

## What we'll cover today



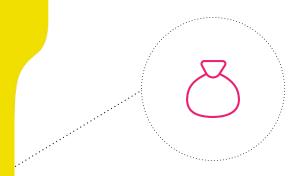
- The challenge
- Metrics that matter
- What great performance data looks like
- Testing

## Poll



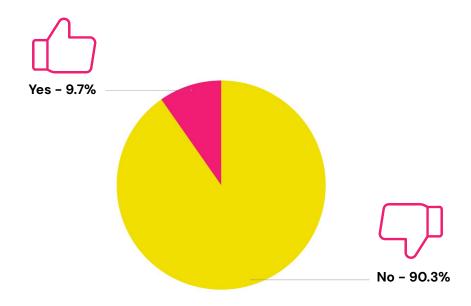


Would you describe yourself as commercially minded in your role?



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









### 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 – <u>Link</u>
- Worry at work: How organizational culture promotes anxiety - Harvard University - 2020 - Link

## Does culture affect commercial outcomes?









#### Original citation:

Oswald, Andrew J., Proto, Eugenio and Sgroi, Daniel. (2015) Happiness and productivity. Journal of Labor Economics, 33 (4), pp. 789-822.

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#### 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

February 22, 2023

#### 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...

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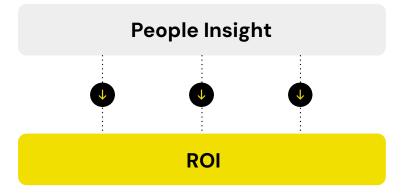








What do we want to achieve?



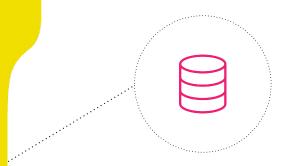


## Where to start?





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.

# 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

Employee feedback

Employee data

Commercial & Performance data

### 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



### **Briahtenina** everyday life for all

Unilever Annual Report and Accounts 2024

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Growth

erated the execution of our Growth Action Plan inse to the challenges Unilever has faced over n helping to improve the quality of our top- and lot still to do. Winning market share across the priority for us in 2025. One of the principles erpinning the GAP has been the need for Unilever to do fewer things, better, with greater

ct. This thinking lay behind two other impor-. First, the announcement to separate Ice essfully completed, this will leave us with a ind four Business Groups with complement pects: Beauty & Wellbeing, Personal Care.

### Market share

ration will give Ice Cream greater flexibility to deploy its distinctive operating model in a that drives growth. We are on track with the separation, having recently announced the e of the Chair-Designate of the company, Jean-François van Boxmeer, as well as details e listing structure. Second, we are making Unilever a leaner, more efficient and more ountable organisation by executing a company-wide productivity drive. The programme is

### Efficiency/Productivity

ever's biggest brands and strongest growth opportunities. These measures were duced under the leadership of my predecessor as CEO. Hein Schumacher, who I was pleased to partner with as CFO. I want to thank Hein for his values-led leadership and e strong performance focus he brought to the business, the benefits of which were ent in our results for 2024

#### ULTS AND PERFORMANCE 2024

In launching the GAP towards the end of 2 ailding our brand Sales r objectives of equities and accelerating consumer dema volume-led growth, gross margin expansion ess. We made progress against these objectives in 2024. Underlying sales grew 4.2% (turnover growth of 1.9% to €80.8 billion), driven by 2.9% volume growth, while price growth moderated to 1.3% on the back of lower commodity costs. Our 30 Power Brands are key to our plans and they delivered strong underlying sales growth of 5.3%. This was supported by a focus on fewer. bigger, science-backed innovations. Ike Dove's Advanced Care Deodorant. Persil's Wonder Wash for short cycles, Liquid I.V.'s Sugar-Free variant and Comfort's Botanicals range. Underlying sales growth was broad-based across the Business Groups with each delivering positive volumes for the year, Beauty & Wellbeing delivered a particularly strong, volume-led performance. Operational interventions in Ice Cream led to an improved performance in 2024. Growth was also driven across both our developed and emerging market businesses, with North America, our biggest region, continuing to deliver a strong and resilient performance. Our focused innovation plan for Europe, another hard-currency market, resulted in a broad-based step-up in volume growth. However, we faced challenges in a few emerging markets. Some of these relate to economic conditions and market slowdowns, such as in China, but where we are confident of our prospects and where our business remains competitive. However, the challenges in Indonesia, Unilever's sixth-largest market.





are long-standing and go deeper, requ ss, which we are implementing with speed and resolve. ine progress in 2024. Profit Operating profit was €9.4 billion, result 15.5%. This included non-underlying charges, primarily a los structuring costs as a result of accelerating our productivity programme. Underlying operating stross increased 12.6% versus 2023, to €11.2 billion, giving an underlying operating margin of 18.4%. STRATEGIC REPORT CORPORATE GOVERNANCE FINANCIAL STATEMENTS SUSTAINABILITY STATEMENTS REVIEW OF THE YEAR Chief Executive Officer's statement 8 Unilever Annual Report and Accounts 2024 We have stepped up our operational performance, sharpened our portfolio, and are in the process of delivering a stronger, more productive organisational model. Fernando Fernandez Chief Executive Officer The improvement in profitability was fuelled by gross margin expansion, which rose 280 basis points to 45% on the back of our GAP-related net productivity intervention. Importantly, this allowed us to increase brand and marketing investment by €0.9 billion, to 15.5% of Group turnover, the highest investment ratio for a decade. Although we saw sequential improvements in the second half of 2024 in our turnover-weighted market share movement, we still have work to do to improve our overall competitiveness and turn our market shares consistently positive. THE GROWTH ACTION PLAN 2030 The operational improvements under the GAP have provided the clarity - and given us the confidence - to look further ahead. Last year, we set out a new, longer-term strategy for Unilever - our Growth Action Plans

