



# The Human Cost of Control – pt2

## Expanding on “The Darker Side of Toyota”

Considerations of best-practice methods and the long-term cultural impact on organisational and social performance and progress.

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## Overview:

In part 1, I considered learned helplessness, inherited opinion of what's good as imprinted by our exposure to other peoples opinions, our tendency to exaggerate 'goodness' for our own benefit, our psychological 'drives', the fact we are 'purposeful', and the danger of imprinted beliefs not being challenged.

In Part 2. I list the key points taken from Mehri's observations for consideration against these human tendencies.



It is not the strongest of the species that survive, nor the most intelligent. It is the one most adaptable to change.

- CHARLES DARWIN

## The Peter Principle

"In a hierarchy every employee tends to rise to his level of incompetence"

Laurence Peter observed that;

Bosses who are competent in their roles tend to assess employees according to their output and results,

.....whereas

Incompetent bosses tend to assess employees according to their input and adherence to rules and policies.

## PART 2 – Mehri’s Paper – The Darker side of Toyota.

### Setting Boundaries for my critique

Organisational performance will be my primary boundary. I will include in observations, mostly about what is included **‘within’** this boundary.

However, an organisation is a Socio-technical sub-system of a larger complex socio-economic system (free-markets). Considering this I may look outside of this boundary on occasion, to make the connection between cause and effect elements, which occur **‘across’** this ‘chosen’ boundary.

### Darius Mehri - The Summary

Darius Mehri (Mehri 2005) spent 3 years working as a design engineer for a Toyota group company he refers to as ‘Nizumi’. In that time, he got under the veneer, popularly reported in publications, seminars and conferences considered to provide an authoritative view of Japanese industry and TPS (Lean).

Under the ripples on the surface, he found the under-currents. The world of people at work, according to Mehri, didn’t look much different in Japan than we experience in the West. If anything, the levels of fear and control, used through unwritten rules and socially accepted conduct, to conform to cultural standards was **worse** than it is in the west.

Darius reports of social hierarchies dictating ‘open-office’ layouts that are constructed to consciously represent the ‘Old-Boys club’, positioning those who were ‘approved of’, so everyone knew who would succeed and be promoted and who would not.

He reports overt bullying in these environments, emotionally undermining people and inhibiting innovation. He explains, where one department-head perceived threat to status or resources from another department-head, it would lead to exhausting public arguments and more bullying. If a subordinate spoke out of turn, those breaking the unwritten social rules would be punished or ostracised.

He reports of immense safety issues on production lines, and how official bodies have repeatedly taken action to try, and largely fail, to stop the ‘covering up’ of serious incidents caused by an overt lack of concern for safety and an all consuming focus on production speeds in most corporations across Japan.

What he presents, directly contradicts the Utopian view often presented by others .. often these others are those who benefit from a simplistic form of these principles being accepted as ‘Good’.

Having had ‘Time’ to ‘Learn’, Mehri is uniquely positioned to compare this ‘Face’, to the ‘Reality’ of a fast-paced socio-technical complex environment, full of emotional experience.

Following are a few extracts to present what he found in his own words.

## Extracts

“My Japanese colleagues often talked to me about a distinction which is fundamental to understanding Japanese culture and business: *tatemae* (what you are supposed to feel or do) and *honne* (what you actually feel or do).

Imagine getting a haircut in Japan. When the barber begins cutting, you notice he is making many mistakes. When he is finished, your hair looks terrible. Yet when the barber asks “How is the haircut?” you respond, “It looks great.” You refrain from criticizing or confronting the barber because it is bad behavior in Japan to embarrass someone in public.

You leave the barbershop and swear you will never return again.

In this case the *tatemae* was your response that the hair “looks great” when in fact your true feeling, the *honne*, is that you are furious because it looks awful.

