

## Conscious Business - The Evidence (Part 1)

Some people would argue that if you need evidence that being more conscious at work is a good thing, you'll never be persuaded. But there's also an argument that hard evidence helps - to give confidence, persuade other people and so on.

So here's a selection of facts and figures that one of the SeeStep team, [Lasy Lawless](#), put together. It covers the value of employee engagement, clear purpose, innovation and good leadership. It shows these are what investors look for, and that they are good for a business generally.

### Investing in leadership skills:

About 80% of professionals who analyse companies for investors – including investment bankers and executives at private equity companies and hedge funds – say they would place a valuation premium on a company with a particularly effective senior leadership team. And the same percentage said they would discount a valuation if they thought a company's leadership was ineffective. Analysts and investment professionals placed an average premium of 15.7% on particularly effective leadership, and an average 19.8% discount on companies with leadership that was deemed ineffective.

[Deloitte 2012 [How TMT Companies Win The Confidence of Investors](#)]

### Stock market performance and shareholder return in relation to conscious business:

Firms of Endearment study - over 10 year period companies that broadly follow conscious aims outperformed the S&P 100 by ratio of 9:1

[[Raj Sisodia](#), Bentley University]

### Stock market performance and shareholder return:

Motivated employees are 52 to 127 percent more productive than those who have average motivation. Companies that have an employee recognition strategy double the return to shareholders compared with those that don't. 40% of the variability in corporate financial performance comes down to employees sense of fulfillment in the workplace.”

[Richard Barrett, 'Liberating the Corporate Soul' - TBD original source]

## **Growing interest by investors in sustainability, climate change, social factors:**

Investors increasingly believe that social and environmental conditions in society can have a direct impact on the business operations of a company and its long-term viability.

In 2011, average support for environmental and social shareholder resolutions topped 20% for the first time, according to research by Institutional Shareholder Services. That's up from 18.1% in 2010 and 16.3% in 2009.

[Sabine Vollmer - senior editor - CGMA Magazine March 2012]

## **Including more stakeholders improves financial performance:**

Despite the drop in performance seen in 2011, companies that are owned by their employees have outperformed FTSE All-Share companies by on average 12% each year. Over successive three-year periods they have outperformed by 37% and over successive five-year periods by 71%.

[\[The Employee Ownership Index\]](#)

## **Transparency:**

280 CEOs were surveyed for the report spanning 21 countries. Three-quarters of the CEOs recognised the need for measuring non-financial value. Meanwhile, 76% think the current reporting system places excessive emphasis on financial data. 87% viewed transparency as an opportunity, and 13% viewed it as a threat. The question among many CEOs is how much transparency is too much.

[Research Commissioned by AICPA and CIMA (the major UK Accounting Bodies) and carried out by Oxford Economics (2012)]

## **Employee disengagement is expensive and destructive:**

In recent years, employee loyalty has plummeted. Here are just a few sobering statistics that may surprise you:

- Only 30% of today's employees reported that they were engaged (loyal and productive)
- 54% reported they were passively disengaged (going through the motions)
- 16% reported they were actively disengaged (badmouthing the employer, sniping from the sidelines)

[\[Getting Engaged: The New Workplace Loyalty, Mattanie Press, October 2005, By Tim Rutledge\]](#)

**Congruence and authenticity at work:**

In a field experiment carried out in a large business process outsourcing company, it was found that when socialization/induction focused on personal identity (i.e. emphasizing newcomers' unique perspectives and strengths and authentic expression) it led to significantly greater customer satisfaction and greater employee retention after six months, compared to (a)when socialization focused on organizational identity (i.e. emphasizing pride from organizational affiliation) and (b)when it focussed on the organization's traditional approach which focused primarily on skills training.

[Breaking Them In or Revealing Their Best? Reframing Socialization around Newcomer Self-Expression By Francesca Gina (Associate Professor in the Negotiations, Organizations, and Markets Unit at Harvard Business School)]  
[\[Encouraging newcomers to be themselves rather than adapt to the company culture\]](#)

**Purpose impacts profit:**

A strong, strategically coherent and well communicated corporate purpose is associated with upto 17% better financial performance

[IMD/Burson Marsteller Corporate Purpose Impact Study 2010. The [study](#) is based on research into 213 European companies from 10 industries.]

**Employee engagement:**

88% of highly engaged employees believe that they can positively impact the quality of their organization's products; only 38% of disengaged employees think so.

[Towers Perrin 2008]

Only 4% of UK workers exhibit the highest level of engagement with their work.

[Corporate Leadership Council]

**Purpose and brand:**

40% of a company's reputation is determined by its purpose and 60% by its performance.

