



**SERENITY
IN LEADERSHIP**



**MOVING BEYOND
#METOO TO A
HEALTHY & INCLUSIVE
WORKPLACE**

AN EXECUTIVE SUMMARY OF A REPORT

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IN LEADERSHIP**

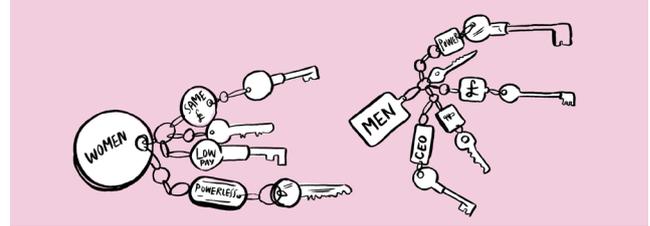


Overview

The aim of this text is to present the evidence linking leadership style to employee morale, customer loyalty and bottom-line commercial results within organisations. We provide both the call, and blueprint to action for business leaders: using research from multiple sources, we summarise the individual challenges, and opportunities, that leaders face in their roles as influencers in addition to the diverse perspectives that surround harassment and misconduct in the workplace today. Our research suggests that negative forms of leadership are derived from unconscious bias and the misuse and abuse of power – a dynamic that can only be countered by a self-aware, inclusive and embracing mindset.



The hidden costs associated with unconscious bias and continued reticence to respond to the calls of action captured within #MeToo and #TimesUp movements are immense. We provide tangible ways in which to respond to these challenges and reap the competitive advantage in doing so.



The case for change

Key statistics:

- In a company of 10,000 employees, our calculations place the hidden costs of harassment (from loss of productivity, and agency fees to procure replacements alone) at \$17,710 per employee leaving as a result of being harassed. Given that a company of this size is estimated to lose 544 employees each year due to harassment issues, this figure scales up to an annual loss of in excess of \$9.6M.ⁱ
- When legal fees are included for each case in that year (though of course, most harassment cases never see their day in court), this figure can inflate to excesses of \$64M which equates to \$117,810 per harassment case.
- The 2018 Women in Work study by McKinseyⁱⁱ and the Lean In initiativeⁱⁱⁱ found that the representation of women in leadership lags behind men from the first promotion onwards. Men hold 62% of these first managerial positions, whereas women hold just 38%. This gap develops into a chasm at C-Suite level as the female talent pool eligible for consideration narrows.
- According to recent research by Pew Research Centre^{iv}, 59% of women and 27% of men surveyed say they have personally received unwanted sexual advances or verbal or physical harassment of a sexual nature, whether in or outside of a work context.
- The Angus Reid Institute recorded 89% of Canadian women say they use strategies at work to avoid sexual harassment^v.

i. See Annex A

ii. <https://www.mckinsey.com/featured-insights/gender-equality/women-in-the-workplace-2018>

iii. <https://leanin.org/equal-pay>

iv. <http://www.pewsocialtrends.org/2018/04/04/sexual-harassment-at-work-in-the-era-of-metoo/>

v. <http://angusreid.org/me-too/>



- In work published by Warble last yearⁱ, 63% of respondents witnessed behaviour at work that was disruptive to culture, productivity and/or the business but did not report it to management or HR. Nearly 46% of survey respondents felt that their complaints would not change a situation with 32% not doing so because they 'don't trust HR'. Finally, 47% of respondents indicated that they feared retaliation (38%) or that they would lose their job (26%) if they spoke up against misconduct in the workplace.
- With The Society for Human Resource Management (SHRM) citing the costs of replacing talent at as much as 6 to 9 months' salary of the person replaced, high employee churn is hugely damaging to profitabilityⁱⁱ.
- Perhaps most worryingly of all, Pew noted that half (51%) of those surveyed said the increased focus on gender equality in the workplace via #MeToo and #TimesUp movements have made it harder for men to know how to interact with women in the workplace. The same percentage say the increased focus on sexual harassment and assault won't make much difference for working women with 20% even thinking it will lead to fewer opportunities for women in the workplace in the long run.