#### we want to be. By a Efficiency/Productivity everyday life for all it stands at the fore markets Putting th

business goal of delivering best-in-class performance with what we term, unmissably superior brands. This, ultimately, is the route to providing total shareholder returns in the top third of our peer group. Strategy is all about making choices, and under the GAP 2030 (see page 5), we have distilled these under three key pillars. First, to focus our efforts and est levels of sustained, profitable growth.

### Market share

parts of the business to grow, we will give ower Brands and top 24 markets that make up over, respectively. Second, to excel in five as critical in generating demand for our

brands. These are: ensuring our brands go from 70% to 80% superiority under our new, rigorous, Unmissable Brand Superiority framework; that our marketing leads the way when it comes to social-first consumer engagement: that our top 12 innovations are more scalable, each capable of become on a multi-year basis; that we go from underindexed to over-in um segment of the market; and that auty stores, digital commerce and our brands are more preother rapidly expanding rate the critical capabilities needed to

stay ahead in such a highly dynamic and resolving environment. This includes, for example, being at the forefront of those scientific and technological developments of most relevance to our brands and categories, such as microbiome and biotechnology. It also means harnessing the transformative power of Artificial Intelligence, which we are doing with sizeable investments across six key technology platforms, covering both the demand creation and the productivity and savings sides of our business. These strategic choices rest on two key platforms - sustainability and a winning culture - that help define the Unilever we

want to be. Our sustainability agenda is focused on those areas of greatest relevance to the business, but also where w impact: Climate, Nature, ach area is underpinned by a numb ter focus

#### **Employer talent** and energy we are bring encouraging progress in

As with sustainability. Unilever has pure an enviable reputation for its robust culture, founded on strong values and admired workplace practices. This was reaffirmed last year when we were named FMCG employer of choice for graduates and early career talent in nine of our biggest markets, including India and China. Under the GAP 2030, we intend to build on these qualities - and on our outstanding levels of talent - by developing a winning culture. This will be done through a series of behavioural shifts and by implementing a reward framework more closely linked to - and incentivised around - differentiated business performance. For more information on how we are going about building a winning culture, see pages 34 to 35. LOOKING AHEAD We know that we have a big agenda in front of us if we are to realise our ambition of making Unilever a best-in-class performer, capable of delivering consistent, high-quality growth and competitive returns for shareholders and other stakeholders. However, we can take encouragement from the progress we have made so far. We have stepped sharpened our portfolio, and we are in the process

#### of delive Growth a new wi decisive

organisational model. Moreover, we are displaying challenges and underperformance with swift and now is to accelerate delivery of our GAP 2030 strategy, govern and account on onlinever Leadership Executive members are focused on

this task to ensure we meet our commitments. be within our multi-year range of 3-5%, with a price and a modest improvement in underlying significant change for our business. I want to co focused on implementing these changes while :

volume and Sales 4 was a year of eam for staying tep-up in the Group's results. Thanks to their hard work and incredible commitment, we are steadily laying the foundations for a simpler, stronger, consistently high-performing Unilever.

a sales prowth to

## 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 BDF
- Performance against target per BDE





#### Wants to understand

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





#### 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

### 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...



### Shop 1

////////	onop i			
	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		

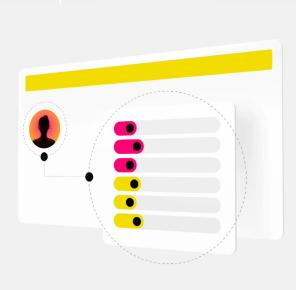
### Shop 2

	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



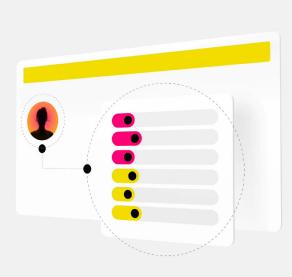




## But what about stuff we can't control?







## Straight line to impact





## 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

The happiness Index

- 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:

- 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.

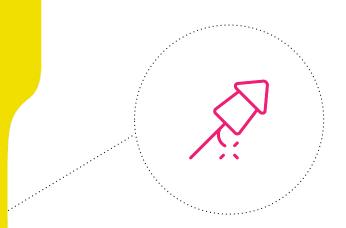


## Poll

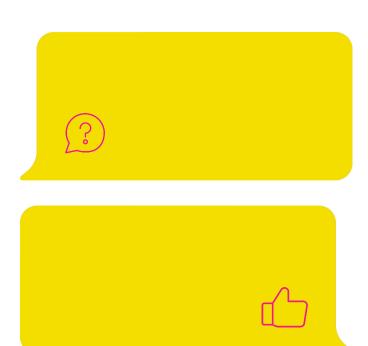




Would you like to pilot our performance culture consultancy service to see if it can work for your organisation?



## 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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