate as a complementary organizational capability that helps firms convert innovation investments into growth outcomes. By focusing on startups and mid-sized firms, the study extends existing wellbeing research beyond large corporations and provides new evidence on the strategic value of organizational wellbeing in growth-oriented firms.

Keywords: Employee Wellbeing; Burnout Prevention Climate; Psychological Safety; Firm Growth; Complementary Assets