The Happiness Index

How to prove the value of your culture → to your CFO

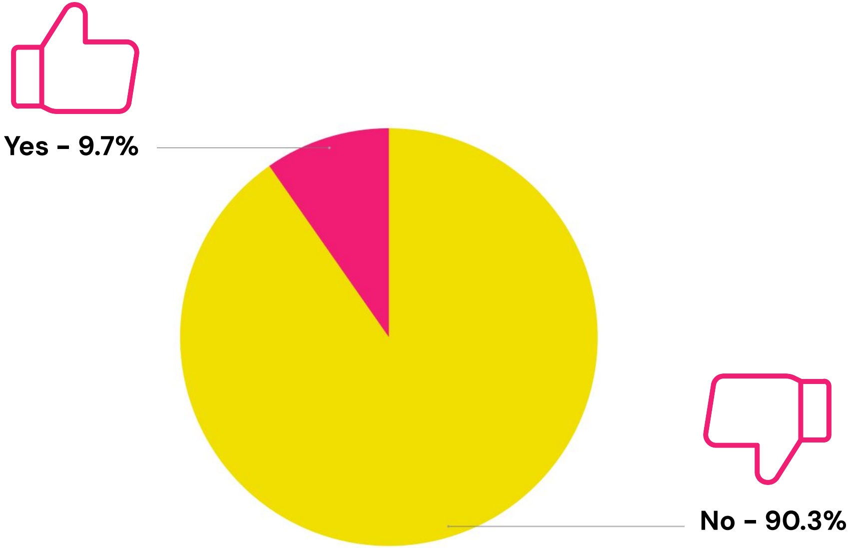
What we'll cover today

- The challenge
- Metrics that matter
- What great performance data looks like
- Testing

Poll

Would you describe yourself as commercially minded in your role?

Are you currently able to prove the ROI of your culture?




So what?

Does culture affect commercial outcomes?

Culture’s impact on employees

Does an organisation’s culture impact how employees think and feel about work?

- **Does Organizational Culture Affect Employee Happiness?** – Journal of Leadership and Instruction – 2020 – Link
- **Impact of Organizational Culture on Engagement and Effectiveness** – American Journal of Economics and Business Management – 2023 – Link
- **Worry at work: How organizational culture promotes anxiety** – Harvard University – 2020 – Link

Does culture affect commercial outcomes?

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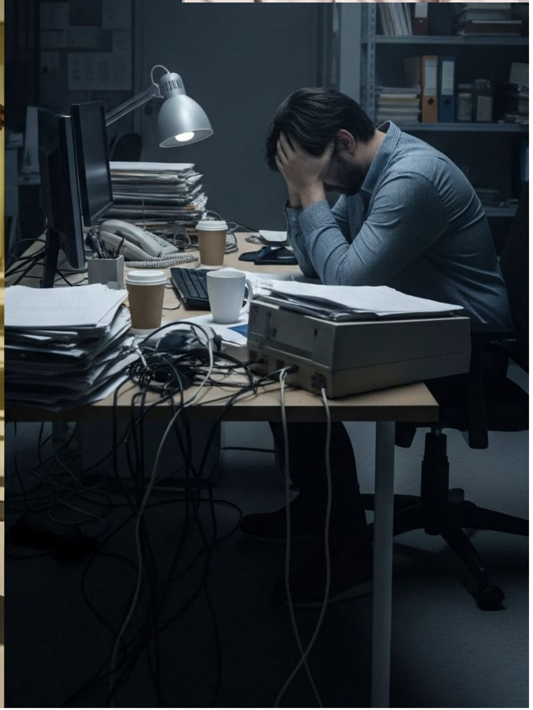
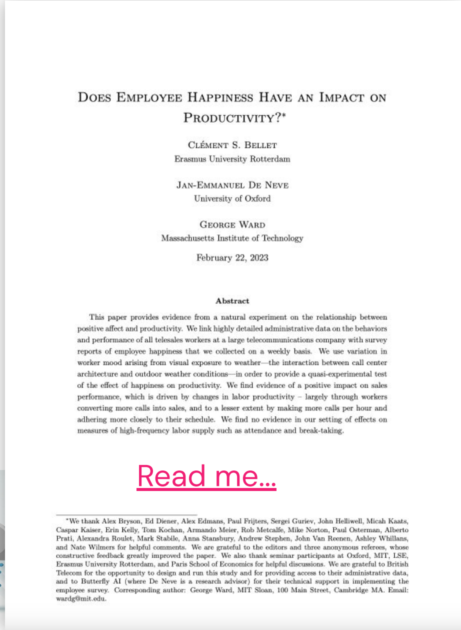
Check it out...



