



 businessolver®

BUSINESSOLVER WORKPLACE EMPATHY MONITOR EXECUTIVE SUMMARY

The Solution to America's \$600 Billion Productivity Drain

May 2017

INTRODUCTION

All it takes is a quick look at the news headlines to know that the state of the American workforce today is troubling. From political uncertainty to market instability to a rise in populism, US businesses are facing an inordinate number of challenges that are affecting not only their employees, but also their bottom line.

The makeup of the American employee population itself is also changing – as workers retire later and a new generation enters the workforce, there are sometimes five separate generational groups in the average workplace, with an age span of more than 60 years.

All of these different employee populations have different wants, needs and communication preferences, making a one-size-fits-all approach to employee engagement impossible.

Amidst all of these external forces, there's a growing discontent amongst American workers. According to [Gallup Research](#), the typical American worker is not only unengaged at work, but they're trying to find a way to leave their current position. Take a look at the grim statistics:



This lack of engagement at work isn't just affecting morale, it's actually affecting the bottom line of American businesses. Disengaged employees have a negative effect on an organization's performance and growth. Research shows they're more likely to steal from their company, negatively influence their peers and miss work. And customers notice: disengaged employees beget disengaged customers, with a higher likelihood of actually driving business away.

**THE COST TO AMERICAN BUSINESSES OF THIS NEGATIVE ENGAGEMENT?
SOME \$600 BILLION IN LOST PRODUCTIVITY.**



Enough of the doom and gloom. It's clear: Something has to be done, and soon. But in such a fast-paced, business world with a multigenerational workforce who has varied needs what are leaders supposed to do?

According to Businessolver research, throughout the business challenges of the last few years, the answer to engaging – and retaining – the American workforce has been under our noses the whole time: It's empathy.

Empathy has gotten a lot of attention in the media and business world as of late, and for good reason. It turns out, empathy is not just a feel-good component of a successful friendship or relationship – it's the cornerstone of good business and a driver of performance among employees. The challenge is, employees and employers differ greatly in how they define empathy, how they value it and what behaviors they believe exemplify it. We call this the “empathy gap” between leaders and employees, and it has a profound effect not only on how the C-Suite relates to their workforce, but also how HR designs a benefit offering that actually meets the needs of their employees.

This marks the second year of Businessolver's industry-first study on empathy in the workplace, and we couldn't be more excited to share the results of this annual study with business leaders, HR professionals and employees alike. Something does have to change in US businesses, and we think the #Empathyatwork is the key.

WHY EMPATHY?

Since 2000, Businessolver has been more than a technology company in the people business, focused on how to create and implement the best employee benefits platforms that engage employees, make HR professionals' lives easier and change the benefits selection process from a painful, once-a-year experience to a positive, yearlong engagement.

As a technology company constantly evolving to find the best ways to partner with businesses and lead employees through the challenges of annual enrollment, empathetic design is a core tenet of our business. Empathy is part of every interaction with our HR partners and end users, from the design of our [MyChoice recommendation engine](#) to the way we focus our customer service model on delight. The more we thought more about the topic of empathy, the more we realized more businesses needed to be talking about it.

At Businessolver, we believe there's an evolution – and revolution – going on in American workplaces today. The cornerstone of that change is empathy. It's something that workers and customers are demanding, and something CEOs and other business leaders have to provide.

ABOUT THE 2017 WORKPLACE EMPATHY MONITOR

Now in its second year, the Businessolver Workplace Empathy monitor is a study of 2,000 CEOs, industry leaders, HR professionals and employees around the United States in a variety of industries including education, healthcare, technology, manufacturing, financial services and government. Conducted in an online survey over the course of a month, the study asked respondents a variety of questions about their perception of empathy in general and in their workplaces, the behaviors and actions that they believe exemplify empathy and how empathy affects their engagement in the workforce.

AUDIENCE	SAMPLE SIZE	MARGIN OF ERROR	METHOD	TIMING
Employees	N=1128	±2.92% at the 95% confidence level	20-minute online survey	Survey fielded from February 21- March 3, 2017
HR professionals	N=105	±9.56% at the 95% confidence level		
CEOs	N=152	±7.95% at the 95% confidence level		
Industry Leaders (6 industries)	N=600 (100 per industry)	±9.8% per industry at the 95% confidence level		

To learn more about the study, visit www.businessolver.com/empathy or join the empathy conversation with #EmpathyatWork.



THE STATE OF EMPATHY: A LOOK BACK

Last year, we unveiled the first-ever Businessolver workplace Empathy Monitor, which found an alarming – albeit not surprising, given the state of the market and average workforce – gap between leaders and employees in terms of feeling and experiencing empathy, or the ability to understand and share the feelings of another, in businesses.