In Japan, if two employees disagree with each other, it is considered bad behavior to be confrontational. You are supposed to fake a good-natured relationship and not show your true feelings. In my interviews with workers, I would often inquire about the management’s behavior and in case after case, *tatemae* and *honne* were used to explain company policy. The company’s policies were *tatemae*, and the underlying realities were *honne*.

I believe that international enthusiasm for the Toyota Production System results from western observers’ failure to discern the *honne* within the *tatemae*. It has been easy (but erroneous) to accept the *tatemae* as given, and to write about it without regard to the Japanese realities or to any possible losses in translation. But *tatemae*, *honne*, and other phenomena of the Japanese workplace release their meanings only to observers who spend time in the culture.

## **The Hidden cost of productivity**

– a title under which, Darius lists accounts of issues under the following headings.

### **1.Product development: Innovation from without**

Toyota tends to purchase innovation from smaller companies—it doesn’t make it—or adapt designs already being used in the industry. Rarely do new ideas emerge from within the company, particularly the engineering department. With a lockstep and rigid management culture, tied firmly to Japanese culture, there is no room for expressing basic creativity in the design process.

### **a. Problem Solving**

In general, entertaining abstract concepts was never encouraged; instead, a focus on detail was required.

### **b. Breadth vs. depth of technical skill**

A workplace culture that does not allow the free flow of ideas, open discussion and debate, true team collaboration, and extensive intelligence about how one's part fits in the whole of a product or process. The narrow experience means that engineers following the Toyota Way only know one path, their own, and often must follow it blindly under the strict direction of their superiors

### **c. The role of espionage in design**

Stealing technology and industrial espionage frequently came up during conversations with employees at the company, and it was apparently a fairly common practice in the Japanese auto industry.

### **d. Purchasing expertise**

In addition to borrowing ideas from industry, Toyota group companies often purchase innovation directly from outside consultants and other sources. At the same time I was helping to redesign the drive-train of a primary product, I was informed that an engineer from the well-known German consulting firm ATN would be coming to the company to discuss our project. Why would a German engineer be working with us, privy to proprietary information? Later that day, a European colleague raced to my desk and said, almost panting, that Nizumi had hired ATN to design the product. "It's just crazy," he said, "ATN is going to be working on the design!"

"What?" I said. "But we're already designing it!"

"The plan is to have ATN design their own version of the drivetrain while we design it independently." .....

They did not have the organizational or educational creativity to come up with their own advances, and they knew that the European products were far more innovative than any Japanese products on the market. It was a clever strategy. They were able to obtain key technology for the Japanese market that had already been designed for the European market.

### **e. Benchmarking, not brainstorming**

A project that involved the design of a device to reduce the aerodynamic drag of a vehicle was indicative of the approach to innovation employed at Nizumi— one that relied heavily on benchmarking and inductive reasoning, rather than abstract thinking, and left little room for original ideas to emerge. Instead, elaborate systems of benchmarking existing products and attempts to improve upon their existing design within a cost margin was the strategy used in product development.

## 2. Engineering Silo's: The Many 'Is' in team

Part of the innovation problem emerges from the relative isolation in which most engineers actually worked. The perception of the Toyota Way is that engineers, in particular, work in groups and teams that rely on collective knowledge to spur innovation. But, in reality those teams represented rigidly defined groups of like employees who took direction from the manager and worked independently of other team members without much consultation or collaboration. There was no free flow of information in the product development process. There were no open conversations. Non-managerial engineers did not share their managers' comprehensive sense of how all of the parts work together, but instead focused solely on their small part in the whole. Indeed, managers would order their subordinates to carry out certain job tasks, while controlling the flow of all information. Often, when Western scholars describe teamwork, they infer that all Japanese engineers— even lower level engineers— share information and collaborate. However, this is simply not true. All information and work was controlled from above. Even in the lunchroom, there was no open talk about technology or sharing of ideas.

