

CHAPTER 2

THE BUSINESS CASE AND THE RECIPE FOR ORGANIZATIONAL HAPPINESS

The business case for working with organizational happiness and employee engagement is not difficult to build. In this chapter I will help you explore all the “whys” and look at the figures based on research and cases, and you will learn how to build your own business case based on relevant key performance indicators (KPIs).

“Nice idea—feels good. *Show me the business case!*”

As an HR executive and trusted advisor, I often get that kind of response when we introduce ideas for new organizational development activities.

I think it’s a good test and challenge to evaluate whether we’re using our money wisely and investing in the right strategic initiatives.

So, hands down, what’s the business argument for organizational happiness and using the Happiness Sweet Spot model to work strategically with organizational happiness? And how do we build a simple business case for happiness that everybody will understand and that becomes a “no-brainer” even for the CFO?

As a starting point we need to establish the fundamentals: Happy employees perform better, are more committed, and attract committed and talented people to the organization. They are healthier and take fewer sick days. They don’t



quit easily, they treat customers better, and they tend to be less stressed. Those are just a few relevant organizational and people measures that would easily build your business case in a concrete way.

From a market point of view, we take happiness seriously, because if we don't, we will be outperformed.¹⁰ Using organizational happiness as a competitive advantage means that you are able to attract, develop, and retain the best talent in your industry. And the individual and team performance will be in the upper 10 percent of your industry. If you evaluate the success of your company based on market value, “human capital” and “intangible assets” are critical.¹¹

¹⁰ See, among others, Meghan Biro at <http://www.forbes.com/sites/meghanbiro/2014/01/19/happy-employees-hefty-profits/>.

¹¹ For inspiration on this I highly recommend *Great People Decisions: Why They Matter So Much, Why They Are So Hard, and How You Can Master Them*, by Claudio Fernández-Aráoz.



The most important competitive advantage is your ability to attract and retain top talent. In that sense organizational happiness will be a differentiator for you, as well as a competitive advantage.

The demographic challenges of the twenty-first century are making this competitive advantage even more relevant.

The changes in the makeup of our population, as a result of aging and migration, are hot topics in the media and the world of politics—and rightly so, because there is hardly a policy area that is not being affected by demographic change.

As organizational leaders we should be aware of how these challenges will affect our ability to attract resources and hire employees with the superpowers we need.

We all want to work for organizations that are oozing happiness. But what do they look like? I believe organizations are happy because they



have a strong heartfelt purpose, believe in strengths-based leadership, and are cultivating a culture of compassion. Those are the three pillars in the Happiness Sweet Spot model.

Below is a collection of quantified and quantifiable benefits of focusing on organizational happiness and employee engagement. The figures are drawn from research by Gallup, Martin Seligman, Tom Rath, Shawn Achor, and other thought leaders and experts in this area.¹²¹³¹⁴¹⁵

Figures are also based on our experience with implementing an organizational happiness strategy in organizations and working strategically with employee engagement.

¹² Research and cases by and from Gallup, Shawn Achor, Martin Seligman, and many more, including our own organizational development cases.

¹³ Aaker, Leslie, and Schifrin, “The Business Case for Happiness.”

¹⁴ Marks, The Happiness Manifesto.

¹⁵ Happiness Works:
<https://www.happinessatworksurvey.com/business-case>.



There is a clear and evident trend in the research and the cases we know about:

- increased **performance and productivity**, 8–18 percent
- higher **customer satisfaction** and loyalty, 2–10 percent
- lower **employee turnover**, 6–73 percent
- higher **employee retention**
- lower number of sick leaves and less absenteeism, 7–37 percent
- more **innovation**, up to 300 percent
- higher **employee engagement**, 4–23 percent
- increased **profit**, 14–29 percent
- fewer **safety incidents**, 23–59 percent
- increased **sales**, 10–19 percent
- reduced **stress and burnout**, up to 400 percent
- better **quality**: fewer defects and errors, 6–27 percent
- increased ability to **drive change** / adaptability to change
- **customer loyalty**
- **ideas** for reducing cost-base



The figures represent the range for which I could find evidence in the research, cases, and our experience with organizational happiness implementation.

I don't think the exact figures are important. What is important are the figures for you and your organization.

Many of the figures are of course interrelated and highly dependent on how you measure, what you measure, and how clearly you are able to isolate the relevant cause and effect of your organizational happiness initiatives.

There is a clear correlation between your effort (defined as having a prioritized strategy with investments behind activities) and the outcome. The more you integrate your happiness strategy into your organization, the more value you create. Or, the more you integrate it, the better the business case.

The idea of including the benefit list is not to guarantee that your results will be the same as



those on the list. Organizations are too complex for me to give you a single practice to copy, and as stated, there is a clear correlation between how you design your strategy, the investments you make, and the results you get.

But even with all the reservations about specific outcome, I would not be afraid to do a no-cure-no-pay agreement on implementing an organizational happiness strategy at any organization.

The aim of this section is to emphasize the business case and highlight the potentially short return on investment (ROI) you can have with organizational happiness strategies.

You will get your own results and own figures, depending on your unique circumstances and potential—and the way you approach your strategy in this area.

Make your own business case. Even a conservative one will make your CFO happy.



Your Business Case

Try to build a quick, very conservative business case on the back of a napkin, like this:

- How many employees do you have in your organization?
- What's your salary budget for this year?
- What's your projected employee turnover for this year?
- Calculate a 2 percent productivity increase. (That means you can save resources or do "more with less.")
- Calculate reduced sick leave of one or two days per year per employee. (That will reduce the cost of using contractors, stress-related expenses, and so on.)
- Calculate your retention rate up or calculate a reduction in turnover by 10–15 percent. (This figure will affect the costs of hiring, knowledge gaps, onboarding, and so on.)



When I do a rough calculation for an organization I'm working with at the moment that has five hundred employees, I get a result of close to \$2 million. This represents profit and cost reductions combined.

The ROI in this case takes less than three months. My experience with investments to drive your organizational happiness strategy is that very often the implementation of the strategy is about focusing and aiming the investments you are already making around your people strategy, training and development, and so on. It's usually not a huge extra investment.

And this is a very conservative business case. When we are able to unlock the potential in the organization, so that employees are playing to their strengths, feeling the purpose, and engaged and motivated, the actual productivity increase is a lot higher than 2 percent. Some studies suggest 28 percent on average.

On top of that, you should add the benefits of more innovation, more sustainable results, better



customer service, higher customer satisfaction, unlocking and releasing management resources, and removing organizational inertia in general.

Those things are more difficult to put into a hard-core business case, but they are highly relevant and would make the case much more attractive.

It is fair to say that this conservative business case for working strategically with organizational happiness is solid. And the potential and real value is a lot more than that.

Would that make you or your CEO—or CFO—want to take happiness seriously in your organization?

Yes.



The Recipe

Before we jump in and explore each of the elements in the Happiness Sweet Spot and your Motivational Landscape, I'll give you the five steps here and revert to it when we work on the recipe for your organization within the framework of the Happiness Sweet Spot.

Five easy steps to organizational happiness and a fully charged organization

1. Find a framework that works for you.
This book is an example of a framework.
2. Make the assessment; know your organization.
3. Do your business case.
4. Base your “strategy-to-action-plan” on
 - i. purpose—your why,
 - ii. strengths-based leadership, and
 - iii. compassion.
5. Measure, review, and follow up—make it stick!



The next five chapters will give you insight, research, and background information on all the elements of the Recipe for Organizational Happiness.