Listen to me...



Does Employee Happiness Have an Impact on Productivity?*

Clément S. Bellet
Erasmus University Rotterdam

Jan-Emmanuel De Neve
University of Oxford

George Ward
Massachusetts Institute of Technology

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Abstract

This paper provides evidence from a natural experiment on the relationship between positive affect and productivity. We link highly detailed administrative data on the behaviors and performance of all telesales workers at a large telecommunications company with survey reports of employee happiness that we collected on a weekly basis. We use variation in worker mood arising from visual exposure to weather—the interaction between call center architecture and outdoor weather conditions—in order to provide a quasi-experimental test of the effect of happiness on productivity. We find evidence of a positive impact on sales performance, which is driven by changes in labor productivity – largely through workers converting more calls into sales, and to a lesser extent by making more calls per hour and adhering more closely to their schedule. We find no evidence in our setting of effects on measures of high-frequency labor supply such as attendance and break-taking.

Read me...

*We thank Alex Bryson, Ed Diener, Alex Edmans, Paul Frijters, Sergei Guriev, John Helliwell, Micah Kaats, Caspar Kaiser, Erin Kelly, Tom Kochan, Armando Meier, Rob Metcalfe, Mike Norton, Paul Osterman, Alberto Prati, Alexandra Roulet, Mark Stabile, Anna Stansbury, Andrew Stephen, John Van Reenen, Ashley Whillans, and Nate Wilmers for helpful comments. We are grateful to the editors and three anonymous referees, whose constructive feedback greatly improved the paper. We also thank seminar participants at Oxford, MIT, LSE, Erasmus University Rotterdam, and Paris School of Economics for helpful discussions. We are grateful to British Telecom for the opportunity to design and run this study and for providing access to their administrative data, and to Butterfly AI (where De Neve is a research advisor) for their technical support in implementing the employee survey.

Corresponding author: George Ward, MIT Sloan, 100 Main Street, Cambridge MA. Email: wardg@mit.edu.

What do we want to achieve?

People Insight

↓ ↓ ↓

ROI

Where to start?

Getting the right data

What sort of data should be included?

To link how employees feel about work and the impact it has, we need to connect employees' performance data back to the survey data. This can be anything that's relevant to the organisation's performance that can be tied back to employees. **For example:**

A restaurant wants to know how their waiting staff impact average spend per customer.

A charity wants to learn the impact of employee sentiment on the outcomes for vulnerable people in their care.

A software company wants to understand the new revenue won vs target for each of their sales team.