Modern society is moving towards a greater intolerance of power misappropriation and control, demanding instead increased inclusion and collaboration. There is an expectation that leadership figures will take greater responsibility for these societal issues in order to build resilient organisations and healthy work environments. However as of yet this expectation has failed to translate into sustained and sincere action on the part of C-Suite figures to close gender inequality in the workplace.

Though #MeToo and similar campaigns have succeeded in empowering a collective voice against harassment and systemic inequalities, corporations on the whole are not responding as many



would hope. Abuse, bullying and the continued difficulties facing minority groups in entering and rising within the job market (here inclusive of women) remain business as usual. Though these initiatives have brought much needed attention to these and many other manifestations of discrimination in the workplace, the momentum remains misdirected, often only serving to inflame anger and frustration amongst many women and create widespread confusion in men as to how to conduct themselves. Within our own dialogue events, we are seeing more division arising in recent times, not less.

When leaders acknowledge the reputational and commercial damage that arise from gender demarcations, sexual harassment cases and other examples of misconduct at work, they become more attuned to their employees' needs and customer expectations.

For example, the prioritisation of profit and shareholder value as the overwhelming driver for business is today being challenged. Echoed by the latest IPCC climate change reportⁱⁱⁱ, our research suggests that already more and more workplaces are becoming purpose-driven, putting the employee experience at the forefront of their agendas. It is clear from the current trajectory of change that inclusion-focused cultures will become mandatory in the short to medium term. This is best illustrated by the FCA's recent move to consider allegations of harassment or sexual misconduct before approving senior managers as 'fit and proper' in addition to their new provisions to protect those under company 'gagging orders' when coming forward to report such misconduct^{iv}.

i. <https://warble.work/why-us-workers-remain-silent-about-disruptive-behavior-at-work-2/>

ii. <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Retaining-Talent.pdf>

iii. http://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf

iv. <https://economia.icaew.com/news/october-2018/fca-takes-tough-line-on-sexual-misconduct>



Barriers to change

Organisations and their leaders

Leaders are facing real time pressures, complex problems and difficult priority decisions. Even with the best of intentions, they can still make less than optimal choices that do not serve the business, their employees or even their own interests.

The focus in the majority of organisations remains on traditional metrics of success—profit and shareholder value—and typically leaders are being judged (and indeed, remunerated) according to these criteria. This can cause them to lead with styles that generate unhealthy competition, blame, censure and fear.

Defining the challenge is simple but finding a solution is very complex. How can one influence leaders who, whilst working to the best of their ability, are not engaging with a problem that is corroding their trade and employee morale? This challenge is exacerbated by society at large which values quick



fixes over a considered approach. Such demand precludes the extensive periods of experimentation and best practice sharing that issues as convoluted as this require to have a hope of being resolved.

The damaging effects of unconscious bias

Most leaders are unaware of how their behaviours and decisions affirm the prejudices they hold because their drivers remain unconscious.



This lack of awareness is to the detriment of those around them and to their business as a whole. Worse still, work from Yale found that those who do perceive themselves as objective actually exhibit even greater bias in day to day lifeⁱ.

In the workplace, this bias can manifest most keenly during performance reviews: in an analysis of 248 such reviews in high-performers in tech, negative personality criticisms (such as abrasive, strident, or irrational) showed up in 85% of female reviews and just 2% for those of menⁱⁱ. Given that performance reviews are the gateway to promotion within an organisation, statistics such as this should be considered when tracing the origin of the gender pay gap we see today. Without addressing both the reticence of leadership figures to relinquish control and their deeply rooted unconscious biases, leadership will never reflect the diverse society that it leads.