### a. Working as an engineer

A superior would yell out the name of an engineer, who would drop what he was doing and rush to his desk. They would talk about the issue— usually loudly enough for everyone in the section to hear. Although the engineers would sometimes raise issues and make objections, in the end, they deferred to what their manager said. Finally, the superior would give the subordinate a direct order and the engineer would respond with a “hai wakarimashita” and walk away. Both sides avoided a direct clash of ideas. Now I saw why others had been surprised whenever I raised objections. Although I was only trying to create the best design, I was breaking the rules of social conduct.

### b. Teams on the line

Nor was the idealized team concept apparent in the production process. I was acquainted with a number of production workers at the Nizumi factory, who became key informants regarding the workings of the production system. One production worker, a Thai immigrant named Sanan, explained to me that he only received brief training as he was immediately immersed in the Toyota Production System.

I asked Sanan about teamwork. He said in most cases, the employees did not function as a team. If something happened on the line, if someone needed assistance from another group member— nobody helped. “Everyone just does their own work.”

### c. Competition between Divisions

The notion of competition pervaded Nizumi's organizational culture, and often contributed to strained relations across divisions.

A colleague explained why. He said that managers in the Design and Research Division did not get along. “Once I worked on a project with the Design Department, and Uno found out and got very angry with me,” he said. “In a meeting with my group, he pointed his finger at me and yelled, ‘Don't you ever work with the Design Department again!’ Since then, if it's necessary to work with them, I just do it secretly.”

### 3. The Price of Toyota's production system: Worker Health and Safety

A production worker reiterated what everyone had told me, that the line was *abunai*, or dangerous. The line speed was the main danger. "Working with heavy machinery is always dangerous, but the problem is they work the line so fast that accidents are frequent. Many guys at the company have lost their fingers." On a theoretically average day, his team was required to make a total of 120 products, which means spending three minutes on each product. However, the quota was often raised to 132 products, or more, so the production time was correspondingly reduced per product, leading to a faster pace and more accidents.

According to Shuzo Sasaki of the Aichi Labor Institute, an organization with more than 30 years of experience studying Toyota and their group-related companies, the largest contribution to accidents on the line is the fast line speeds. "Fast line speeds contribute greatly to work-related accidents and health problems. We have noticed a high blood pressure rate, hearing problems, work-related injuries, and death directly related to fast line speeds. About 50 percent of all workers have work-related illnesses but are still forced to work." (Interview 2000) The Institute has recorded line speeds as fast as 58 seconds per minute, but many workers claim they have not even one second to rest.

#### a. Kaizen in Theory and Practice

I brought up the issue of kaizen with Kofi. Kaizen meetings were called KYT on the line, in Japanese, *kikken yochin* training, meaning danger awareness training. "Improvement meetings are vital to the way Japanese work," he said. It was a job requirement for all workers in his group to meet every Tuesday after work to discuss improving safety and production. Management would ask for suggestions, but since Kofi was only a contract, or temporary, worker, they never gave him credit for his ideas, even when they implemented them.

I learned more about conditions at Toyota when I went to a dinner party. Our host had worked at Nizumi, but recently began working on the line at the Toyota plant. I asked why he'd changed jobs, and he told me the money was better. However high pay came at a high price. He rolled up his sleeve and showed me his arm, which had burn marks on it from spot welding. He said he worked with inadequate equipment and that he was not provided with proper welding clothes.

#### b. Accident reports and hiding issues

How was the company able to keep its image clean? How could it get away with reckless behavior? Although Kofi had worked for more than six years at the company, and either saw or heard about many accidents, he did not know of a single incident in which the company was blamed for the problem, even if the worker received compensation. If the worker was temporary and he couldn't return to work because of his injuries, he was immediately dismissed.

According to Kofi, accident reports were often modified in favor of the company, especially if the worker was a regular employee.

Lower-level supervisors would modify the reports for fear of punishment by upper-level management.

Every line worker I spoke to said the factory was *abunai*— dangerous. I asked Higuchi about it. When he first entered the company, he had to work on the line for six long months, and he concurred.