In our inaugural study, we found that 60 percent of CEOs in US organizations surveyed thought businesses were empathetic to the needs of employees, while only 24 percent of employees agreed. An incredible 80 percent of employees believed that empathy was undervalued by US organizations and employees surveyed believed instead that businesses and leaders cared solely about profit, and exhibited non-empathetic traits.

WHAT'S CHANGED IN 2017?

In some respects, 2016 feels like a lifetime ago. So much has changed in our country, world and business landscape since then. What hasn't changed: The need for empathy and the perceived gap between employees and CEOs in exhibiting and prioritizing empathy in the workplace. More than 9 out of 10 employees surveyed across generation, gender, industry and business type feel that empathy is important in the workplace. But data shows that despite the importance placed on empathy, there's still a long way to go in terms of exhibiting empathetic traits:

85%

of employees surveyed believe that empathy is undervalued by US organizations –
a 5 percent increase from 2016.

82%

of employees view empathy as a **key way to have influence** in business.

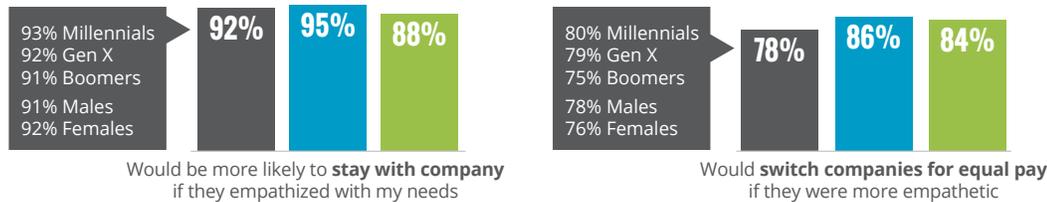
Less than half

of employees rate their companies in general as **empathetic.**

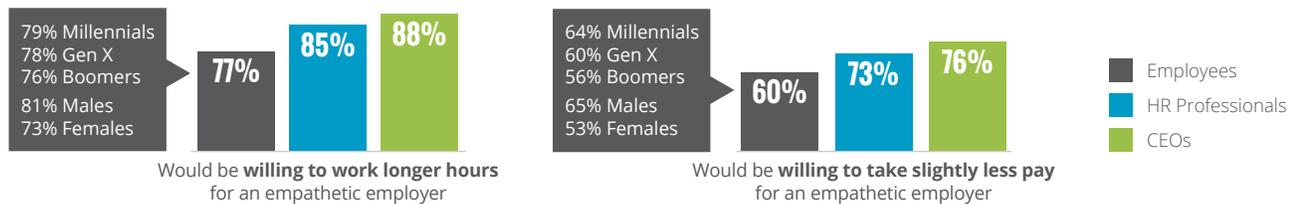
WHY BUSINESSES HAVE TO CARE - AND DO SOMETHING ABOUT - EMPATHY IN THE WORKPLACE

An empathetic employer is seen to drive retention by all audiences

Perceptions around empathy in the workplace
Shown: % that agree (Top 2 box on a 4-pt scale)



And...Prompts employees to make tradeoffs on hours and pay



T3. How much do you agree or disagree with the following statements?
Base size: Employees (n=1,128); HR Professionals (n=105); CEOs (n=152)

Empathy isn't just a feel-good employee engagement concern: it's business cornerstone that can lead to employee attrition and bottom-line impact if not incorporated into an organization's policies and offerings. Data shows 92 percent of employees and 98 percent of HR professionals say that an empathetic employer drives retention, and nearly 80 percent of employees would be willing to work longer hours for an employer they perceived as empathetic. What's more, 60 percent of employees would actually take a pay cut to work for a more empathetic employer.

Increasingly, employees are also seeing empathy as critical to their own personal development. The Workplace Empathy Monitor showed 69 percent of employees believe that being empathetic can help quickly advance their career, and 79 percent think being empathetic makes an individual influential. Employees are also looking at empathy as a key driving factor in their decision to stay with – or leave – an organization, with 72 percent of employees (and nearly 80 percent of millennials) saying they would leave their organization if it became less empathetic.

IF EMPATHY IS SO IMPORTANT, WHY HAVEN'T US WORKPLACES BEEN ABLE TO CLOSE THE EMPATHY GAP?

All it takes is a look through business publications or psychology journals to see that empathy is a topic at the forefront of business conversation. But if that's the case, why haven't more organizations been able to exhibit empathy to their employees and isn't that gap closing?

