Empathy in Business

Turning empathy into bottom line value

/ Happier employees
/ Increased customer satisfaction
/ More profit
/ Stronger brand
“Empathy is one of our greatest tools of business that is most underused”

-Daniel Lubetzky

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Foreword.

"Success comes from empathy"
-Satya Nadella

In today’s demanding business environment leaders need to cultivate the ability to be empathetic. The tendency to be egocentric is an evolutionary survival mechanism. But times have changed. We live in an economy where people value experiences and give their time and money to companies and leaders they can respect and that give them additional value. That value is not born through traditional leadership—it is born through leaders who are mentors more than bosses, coaches more than managers.

The 2018 State of the Workplace Empathy Report by Businessolver found that “87% of CEOs agree the company’s financial performance is tied to empathy”. According to CareerBuilder 2019 report, candidates’ soft skills are increasingly important when applying for jobs. 92% of employers say soft skills, including empathy, will be important in determining if they will hire candidates. Companies are reacting to the benefits of using empathy consistently in leadership, as it will help them gain advantage, for example increased customer satisfaction, happier employees, higher revenue and stronger brand.

Welcome to learn how and why to harness the power of empathy into a business advantage. This manual will show you research, case studies, as well as thoughts of leaders who value empathy high in their leadership strategy, with excellent results.
Empathy, in many ways, is essential for gaining success. I have seen many examples of the power of empathy in different areas of technology. It’s important to understand that empathy can be learned. For us, who might not have the strongest natural empathy skills, learning happens through life experiences and pain - and it’s worth the journey. I want to share my knowledge on how to use empathy in business and what are the benefits of it. – Managing Director, Microsoft Oy. Master of Science in Economics and Business Administration.

When you think about technology you think about innovations, and there are no innovations without empathy. This is one of the reasons I want to speak and advocate about empathy in business. When a team pursues a dream, the manager is responsible for ensuring that they work with empathy, understanding, and courage. – Director, One Commercial Partner & Small, Medium and Corporate Customers, Microsoft Oy. Master of Science in Engineering.
Tony Namulo
In my work my goal is to increase customer satisfaction. There is no customer experience without empathy. As a brand expert, I know that the basic science behind visual branding is understanding. Only when you understand how your customers perceive your brand, will you be able to improve and serve them better. –Director, Customer Experience, Tavale. Educational background in Software Development.

Niina Majaniemi
I realized the power of empathy in business when I researched emotional intelligence in recruitment for my master’s thesis. During my career I have witnessed empathetic leaders who achieve incredible results – both in terms of revenue and with helping others, which has inspired me. I also saw leaders who work driven by their own ego and that has made me an advocate of driving change. I have studied empathy in business for years and am happy to share this knowledge in this manual. – Freelance writer, Franchise community manager, M Room. Master of Business Administration, International business management.
Empathy means the capacity of comprehending what another person is experiencing from within the other person’s frame of reference. It means that one can place oneself in another’s position. The competency of connecting with others and relating to others—which is empathy in its purest form—is the force that can help your business succeed.

Psychologists Daniel Goleman and Paul Ekman divide empathy into three categories:

1. Cognitive empathy is the ability to understand how a person feels and what they are thinking. Cognitive empathy helps us to communicate better.

2. Emotional empathy (also known as affective empathy) is the ability to identify with the feelings of another person. This helps you build deep relationships with others.

3. Compassionate empathy (also known as empathic concern) moves us to act and makes us do good for others.
According to brain researcher Katri Saarikivi, empathy is not opposite of intelligence; empathy can be adapted for example for predicting what the competitor thinks, or for understanding consequences when there is a need to lay off a large number of employees; skills that an intelligent leader surely uses.

Daniel Goleman has made extraordinary claims that emotional intelligence will account for success at home and work. Empathy could be the cornerstone of emotional intelligence. Other critical soft skills to mention a few are interpersonal awareness, self-esteem, resiliency, stress management, and motivation.

It’s important to remember that research has shown that empathy is not simply inborn, but can be taught and learned, it can be developed over time just like a muscle, through exercising this important human skill every day.