- i. <https://medium.com/tech-diversity-files/if-you-think-women-in-tech-is-just-a-pipeline-problem-you-haven-t-been-paying-attention-cb7a2073b996>
- ii. <https://web.stanford.edu/dept/radiology/cgi-bin/raddiversity/wp-content/uploads/2017/12/TheAbrasiveTrap.pdf>



Hidden costs of harassment



Unconscious bias rarely goes unacted upon and harassment at work is one of the most extreme consequences possible. With extremity comes externalities – knock-on effects which are incredibly difficult to quantify. The cost of a single harassment case can spread so widely, it is difficult to be recognised, traced and, therefore, cause the alarm it warrants.

Serenity in leadership is the first (to the best of our knowledge) to quantify the cost of harassment in the workplace in order to encourage companies to give it the same gravitas as any other external shock. It is essential that business prioritises intangibles as it does fixed tangible assets.

Calculating exactly how much bullying is costing a business can provide motivation for change. Although this is an imperfect science, it can at least give a measure of the scale of loss.

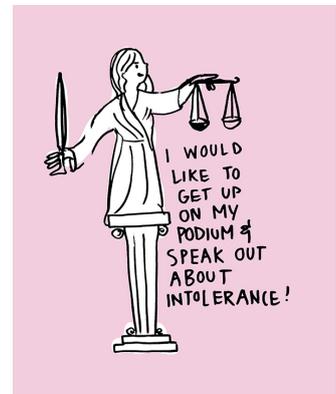
We offer a formula to estimate the annual cost of harassment (not including legal fees) based on the Chart of Risk Factors for Harassment and Responsive Strategies produced by the U.S. Equal Opportunity Commission (EEOC) of last yearⁱ; said formula produces a figure in excess of \$9.6M. Details of the calculations are at Annex A:

It is clear that harassment cases don't have to reach the litigation stage to cost a company financially. Calculations such as these demonstrate that though cultural issues may not be explicit within company spreadsheets, even superficial investigation can produce findings that C-Suites cannot afford to ignore.

Attitude to whistleblowing

Many employees are fearful of making mistakes because of the perceived consequences to their status, identity and personal or job security. This culture of fear can lead to dysfunctional behaviour such as concealment, bullying or harassment which is rarely reported for fear of ridicule, not being believed, or of reprisal: hence #WhyIDidntReport.

According to work by Reutersⁱⁱ, the number of whistleblowing cases submitted to Britain's markets regulator has dropped by 40% since 2014. This figure at first glance may be encouraging, however further investigation suggests this reduction is out of intimidation and not improvements to corporate culture and practice. Although extensive legal protections do exist to defend those who come forward, these do not go far enough - in the UK there is still no guarantee of financial compensation in the event of dismissal as there is in the US, for example.



Because communication is so often prevented from travelling upwards, it can make it difficult for leaders to make informed decisions, particularly when dealing with dysfunctional behaviour and practices. This highlights the paradox of leaders nurturing the very culture that cuts them off from the information they need in order to create positive change.

i. https://www.eeoc.gov/eeoc/task_force/harassment/risk-factors.cfm

ii. <https://uk.reuters.com/article/uk-britain-whistleblowing/britain-remains-hostile-to-whistleblowers-statistics-show-idUKKBN1DLIUUV>



Our vision for change

The benefits of diversity for business go beyond making good on corporate responsibility: diversifying business offerings – only possible through the collective creativity of a diversified workforce – expands market capture. The runaway success of Fenty Beautyⁱ, Savageⁱⁱ and ‘body positive’ Barbie linesⁱⁱⁱ are all examples of how an inclusive commercial strategy can translate to extensive market share. The economic power of inclusivity proves it is not only possible to rewrite the rules whilst playing the same game but may even be necessary to go on to win.

Metrics of gender parity are beginning to gain strength as KPIs within a firm, with those falling short receiving short shrift from the ‘invisible hand’. Though progress is undeniable – and awareness ever intensifying – there remains work to be done to ensure business responds meaningfully to its role in reinforcing or resolving gender inequality. Actions speak louder than lip-service; only time will tell which firms will embrace the opportunity to drive change in this and who will experience the opportunity costs of business as usual.