First, empathy is difficult. More than two-thirds of employees recognize that exhibiting empathy is "hard work" for most people, similar to 2016. Empathy can be difficult to make tangible and hard for employees and leaders alike to quantify (more on this later).

Second, many business leaders and HR pros apply a "one-size-fits-all" approach to managing their employees and developing their benefits offerings, when research repeatedly shows this is a mistake. Given the modern workforce now contains representatives from the silent generation, baby boomers, Generation X, millennials and in some cases, generation Z, it's no surprise that today's leadership is struggling to find the right ways to engage their employees and exhibit empathy. Just a quick look at how employees differ by generation in their approach to empathy:

- Millennials and gen Xers are more likely than baby boomers to believe that that empathy is undervalued in U.S. businesses.
- Millennials are more likely than gen Xers or baby boomers to think that employers should consider terminating employees who don't demonstrate empathy at work.
- Baby boomers, more than millennials or Gen Xers, feel that benefits programs are better equipped to demonstrate empathy than CSR programs.
- Baby boomers and gen Xers place a lower value on social engagement outside of work, 1:1 meetings or discussing coworkers' personal lives than millennials do.

It's clear that there's another empathy gap that exists: This one, however, is between the different generations present in the modern workforces. For CEOs and HR Pros to effectively lead and engage these populations, they have to understand the different values of each.

Third, CEOs in particular have trouble appearing empathetic, or setting the course for their organization to be empathetic. Only half of employees and HR professionals rate companies in general as being empathetic, but only 57 percent of CEOs think empathy among leadership needs to evolve. A whopping 76 percent of CEOs think their organization is on the right track when it comes to exhibiting empathy, showing a huge disconnect between leadership and the employee population.

Finally, biases exist. Employees, HR professionals and CEOs alike recognize their organizations need to do a better job of exhibiting empathy – but they believe they're doing better than other organizations. While 7 in 10 employees rate their company as generally empathetic, only 4 in 10 rate other organizations as such.

A personal bias exists on empathy: My company is rated better

% empathetic (Total Employees)

Shown: Both show % Top 2 Box on a 4-pt scale



ON THE HORIZON: THE EMPATHY EVOLUTION - AND REVOLUTION

Employees are recognizing the importance of empathy, and they're calling on their business leadership to change. While 80 percent of employees say that the current state of empathy in US organizations must evolve, CEOs are slightly behind the curve, with only 57 percent of CEOs saying there needs to be an empathy evolution.

Whether they recognize that the state of empathy has to evolve as strongly as employees do or not, CEOs are the ones who have to be drivers of empathy in organizations, with employees and HR believing that empathy starts at the top of an organization.

So why are CEOs hesitant to take on this role? Likely because CEOs widely admit that not only is empathy a weakness, but that they struggle to adopt it in themselves and maintain it in their organizations. CEOs rank only higher than corporate America on their ability to exhibit empathy, and more than two thirds of CEOs agree that empathy is a weakness and something they struggle to exhibit. Employees and HR are noticing: 82 percent of employees and HR professionals think they would personally do better at exhibiting and implementing empathy than their CEOs do.

WHAT ARE THE MUCH-MALIGNED BUSINESS LEADERS TO DO?

This isn't an exercise in slandering CEOs, but the reality exists: for empathy to trickle down through an organization, CEOs have to be "all in" on adoption empathy and be champions of it in their organization's policies, hiring practices and benefits offerings. To start down the path towards an empathy evolution, CEOs must:

1. UNDERSTAND THE TRUE IMPACT OF EMPATHY

CEOs are in a powerful position to drive empathy through their organizations, but until they realize the benefits of empathy in the workplace, they can be unmotivated to spearhead empathy initiatives. Thinking back to the Gallup study, empathy can have a huge impact not only on morale and employee engagement, but also on the bottom line, improving employee engagement and retention and cutting down on that \$600 billion in lost productivity costs – an incredible motivator for CEOs and company leadership.



2. HARNESS THE POWER OF BENEFITS AND REMEMBER: PERKS ARE NICE TO HAVE; FLEXIBILITY IS CRITICAL:

More than 60 percent of employees say that a strong benefits package exhibits empathy in a workplace, even more than a corporate social responsibility program does.