[Burson Marsteller/Penn, Schoer and Berland 2008.]

**Lack of employee engagement costs companies re staff turnover, accidents and theft:**

Gallup in 2006 examined 23,910 business units and compared top quartile and bottom quartile financial performance with engagement scores. They found that:

- Those with engagement scores in the bottom quartile averaged 31–51 per cent more employee turnover, 51 per cent more inventory shrinkage and 62 per cent more accidents.
- Those with engagement scores in the top quartile averaged 12 per cent higher customer advocacy, 18 per cent higher productivity and 12 per cent higher profitability.

[Gallup in 2006]

**Employee engagement and earnings per share:**

A second Gallup study of the same year of earnings per share (EPS) growth of 89 organisations found that the EPS growth rate of organisations with engagement scores in the top quartile was 2.6 times that of organisations with below-average engagement scores

[Gallup in 2006]

**Employee engagement and innovation:**

Gallup indicate that higher levels of engagement are strongly related to higher levels of innovation.

Fifty-nine per cent of engaged employees say that their job brings out their most creative ideas against only three per cent of disengaged employees. This finding was echoed in research for the Chartered Management Institute in 2007 which found a significant association and influence between employee engagement and innovation. Based on survey findings from approximately 1,500 managers throughout the UK, where respondents identified the prevailing management style of their organisation as innovative, 92 per cent of managers felt proud to

work there

[Gallup/Chartered Management Institute in 2007]

**Employee engagement and illness:**

Engaged employees in the UK take an average of 2.69 sick days per year; the disengaged take 6.19.

[The Macleod Report commissioned by BIS 2009]

The CBI reports that absence due to sickness costs the UK economy £13.4 bn a year.

[CBI]

**Employee engagement and interfacing with clients/customers:**

70 per cent of engaged employees indicate they have a good understanding of how to meet customer needs; only 17 per cent of non-engaged employees say the same.

[The Macleod Report commissioned by BIS 2009]

**Employee engagement and retention:**

Engaged employees are 87 per cent less likely to leave the organisation than the disengaged.

[The Macleod Report commissioned by BIS 2009]

**The cost of poor employee retention:**

The cost of high turnover among disengaged employees is significant; some estimates put the cost of replacing each employee at equal to annual salary.

[The Macleod Report commissioned by BIS 2009]

**Employees as ambassadors and relation to NPS (Net Promoter Score):**

Engaged employees advocate their company or organisation – 67 per cent against only three per cent of the disengaged. Seventy-eight per cent would recommend their company's products or services, against 13 percent of the disengaged.

[Gallup 2003]

**Employee engagement and change/flexibility:**

Engagement and involvement are critical in managing change at work; according to Price waterhouse Coopers (PwC), nine out of ten of the key barriers to the success of change programmes are people related; only 24 per cent of private sector employees believe change is well managed in their organisations (15 per cent in the public sector) according to Ipsos MORI.

[Price waterhouse Coopers (PwC) and Ipsos MORI]

**The need for employee engagement and conscious business more widely in UK:**

Gallup suggest that in 2008 the cost of disengagement to the economy was between £59.4 billion and £64.7 billion.

[Gallup (2008)]

**The importance investing in everyone, not just leadership:**

The IES/Work Foundation report 'People and the Bottom Line' found that if organisations increased investment in a range of good workplace practices which relate to engagement by just ten per cent, they would increase profits by £1,500 per employee per year

[The IES/Work Foundation report 'People and the Bottom Line']

Towers Perrin in their 2008 Global Workforce Study of employee views found that the top driver of engagement was senior management demonstrating a sincere interest in employee well-being.

[Towers Perrin in their 2008 Global Workforce Study]

**Evidence is not the problem, there is so much of it:**

The case for employee engagement - there are so many more research findings in the Macleod Report

[Macleod Report commissioned by the Department for Business (BIS) 2009.]

**Consciousness is a rare commodity:**

Only 10% of Managers take "Purposeful Action" (a powerful combination of focus and energy). Meanwhile 30% of managers procrastinate, 20% show detached behaviour and 40% exhibit distracted behaviour.

[Sumantra Ghoshal and Heike Bruch]

**Pretending to engage employees doesn't work:**

If employees conclude that a manager is just trying to win points by paying lip service to consulting them — and has no intention of acting on their advice — they are likely to stop offering input and, worse, act out their frustration by clashing with their colleagues.

[[When Employees Stop Talking and Start Fighting: The Detrimental Effects of Pseudo Voice in Organizations](#), [Gerdien de Vries](#), [Karen A. Jehn](#) and [Bart W. Terwel](#), [Journal of Business Ethics](#), 2012, [Volume 105, Number 2](#), Pages 221-230]