“No great innovations without empathy. No empathy without actions.”
-Katarina Engblom, Microsoft Oy.

“Empathy makes you a better innovator”
-Satya Nadella, CEO, Microsoft.
Empathy is the competitive edge leaders are missing, states the Businessolver 2019 study. According to The Empathy Business empathy is positively correlated with growth, productivity, and earnings. The Index also makes a case for empathy boosting the bottom line as the top 10 most empathetic companies generated 50% more earnings than those ranking least.

“Empathetic workplace has a positive impact on business performance.”

Daniel Goleman shares three reasons why empathy is important: increasing use of teams, rapid pace of globalization and growing need to retain talent. In its article “Rewards multiply with workplace empathy”, Washington Post states that “organizations that teach their managers to show empathy will discover exponential results”. State of the Workplace Empathy 2018 study by Businessolver found that 80% of employees, HR professionals and CEOs agreed that an empathetic workplace has a positive impact on business performance, motivating workers and increased productivity.
Happier Employees

According to Forbes, Empathetic leaders may be more effective at fostering inclusive workplaces. World Economic Forum’s Future of Jobs report states that emotional intelligence is one of the top 10 job skills in 2020. Empathy is an effective tool for successful personal development discussions. In today’s diverse workforce empathy also helps build cohesion; inclusion comes when people successfully want and have skills to communicate with people who are different.

“Empathy is a significant skill for work life.”

Psychologist Jaakko Sahimaa states that soft skills are very important in business. “To achieve goals, we need soft skills. Employees are human beings and a leader needs to be prepared to lead and encounter people in an empathetic manner. Empathy is a significant skill for work life.”

"While the influence of technology is growing, our need for human connection is unchanging."

-Niina Majaniemi

"The future of human work is grounded in empathy as a job skill"

-Tony Namulo
42.5% of the global workforce is expected to be working remotely by 2022. In an increasingly global and remote workforce, we need to know how to keep our teams connected and working towards the same goal.

Today’s leaders are coaches above all. “It’s the duty of a leader to help others succeed”, says Jussi Tolvanen. Empathy is the tool that helps in this effort.

How to build an empathetic company culture?

Tip:

✓ As a leader, approach leadership with “how does my work benefit others”. Check out your ego and check in your ability to be a coach and a mentor. Employees apply empathy only if the leaders do too.

✓ Give your employees more freedom in everyday decision making.

✓ Listen. Be present. Ensure that employees get training on emotional intelligence (EQ). If we aren’t emotionally intelligent, we are slaves of our impulses, as EQ allows us to control our emotions.

✓ Encourage people to talk about their development needs. Create an environment where development and admitting weaknesses are accepted and even welcomed.

✓ In challenging situations, like reducing people, treat them with understanding and respect so that you can proudly face them afterwards, even if they had moved on. Support them with references or recommendations for another position.

✓ When giving negative feedback deliver the message with empathy. That helps break down the barrier and eliminate defensive response. Instead of “You have not finished your projects and you need to work harder” try “I noticed that you struggle with schedules. Can we talk about why and how I can best support you?”. 
Increased customer satisfaction

- Empathy equals customer experience

We are in a new era where customers are no longer passive. The digital explosion allows the customers want more, demand more, and know more. Communication is a true dialogue. Empathy helps us to see the world of the customer. It is about having the emotional intelligence to choose the right emotional response to make the customer satisfied.

Forrester’s research shows that “the return on investment (ROI) on even small increases in customer experience (CX) Index score continues to be significant. For a big-box retailer, a 1-point improvement can lead to an extra $244 million in incremental revenue, and a decrease in CX Index score can slash revenue and profit just as dramatically.”

How to calculate the ROI of empathy? There are several ways, depending on the business model. Companies can for example test which customer service team has higher customer satisfaction rates and less churn; those who receive empathy training and talk to customers or those who handle everything by e-mail, quickly and efficiently, but lacking the personal edge. Empathy training pays off fast. Telefonica Germany saw a 6% increase in customer satisfaction within six weeks of implementing an empathy training program.