Dr Yamada derided the preventive measures management suggested to workers in the accident reports. By looking at the preventive measures with Dr. Yamada, I saw the true intention of the corporation, the *honne* behind the *tatemae*, and that was to blame workers for accidents.

According to Dr. Yamada, hiding injuries is a long-standing, pervasive, and hidden rule at most corporations in Japan.

c. Working conditions in *keiretsu* companies

#### **4. Management through social control: The highly controlled social order.**

In their interpretations of management styles at Toyota and *keiretsu* companies and in the scenes of order and organization they witness, many Western observers miss the underlying cultural currents and unspoken rules that govern the Japanese workplace. This lack of cultural relevance often causes critical details to be missed in assessing how work is accomplished, as well as how worklife for the average employee, white collar or blue collar, is characterized.

Japanese society is also one governed by formality and unspoken rules that, if broken, lead to criticism, harassment, and even ostracizing the offender. Rules at Nizumi govern parking, bathroom behavior, overtime, and every human and business activity imaginable. What I found most interesting about these rules was that they were phrased in the language of morality: justice and injustice; good and bad. An employee who uses the parking lot without permission commits “an injustice to the company. From now on if there is a person who does this, we will severely punish that person, so please obey the rules on this document (do not be a bad member of the company).”

Breaking these rules impacted a worker’s career.

##### **a. The power group, intimidation and bullying.**

In Japanese society, there is no real equality: either someone is above you or they are below you (Nakane 1970). Chie Nakane makes an insightful observation about the nature of the relationship between two individuals in a senior and subordinate position in Japanese society. Often referred to as the *oyabun-kobun* relationship, the *oyabun* is the employee who obtains the status of parent and *kobun* of that as the child. One member of the power group, whom I nick-named Scarface, was a senior engineer at the company and good friends with Uno, the Section Manager. This relationship gave him free license to bully anyone in the section. He would abruptly approach an employee from behind, commandeer his chair, then harass him about his work, reading some of his data out loud and asking tough questions.

When the employee responded, Scarface would yell, "So why is that? What do you mean? Why didn't you use this procedure?" Some engineers maintained their composure, but others stuttered and their faces turned bright red. These incidents always occurred when other members of the group were present, as Scarface's goal was to publicly humiliate his target.

## Darius Mehri Concludes;

The workers were despondent. "They take it for granted that it will be decided by the top and sent down. Then again, many of them are thinking that whatever happens, it won't make a difference."

What has changed at Toyota over the last three decades? Not much. I experienced the same unsafe work environment, the same oppressive mechanisms of worker control, the same power manipulations that Kamata chronicled. He described the same *tatema/hone* disconnect that was pervasive in my experience.

What will change over the next 30 years? I fear that little will happen. There are some who continue to accept the *tatema* without understanding the *honne* it belies.

Toyota was recently lauded for the reduced design time in production of the Prius. But never is the impact on the health and safety of engineers mentioned. Like I was, I suspect engineers and production employees were simply pressed, intimidated, and overloaded to get the job done.

**End of extracts.**

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## **"In a hierarchy every employee tends to rise to his level of incompetence"**

Laurence Peter observed that bosses who are competent in their roles tend to assess employees according to their output and results, whereas incompetent bosses tend to assess employees according to their input and adherence to rules and policies.

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In the world of leadership, we need to put much effort into the definition of the word 'competent' when considered from an emotional, psychological & cultural perspective in addition to a fiscal, quantity and output perspective.

Where a 'boss' is under threat, from his level of elevation in respect to skills / comfort and status, his automatic reactions will necessarily become more defensive to conserve emotional energy. In connection with stressor hormone release and other neurological factors, 'relationship' suffers when people are put in such conditions. Where poor relationships exist, between peers, departments and systems, organisations fail to maximise their potential to innovate and perform profitably.

These are the depths of development that we systematically ignore in business today.

Cont. in Part 3.