If leadership figures are willing to acknowledge their own limitations, prejudices and cognitive biases, transformation can begin. By understanding their own motivations more clearly, leaders are best placed to motivate and protect those working for them from becoming collateral damage to their own toxic behaviour. This responsible approach to leadership increases staff efficiency and morale, leading to low churn, great work ethic, and a better use of financial resources – all of which go to improving an organisation’s bottom line.

With this ambition in mind, our management consultancy division specifically addresses symptoms of cultural friction within organisations, such as high levels of employee churn, pay disparities and employee dissatisfaction. We assess how these issues may manifest internally and externally, and negatively impact overall commercial performance. With this knowledge and understanding, we are able to help decision makers create a healthy and inclusive workplace for employees to thrive.

Conclusion



The #MeToo movement has presented organisations with an extraordinary opportunity. Perhaps for the first time, leaders will examine the distorted way in which companies and organisations have been run and permit positive change to elevate the working environment to one of equal opportunity and employee safeguarding. The future of

work relies on leaders to face these challenges with greater self-awareness. In doing so, they will earn the respect of their employees and reap the benefits of a diverse and dynamic organisation.

Left unattended, gender inequality and misconduct are capable of becoming a destructive and confusing combined force – creating more problems than solutions. It is only by leaning in to #MeToo beyond the lip service level that we can attain the safe and respectful workplace, and indeed society, of which we are capable.

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- i. <https://www.marketresearchhub.com/report/success-case-study-fenty-beauty-rihannas-make-up-line-embraces-diversity-report.html>
 - ii. <https://www.theguardian.com/fashion/2018/may/11/rihannas-empire-empowering-women-and-making-lots-of-money>
 - iii. <http://time.com/barbie-new-body-cover-story/>



Annex A

Time to reach full efficiency

Period of time is expressed in the percentage of a year it takes newly recruited staff to achieve the efficiency and output level of the person they replaceⁱ. While HR Review do not use percentages, they break it down within a year, assessing how many weeks it takes. On average it takes newly recruited staff in large companies 28 weeks to achieve optimum productivity, (i.e. 53.8% of the year), while personnel in SMEs take 24 weeks (46.2% of the year).

Micro-businesses with new recruits take 12 weeks (23.1% of the year).

In terms of break-down by industries:

Legal: 32 weeks (61.5% of the year)

Accountancy: 32 weeks (61.5% of the year)

IT & Tech: 29 weeks (55.8% of the year)

Media & Advertising: 20 weeks (38.5% of the year)

Retail: 23 weeks (44% of the year)

If you break down time taken for achieving optimum productivity by sector, say HR Review, the following findings have been made:

New recruits joining from the same sector: 15 weeks (28.8% of the year)

New recruits joining from another sector: 32 weeks (61.5% of the year)

New graduates: 40 weeks (76.9% of the year)

New recruits that were previously unemployed can take up to a full calendar year: 52 weeks (100% of the year)

Potential Legal Costs

1 The New York Post ran an article originally published by 'Moneyish'ⁱⁱ which reported a record legal settlement in 2012 when a former cardiac surgery physician assistant was awarded nearly \$168 million in a sexual harassment suit against the California hospital where she once worked; this was subsequently reduced in a private settlement between the lawyers.ⁱⁱⁱ U.S.A. Today said in their 2017 article that this was the largest single award to date; however, it is a matter of time before we see class actions come to court, which could exceed Ani Chopourian's award.