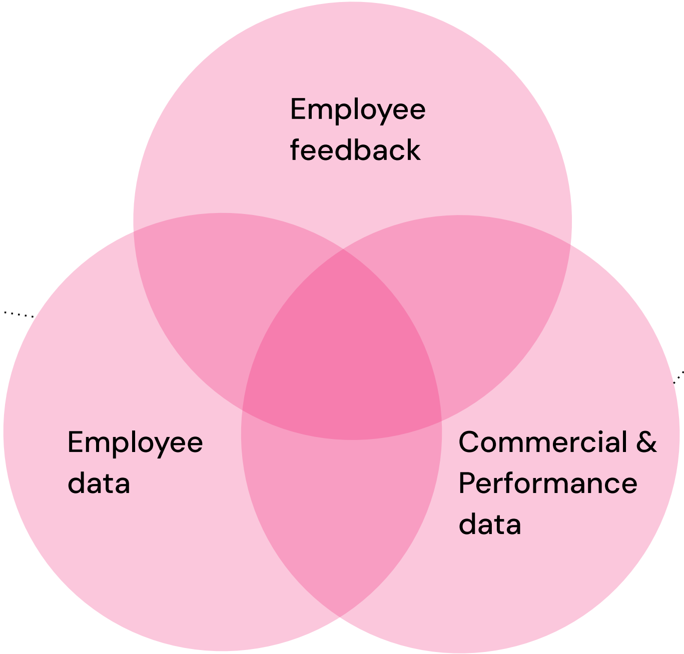
A bank wants to know the relationship between employee sentiment and their NPS from customers.

Along with performance and employee feedback data, we can also analyse based on any other factor you can tell us, such as whether someone has completed a particular training course, how long they've been an employee, their salary, location worked etc etc.

What sort of data should be included?

Such as:

- Gender
- Age
- Recruitment source
- Length of service
- Salary
- Bonus structure
- L&D activity
- Absence activity
- Team, department etc
- Line manager
- Shift patterns
- Weekly hours
- WFH, hybrid or office



Such as:

- Sales revenue
- Net promoter score
- Fee earner utilisation
- Pitch win rates
- Sales performance vs target
- Net revenue retention
- Customer support tickets closed
- Average time to complete
- % of projects completed within time


Brightening everyday life for all
Unilever Annual Report and Accounts 2024
Growth
Market share
Efficiency/Productivity
Sales
Profit
Efficiency/Productivity
Market share
Growth
Employer talent
Growth
Sales
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Where do I begin?

A great place to start is to speak with the heads of each department and ask them what metrics they're focusing their people on. For example, a software company...

CCO

Wants to understand

- Pitch win rate per person
- New annual recurring revenue won per person
- Sales person's performance vs target

Business dev director

Wants to understand

- Number of sales calls made per BDE
- Number of new business meetings booked per BDE
- Performance against target per BDE

Head of customer success

Wants to understand

- Customer retention rates
- Net uplift in customer revenue per customer success manager
- Average Net Promoter Score of customers per CSM

Head of customer support

Wants to understand

- Number of support tickets successfully closed
- Average time to close a support ticket per support worker
- Average CSAT score per support worker

CTO

Wants to understand

- Delivery of projects against planned timescales per person
- General performance rating of software engineers

What does great data look like?

- Directly relevant to C-suite
- Tied to an individual employee
- Is consistent
- Straight line to impact

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NB:

Data clean-up and data engineering *is* part of our service.

If your data has known inconsistencies (such as differences due to work schedule or location), just let us know. We have methods for normalising this context in our analysis.

Why tying performance to an individual employee matters...

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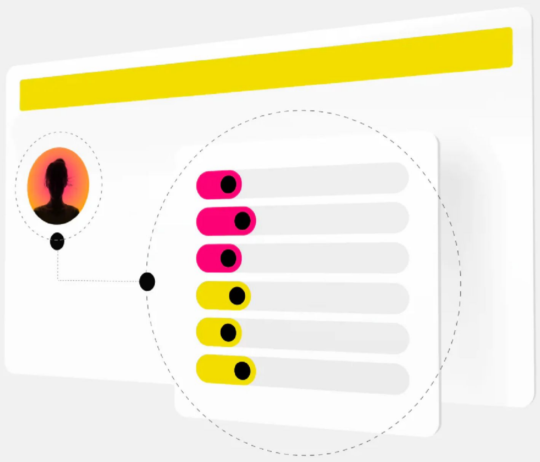
Shop 1