According to Forrester research customer experience winners gain 4.6 times more revenue growth than those who idle with CX. After implementing their “Always Getting Better” program, targeted to increase
customer satisfaction, Ryanair saw a net profit increase from €867 million to €1.24 billion. CEO Michael O’Leary said: “If I’d only known being nice to customers was going to work so well, I’d have started many years ago.”

How to use empathy to create better customer experience?
“For example, remove or change the check-in formalities for travel worn hotel guests so they can relax and start enjoying their holiday immediately after their long journey. Or to make your website and multimedia brand assets more accessible to customers who may have a permanent disability or temporary impairment, simplify written text for more accurate machine translation, add alternative text for graphics and use closed captions for video”, says Tony Namulo.

Tip:
✓ Ensure you understand customer needs. Don’t assume.
✓ Provide outstanding customer experiences: anticipate a customer’s needs and exceed their expectations by orchestrating moments of delight.
✓ Start by analyzing the current processes and then evaluate which one of them could be transferred into meeting the customer needs better.
✓ Recognize customers’ emotions and respond accordingly, personalizing your response.
✓ Give your employees a set of phrases to act as guidelines for acknowledge customers emotions. For example, “I understand how frustrating that would be” or “I can see why you feel that way”.

A study by Penn State University reveals that people using web chat are happier with the customer experience if agents use emoticons and respond fast. If you focus on empathy, Customer Satisfaction (CSAT) will most likely be the first metric to improve. When customers feel heard and understood, they are much more likely to provide a good satisfaction rating on feedback surveys.
Increased Revenue
- Beyond the bottom line. Different paths to success.

Increased customer satisfaction and referrals.
We see a shift across the board for companies to become customer centric. The Eptica Study ‘Power of Linguistics: Consumers vs Agents – can the gap be closed?’ found that companies that fail to show empathy are likely to lose customers, with 82% of consumers saying they always or often switched supplier if customer service staff failed to correct issues.

“While the influence of technology is growing, our need for human connection is unchanging.”
-Niina Majaniemi
Tip:

✓ In customer meetings, don’t focus on what you want. Instead, ensure you know what the customer wants to achieve, what they are missing, and what would fulfill their goals. This helps you get a win-win solution.

✓ Never say “the customer is being difficult”. Customers aren’t difficult but have a driver you might not understand. With empathy you can find out what it is.

Accelerated productivity and innovation

A study published in the Journal of Applied Psychology found that empathetic interventions dramatically increase productivity. Empathy is a wellspring for innovation. To acquire more revenue, good ideas can’t stay hidden inside company walls. According to Katarina Engblom, you need a joint goal, a culture where ideas are accepted as well as diversity and inclusion to create something new. All these require empathy.

Tip:

✓ Create a culture where it is safe and expected to bring out new ideas, and people know that leaders listen to them without judgment.

Higher performance in diverse workplaces

To achieve an equitable and inclusive workplace it’s imperative for leaders to be well-trained in inclusive strategies led by empathy. Performance suffers if people from different backgrounds cannot understand each other. “Diversity is very important in business today, but it’s not enough just to hire people from different backgrounds, knowledge and cultures; you need to include them with their ideas and insights into the team and build on the joint strengths”, reminds Katarina Engblom.
Better engagement and collaboration.
Empathy helps us assimilate with thoughts and feelings of others, and therefore empathy is a key skill in building trusted relationships. Research shows that the average U.S. employee is not only disengaged at work, but half of U.S. employees are searching for a new job. This can impact businesses’ bottom lines by more than $600 billion in lost productivity per year.

Tip:

✓ When you have a team where opinions differ vastly, don’t reject somebody’s idea even if you feel it is the furthest from what you are thinking. Instead, dig deeper and ask: “where do you base that opinion on” or “what makes you convinced that is the best thing?”. Be open - don’t assume, bypass or belittle anyone.