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If you want your organisation to move beyond the standards set by an evolving past, contact David for leadership development and organisational assessment / organisational development support on [drbovis@duxinaroe.com](mailto:drbovis@duxinaroe.com) or on 07793276015.

## ADDENDUM

### Toyota's - 14 management principles

1. Base your management decisions on a long term philosophy, even at the expense of short term financial goals.
2. Create continuous process flow to bring problems to the surface.
3. Use "pull" systems to avoid overproduction.
4. Level out workload (heijunka).
5. Build a culture of stopping to fix problems, to get quality right the first time.
6. Standardized tasks are the foundation for continuous improvement and employee empowerment
7. Use visual control so no problems are hidden.
8. Use only reliable thoroughly tested technology that serves your people and processes.
9. Grow leaders who thoroughly understand the work, live the philosophy, and teach it to others
10. Develop exceptional people and teams who follow your company's philosophy
11. Respect you extended network of partners and suppliers by challenging them improve.
12. Go and see for yourself to thoroughly understand the situation.
13. Make decisions slowly by consensus, thoroughly considering all options; implement decisions rapidly
14. Become a learning organization through relentless reflection (hansei) and continuous improvement (kaizen)

### Relative to The Toyota Way

1. Long Term Philosophy - Principle 1
2. Right process = right results - Principles 2-8
3. Add value by developing your people and partners - Principles 9-11
4. Continuously solve root cause Problems - Principles 12-14

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## Other References.

- Individuals go through a reaction process when they are personally confronted with major organisational change (Jacobs, 1995; Kyle, 1993).
- According to Scott and Jaffe (1988) this process consists of four phases: initial denial, resistance, gradual exploration, and eventual commitment.
- Unconscious processes arise as individuals respond to the threats of change (Halton, 1994; O'Connor, 1993).
- Individuals unconsciously use well-developed and habitual defence mechanisms to protect themselves from change and from the feelings of anxiety change causes (Oldham and Kleiner, 1990; de Board, 1978).
- These defences can sometimes obstruct and hinder an individual from adapting to change (Halton, 1994).
- Resistance is a natural part of the change process and is to be expected (Coghlan, 1993; Steinburg, 1992; Zaltman and Duncan, 1977).
- Resistance occurs because change involves going from the known to the unknown (Coghlan, 1993; Steinburg, 1992; Myers and Robbins, 1991; Nadler, 1981).
- Typically, individuals seek a comfortable level of arousal and stimulation and try to maintain that state (Nadler, 1981; Zaltman and Duncan, 1977).
- Individuals differ in terms of their ability and willingness to adapt to organisational change (Darling, 1993). This is because individuals experience change in different ways (Carnall, 1986).
- Some people tend to move through the change process rather quickly, while others may become stuck or experience multiple transitions (Scott and Jaffe, 1988).
- The failure of many large-scale corporate change programs can be traced directly to employee resistance (Maurer, 1997; Spiker and Lesser, 1995; Regar et al., 1994; Martin, 1975).
- A longitudinal study conducted by Waldersee and Griffiths (1997) of 500 large Australian organisations during 1993 and 1996 revealed that employee resistance was the most frequently cited implementation problem encountered by management when introducing change.
- Over half the organisations surveyed experienced employee resistance. These findings raise questions about how effectively the resistance phase is managed when implementing change.
- Managing employee resistance is a major challenge for the initiators of change, and according to O'Connor (1993) outweighs any other aspect of the change process.
  