	Happiness & engagement scores	Av. transaction value
Employee 1	6	£79.23
Employee 2	6	£82.01
Employee 3	7	£85.51
Employee 4	7	£84.55
Employee 5	6	£87.64
Employee 6	7	£81.69
Employee 7	8	£98.03
Employee 8	7	£88.43
Employee 9	6	£74.85
Employee 10	6	£71.51
Average	**6.6**	**£83.35**

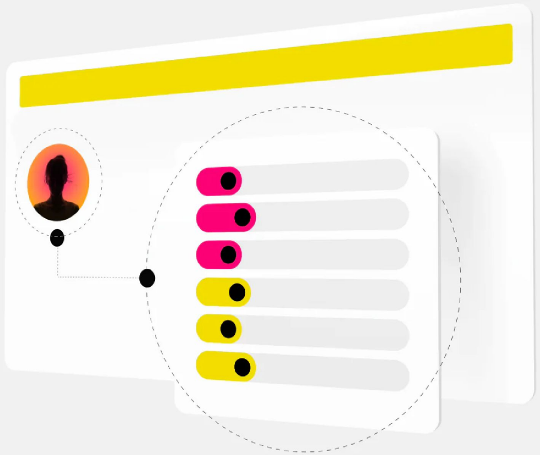
Shop 2

	Happiness & engagement scores	Av. transaction value
Employee 1	10	£97.50
Employee 2	9	£89.22
Employee 3	10	£103.56
Employee 4	10	£94.24
Employee 5	2	£63.11
Employee 6	2	£57.03
Employee 7	4	£61.37
Employee 8	3	£71.19
Employee 9	10	£108.79
Employee 10	6	£87.46
Average	**6.6**	**£83.35**

Why consistency **matters**



But what about stuff we can’t control?



Straight line to impact

Transactional sales, fee earner utilisation, CSAT

Innovation, R&D, marketing

Easy

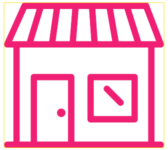
Hard

Analyse the data and form hypotheses

Best sales performers

Are more likely to feel **psychologically safe at work.**

All of whom have completed a particular sales **training course in the last 12 months.**



Are more likely to have **worked in the organisation for 5 or more years.**

Project your forecasts for their impact

	Cost of programme	Expected return	ROI
Investment in manager training and team-building budget	£200,000	£750,000	**275%**
Annual sales training course participation	£500,000	£3,000,000	**500%**
Investment in employee retention	£100,000	£250,000	**150%**
	Cost of programme	**Current return**	**ROI**
Investment in stylist training	£200,000	£75,000	**-63%**

Split test where
possible

Recap

- Metrics that matter
- You’re capturing feedback from your employees
- You’ve got other relevant data
- Combine and analyse
- Identify trends and relationships
- Form hypotheses
- Create forecasts and projections
- Plan to test before rolling out

The end result

This is all about helping you to understand the relationship between your culture and the impact it has on the success of the whole organisation.

By identifying these relationships you're able to:

1. **Focus your resources** on activity that will make the greatest impact, expand initiatives that are working, scaling back the ones that aren't.
2. **Prove the ROI of your people-focused activities** such as L&D, employee benefits, ED&I, wellbeing etc and protect those budgets.
3. **Position the HR function** as a strategic partner for the organisation.

Poll

Would you like to pilot our performance culture consultancy service to see if it can work for your organisation?

Q&A time...

16% less churn
16% Lower employee churn is observed in happy employees compared to unhappy ones

- The Happiness Index dataset

57k cost savings
A 1-point increase in engagement and happiness scores, leads to annual cost savings ranging from £25,800 to £57,000.

- The Happiness Index dataset

23% retention boost
23% Lower chance of employee churn for organisations that foster strong working relationships

- The Happiness Index dataset

Thanks for your time
Don’t be a stranger...

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