✓ Evaluate ways of working. If the management sits away from employees, the culture of open innovation suffers. Move the management team where people are, ensure anyone can come and speak to them when they have ideas or productive feedback. This will speed up the rate for new innovations and demonstrate respect towards employees.
Design

“Empathy is the core of service design”, according to Beada Hiiri, Lead Service Designer at Wärtsilä. Design driven companies outshine others on the S&P 500 by over 200. Kelly B. Heard and Ravi Mehta tested the effects of empathy on design. The article published in the Journal of Consumer Research in June 2018 shows that when designers imagine user’s feelings, they created more creative, original, yet practical ideas, compared to when designing for a particular audience.

Empathy will grow your marketing pipeline. Technology is changing in a rapid pace and we have more options than ever before – but at the same time, it becomes harder to build trust with customers and partners. Empathy can drive sales starting from personal experience and customer service. Revenue is not created by only looking at the numbers – that is the old way. The modern and more effective way is to build empathy into the customer experience you’re providing through all your actions and channels towards different stakeholders.

Tip:

Jussi Tolvanen, how to make empathy a part of everyday business?

“At work: Our colleagues have joys and sorrow. These feelings affect other people. Encounter your colleagues openly, in an empathetic manner, even when you don’t see eye to eye or struggle in some other way.”

‘With customers, partners and vendors: How to listen to your stakeholders more openly, without your own agenda? By genuinely understanding others’ views enables us to produce better end results for all.
Stronger Brand
-Empathy as a driver for brand strategy

“Depending on the type of information you want technology to convey, how you want individuals to react to it, or how you predict they’re going to react to it, you’re going to need to understand their current state. In a way, their emotional state is going to give you some clue as to how they’re likely to respond.”

Chris Edgar, Postdoctoral Research Fellow at Banissy Lab

Today’s customers want to make a connection, and they choose a brand accordingly. Empathy is the key for creating a positive brand experience. In daily operations it’s hard to see how a brand is perceived by the customers. Empathy forces you to look at your brand through the lens of human needs and values.

Tip:

✔ Ensure that your brand narrative resonates on a personal level with customers. The key is to create meaningful one-on-one connections, welcome new innovations and improve your roadmap based on customer feedback.

Create content to address precise problems and provide flexible solutions. Delta airlines flight crews ordered pizza for travelers stranded on the runway during a delay. Morgan Durrant told CNN that Delta lets teams take the lead in doing meaningful actions for customers during challenging situations. This resulted into a large amount of positive customer shoutouts in social media, a clear indication of the positive impact for the brand.
Empathy makes a stronger brand. - LinkedIn

Successful content marketing is about creating a connection between your customers and your brand. This means creating valued and meaningful, personalized content that serves needs and solves issues, as well as empowers customers. This type of content is successful only when driven by empathy. Empathetic content marketing is a powerful strategy for all types of businesses.

LinkedIn: Ebook

LinkedIn Marketing Solutions aims to provide additional value to their customers; to enable marketers to reach their target audience as well as help them create more attractive content to achieve their goals. LinkedIn created a service that helps its customers to feel empowered. The content of the service is related to the benefits of LinkedIn but the team has made a significant push into content that educates all levels of marketer on a variety of topics, not just their own agenda (see more from this blog).

The e-book, The Secret Sauce: Learn how LinkedIn uses LinkedIn for marketing, provides insider information about how LinkedIn uses the platform to achieve its own marketing goals. It is made with empathy as one of its immensely effective marketing tactic is education and understanding the needs of the audience that is interested in learning. LinkedIn wants to empower its audience to work better by providing an e-book which helps customers understand and confidently use LinkedIn like the pros.

Through this type of offering customers learn that they can rely on LinkedIn as a trusted source to guide them in the right direction and to truly try to meet their needs proactively.
Empathy boosts innovation and saves human lives

Melinda and Bill Gates Foundation

Empathy at best can improve human lives. Melinda Gates in Netflix documentary Inside Bill’s Brain: Decoding Bill Gates explains how she was shocked to hear that diarrhea kills 2,195 children every day. When a child in underdeveloped area gets diarrhea, there is no quick cure; there is a risk that the child could die. Unsafe sanitation is a huge problem for 4,5 billion people. The thought of stepping into the shoes of a mother living in a poor area somewhere in the world led to Bill and Melinda Gates foundation to discover ways of helping. They knew that solving the sanitation challenge would require breakthrough innovations in technologies as well as systems that are practical, cost-effective, and replicable on a large scale. They collaborate with government leaders, the private sector, and technologists to advance promising new toilet and waste treatment technologies, service delivery models, and policies with the greatest potential to revolutionize sanitation standards and practices, at the local and national level.