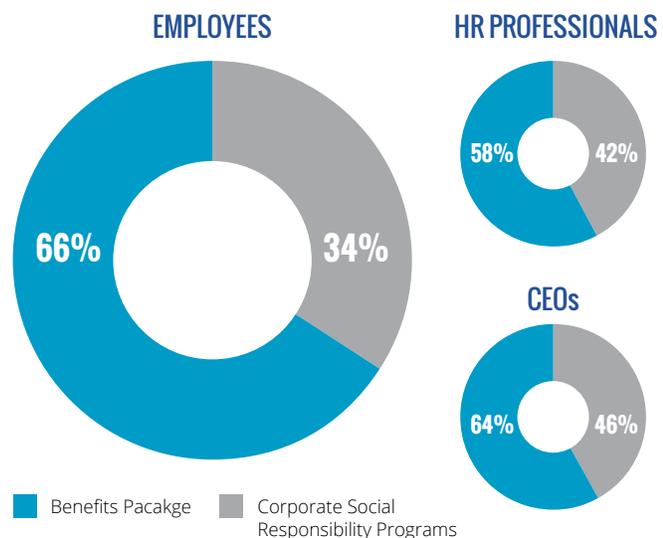
Employees believe treating employees well and caring for mental/physical health demonstrate an employer has empathy. But it turns out, the way many organizations have been approaching employee perks and engagement may have the best of intentions, but have been misguided.

Employees want an employer who cares about their physical – as well as mental – health and empowers them with flexible control of their work location and schedule. They value these benefits just as much as they do traditional health/medical benefits. In fact, the vast majority of employees (95 percent) believe flexible work hours and location are some of the best ways to show empathy. “Soft benefits” like free happy hours, free food and spa services are “nice to have” but just don’t cut it in terms of exhibiting empathy to employees. Instead, employees want to be able to choose their work schedules, have some flexibility in work location. Unfortunately, only 38 percent of employees actually report having these benefits available to them.

Overall, solid benefits packages are better equipped to show empathy than Corporate Social Responsibility programs

Program better equipped to show company empathy (Employees)

EMPLOYEE SUBGROUP	%	INDEX
Millennials (n=384)	63%	95
Generation X (n=248)	66%	100
Boomers (n=429)	71%	108
Male (n=587)	63%	95
Female (n=541)	70%	106
Education Industry	68%	103
Healthcare industry (n=100)	69%	105
Technology Industry (n=100)	58%	88
Manufacturing Industry (n=100)	64%	97
Financial Services Industry (n=100)	68%	103
Government Industry (n=100)	69%	105



R2: For each of the following pairs, please select the one you think is better equipped to show that a company is empathetic?
 Base size: Employees (n=1,128); HR Professionals (n=105); CEOs (n=152)

3. ANSWER THE CALL: PUT TOGETHER AN EMPATHY ACTION PLAN

Knowing about the empathy gap isn't enough to close it. CEOs becoming educated on the need for empathy and evaluating empathy in their own backyard is a great first step towards addressing the empathy gap. But to make empathy a true reality in the workplace, leaders need to address four specific areas:



HIRING:

Empathy is viewed as a learned behavior, but also one that is exhibited by certain people more than others. Characteristics like listening more than talking, treating others with respect and focusing on one-on-one conversation are all markers of empathetic individuals. Seeking out individuals with these traits during the hiring process can create a more empathetic workforce.



TRAINING:

Make empathy a part of employee education and training, focusing on what empathy is and the behaviors that demonstrate it. For those in managerial/leadership positions, this type of training is particularly critical.



PERSONALIZING:

Develop a benefits offering that truly addresses the needs of your workforce and have a clear benefit for end users.



MEASURING:

Empathy and empathetic behaviors can be included in employee performance reviews. Discussing empathy traits and the need for more empathy with employees 1:1 can ensure that it is top of mind and prioritized by managers and employees alike.



CONCLUSION

The state of empathy in US businesses isn't going to change overnight. Disengagement is a massive problem among US employees – a \$600 billion one – and one that can't be easily solved by a halfhearted effort. For leaders to re-engage employees, solve the talent drain and retain the best and brightest to ultimately benefit their customers and bottom line, they have to be ready to shake up the status quo and do more to support their employees. They have to recognize the shortcomings in their own leadership and organization, and join employees in a rallying cry for more empathy, in action and in policy.

In short, they have to start an empathy revolution. Is your organization ready to join?



ABOUT BUSINESSOLVER

Since 1998, Businessolver has delivered market-changing benefits administration technology supported by an intrinsic responsiveness to client needs. It creates client programs that maximize benefit program investment, minimize risk exposure, and engage employees with easy-to-use solutions and communication tools to assist them in making wise and cost-efficient benefit selections. Founded by HR professionals, Businessolver's unwavering service-oriented culture and secure SaaS platform provide measurable success in its mission to provide complete client delight.