2 Legal out of court settlements for sexual harassment cases are usually between \$75,000- \$125,000; this figure doubles if a case reaches court.^{iv}

i. <http://www.hrreview.co.uk/hr-news/recruitment/it-costs-over-30k-to-replace-a-staff-member/50677>

ii. <https://nypost.com/2017/11/03/preventing-sexual-harassment-can-save-companies-millions/>

iii. <https://eu.usatoday.com/story/money/2017/10/25/sexual-harassment-here-some-biggest-cases/791439001/>

iv. <https://www.yourerc.com/blog/post/the-cost-of-sexual-harassment-in-the-workplace>



Cost of Turnover

The Centre for American Progress found that the median cost of turnover was 21% of an employee's annual salary.ⁱ

Extrapolating from all the above, corporate costs can be expressed as a formula as follows:

Variables

a = Size of company in number of employees

b = Staff churn per year as a percentage of total number of employees

c = Average salary of staff leaving

d = Cost of recruiting replacements as a percentage of replacement salaries – direct agency fees only

e = Period expressed in percentage of a year it takes newly recruited staff to achieve the efficiency and output level of the person they replace (actual cost calculated on an increasing level of contribution as training/induction impacts performance). See page 10

f = Number of people bullied at work expressed as a percentage of number of employees

g = Number of people leaving as a result of sexual harassment, bullying or bias in the workplace expressed as a percentage of staff churn

h = Cost attributed to fighting sexual harassment claims or pay outs expressed as a percentage of leavers' salaries

Example

a = 10,000

b = 15.1%ⁱⁱ

c = \$38,500

d = 21%

e = 25%ⁱⁱⁱ

f = 29%

g = 36%

h = [100k (average lower limit) / 38.5k] x100 = 260%

i. <https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>

ii. <http://business.dailywage.com/blog/employee-retention-rate>

iii. See page 10: Time to Reach Full Efficiency



Calculation

$$j = a(b \times g) = 10,000 \times 0.05436$$

= 543.6 employees leaving as a result of sexual harassment or bullying at work

$$k = c \times j = 20,928,600$$

$$l = k \times d = \$4,395,006 \text{ (agency fees paid out to replace leavers)}$$

$$m = k \times e = \$5,232,150 \text{ (reduced productivity during induction/training)}$$

$$n = j \times h = \$54,414,360 \text{ (potential liability of payouts and legal costs attributed to leavers citing sexual harassment or bullying in the workplace)}$$

$$Sa = l + m + n = \$64,041,516$$

= \$117,810 per harassment case per year (including legal fees)

$$Sb = l + m = \$9,627,156$$

= \$17,710 per harassment case per year (excluding legal fees)

Put another way, in a company of 10,000 employees the hidden costs of harassment (from loss of productivity and agency fees to procure replacements alone) reach \$17,710 per employee leaving as a result of being harassed. This figure scales up to an annual loss of \$9.6M. When legal fees are included for each case in that year (though of course, most harassment cases never see their day in court), this figure then inflates to excesses of \$64M, or \$117,810 per harassment case.

TIME TO REACH FULL EFFICIENCY

Average salary of staff leaving	\$38,500.00
Average monthly salaries of staff leaving	\$3,208.33
No of weeks in year	52
% of year to achieve productivity	53.80%
No of weeks to achieve productivity	28.0

Monthly productivity as a % of final efficiency level		Loss of productivity	
Month 1	14%	86%	\$2,759.17
Month 2	28%	72%	\$2,310.00
Month 3	42%	58%	\$1,860.83
Month 4	56%	44%	\$1,411.67
Month 5	70%	30%	\$962.50
Month 6	85%	15%	\$481.25
Month 7	100%	0%	\$-
		Total	\$9,785.42
		Total as a % of total annual salaries	25%



Serenity in Leadership is a culture change management consultancy that improves commercial outcomes whilst making positive changes to a firm's culture, policies and ethos.

Out of our extensive tenure in leadership research, we guide corporations to respond meaningfully to the calls to action captured within the #MeToo and #TimesUp movements, whilst improving overall company performance.

Via the virtues of a trickle-up economy, we passionately believe that listening and responding to employees improves business outcomes through reinvigorated output and commitment to the success of their organisation.

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