While looking at the different solutions from innovators Melinda Gates showed a high level of empathy. In the documentary she said “Bill has access to amazing scientists and innovative ideas for a sanitary technique. It will completely transform the developing countries but hey need to relate with the mother who is taking their child to the toilet…..In the villages the mothers say, “if men can see through the walls, I’m not going there”. She shows a wonderful example of how even the highest technology fails if it’s not produced with empathy, and how empathy can help make this world a better place for those who are suffering.
Employee satisfaction.  

Scandic

When a company brand is associated to represent a great employer, it means profit in many ways; in the form of smaller turnover of employees, better productivity, and indirectly also happier customers which again equals more profit.

Let’s look at a case from a Nordic hotel group Scandic. Riikka Mattila came to lead their HR in Finland in 2012 and when she stepped on board the employee engagement was the lowest of all six countries of operation. The organization began focusing more on e.g. strengthening leadership, building trust and empowering team members, which all require empathy. Riikka emphasized the importance of great team member experience, e.g. listening, inclusion, transparency, collaboration and appreciation – encouraging everyone to live the Scandic values of being themselves and caring for others. Every employee had a chance to take responsibility and influence how they do their daily job. When for example the use of learning and communication platform was low, employees were not criticized but instead the question was “what could we do to make the content better so you would want to use it?”. After some years of persistent work Scandic won the best place to work – award in 2017 and 2018 in Finland and was named third best workplace in the large company category in Europe. These recognitions clearly show the benefits of using empathy as a strategy in human resources. “It has been a great journey to see, how focusing on the great team member experience and team member driven development reflects to great guest experiences and improved financial performance - all at the same time”, says Riikka proudly.
Costco

America’s best employer is selected annually by Statista and Forbes. Costco has consistently appeared in the top three. They modeled corporate empathy in 2009 during economic collapse. Most companies cut costs but Costco’s CEO James Sinegal approved an hourly raise for employees, saying that in a bad economy “we should be figuring out how to give [workers] more, not less.” Costco’s leaders took the employee’s perspective, wanting to motivate them through the difficult time. Today Costco has low turnover—less than 10% for hourly employees.

Costco proves that a brand doesn’t need to offer deals all the time. A few consistent, reliable values create transactional loyalty. Costco is not the cheapest but some of its products are a great deal through high-quality private label products and bulk quantity.
Empathy – Method for socially responsible companies.

Case example: 

*Empathy package.*

Companies can practice social responsibility by joining forces with other organizations and NGOs to achieve a bigger goal. Microsoft decided to focus on the power empathy in one of it´s initiatives, with the end goal of helping reduce cyber bullying.

Microsoft, Elisa, The Trade Union of Education in Finland (OAJ) and Mannerheim League For Child Welfare among many others launched the Empathy package in 2019. It offers information and tools for a more empathetic life.

Technological development has created a world of polarized opinions. We may say or do things online that we would never do face to face. We meet on digital platforms but do not engage in a dialog. Facelessness is hampering emotional intelligence.

Empathy package states that empathy can be learned and offers an opportunity to do just that. It offers parents, teachers, children and young people tools, guides and materials for learning and teaching empathy. “Parents need more information and better tools to prevent online bullying. As a technology company it´s our responsibility to participate into preventing negative behavior online, as well as creating more empathetic communication. I hope that with technology we can find more ways reduce online bullying, and increase empathy in the internet”, says Jussi Tolvanen.
References & more information

Excluding the material that is already inserted into text with hyperlinks


Intelligence at Work: How Successful Leaders Combine Technology with Emotional Intelligence. Please download the e-book from here.