- Over 60% of change efforts fail
  - McKinsey Quarterly 2006 & 2008
- Change initiatives fail 70% of the time
  - Miller 2002
- 64% failure rate in municipal public service programs
  - Yin 1978
- Major corporate investments are abandoned within six months, 80 per cent of the time
  - Gartner Group 2002
- 75% of change efforts fail completely or threaten the survival of the company when neglecting culture
  - Cameron & Quinn 1999
- Most change programs fail, but the odds of success can be greatly improved by taking into account counterintuitive insights about how employees interpret their environment and choose to act
  - McKinsey 'The irrational side of management' 2009
- "83% of all mergers and acquisitions (M&A's) failed to produce any benefit for the shareholders and over half actually destroyed value"
  - KPMG 1999
- Interviews of over 100 senior executives involved in 700 deals over a two-year period revealed that the overwhelming cause for failure "is the people and the cultural differences".
  - KPMG 1999
- Experts say that organisational culture is formed from between 80% and 90% of employee behaviour,

determined by the way leaders address ... what the organisation attends to, measures, rewards and controls; critical incidents and the approach to role modelling and coaching actions.

- Human Capital Institute & Towers Perrin joint white paper 2007

- The greatest barrier to successful integration is cultural incompatibility. Undervaluing or ignoring the human dynamics related to an M&A transaction can prompt the departure of key talent... among the assets that made the acquisition attractive...
  - Author of 'Done Deal' Beth Page 2006
- Post-M&A organisational cultural change is a traumatic experience for organisational members. It generates resistance and contributes to M&A failure.
  - Manchester Business School 2007
- A study of 100 companies with failed or troubled mergers, 85% of the executives polled said that differences in management style and practices were the major problem.
  - Coopers & Lybrand 1992
- Surveyed executives involved in a number of acquisitions concluded, "The major factor in failure was the underestimation of difficulties of merging two cultures".
  - British Institute of Management 1996
- Kotter and Heskett's landmark study, 'Corporate Culture and Performance,' documents results for 207 large U.S. companies in 22 different industries over an eleven-year period. Kotter and Heskett reported that companies that managed their cultures well saw revenue increases of 682% versus 166% for the companies that did not manage their cultures well; stock price increases of 901% versus 74%; and net income increases of 756% versus 1%
- Denison's research of 34 large American firms, one of the most frequently cited studies of culture & performance, found that companies with a participative culture reap a ROI that averages nearly twice as high as those in firms with less efficient cultures. Denison's study provides hard evidence that the cultural and behavioural aspect of organisations are intimately linked to both short-term and long-term survival
- The top five performing stocks from 1972 to 1992 witnessed growth from 15,689% to 21,775%. Yet during this period, these industries as a whole performed very poorly. These five firms cite their sustained advantage did not rely on technology, patents, or strategic proposition, but rather on how they managed their workforce
- According to Pfeffer's research, companies that manage people right will outperform companies that don't by 30% to 40%
- The Corporate leadership council reported in 2006 that engaged organisations grew profits as much as three times faster than their competitors. Highly engaged organisations reduced staff turnover by 87% and improved performance by 20%
- Companies in the 'Best companies to work for' table in the period 04-08 increased T/O by 94% & profits by 315%
- From the 2009 Report to Government on Employee Engagement by David McLeod & Nita Clarke:  
"Those Companies with a highly engaged workforce improved operating income by 19.2% over a period of 12 months, whilst those companies with low engagement scores saw operating income decline by 32.7% over the same period"

"Over a 12month period, those companies with high engagement scores demonstrated a 13.7% improvement in net income growth whilst those with low engagement saw net income growth decline by 3.8%"

The Chartered Management institute 'Quality of Working Life 2007 Research Programme' found a significant association and influence between employee engagement and innovation

A 2009 Watson Wyatt study of 115 companies indicated that a company with highly engaged employees achieves a financial performance four times greater than companies with poor engagement

They also reported that the highly engaged are more than twice as likely to be top performers - almost 60% of them exceed or far exceed expectations for performance

Moreover the highly-engaged missed 43% fewer days of work due to illness.

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**Today – we can explain all of these statistics with the depth and Rigour required allowing us, as leaders, to know how we have to be and what we have to do to improve them. There are no more excuses, no ‘system’ to blame – following the latest advances in Neuroscience and psychology, we have the knowledge and therefore the choice to change – will you?**