

Paying the price for problematic behaviour

Uncovering the true cost negative workplace culture has on organisations and their people

A research report by Culture Shift
January 2022



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A word from Culture Shift CEO, Gemma McCall



Gemma McCall
CEO, Culture Shift

The pandemic has left employees more aware of what is truly important to them; whether that's a good work life balance or a workplace with a strong culture of trust and respect.

This, amongst other social and political events of the past 2 years, has undoubtedly led to more people being mindful of workplace culture. There are simply just fewer employees that are willing to put up with negative cultures, problematic behaviour and the subsequent impact on their mental health.

The pressure is now stacking for leaders to continue to analyse the impact these cultures can have on organisations as a whole.

It goes without saying that problematic workplace behaviour impacts a business' outward reputation and its employer brand, recruitment and retention, but there are also financial repercussions which aren't always considered. From the cost of legal

proceedings, settlements and tribunal fees, to fines from the EHRC (Equality and Human Rights Commission), revenue lost to presenteeism and absenteeism, as well as the cost to replace good talent, problematic workplace culture can have a huge detrimental impact on a business' bottom line.

What's more, if you were an investor would you want to invest in a business which has a bad reputation? Whether it's a financial scandal or a harassment case against them, businesses need to be more aware of the long-term impact these issues have on their reputation and subsequently, their future success.

To form this report, we asked 1,000 employees, with more than 100 respondents from each of the financial, healthcare, insurance, legal and public sectors, to delve into workplace culture within their organisation and whether or not they've experienced or witnessed problematic behaviour at work throughout their careers. We also hone in on the impact this had on them, in terms of mental wellbeing and ability to do their job.

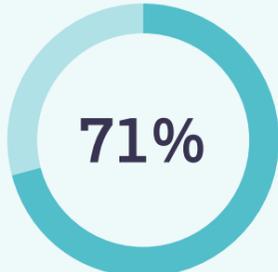
In addition, we surveyed 100 respondents who have experienced problematic behaviour, such as bullying or harassment, at work and have received a payout as a result, to uncover the true extent experiencing incidents of this nature had on other areas of their lives. Lastly, 20 investors of FTSE100 companies were surveyed to uncover what impact incidents of this nature have on their investment decisions.

I hope you find the content useful, and I'd love to hear from you if you have any questions or thoughts. Connect with me on social media!

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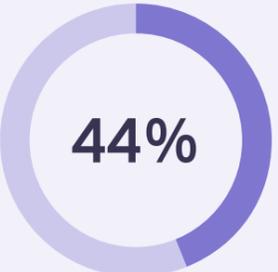
Key insights



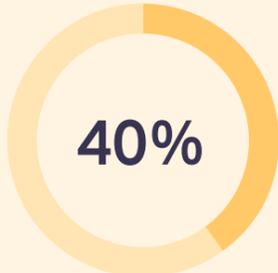
of investors **wouldn't invest** in a company that had a problematic workplace culture



of investors say if they had invested in a company that was then **embroiled in a workplace bullying and harassment case**, they would distance themselves



of employees have **witnessed problematic behaviour** (such as bullying, harassment or discrimination) at work



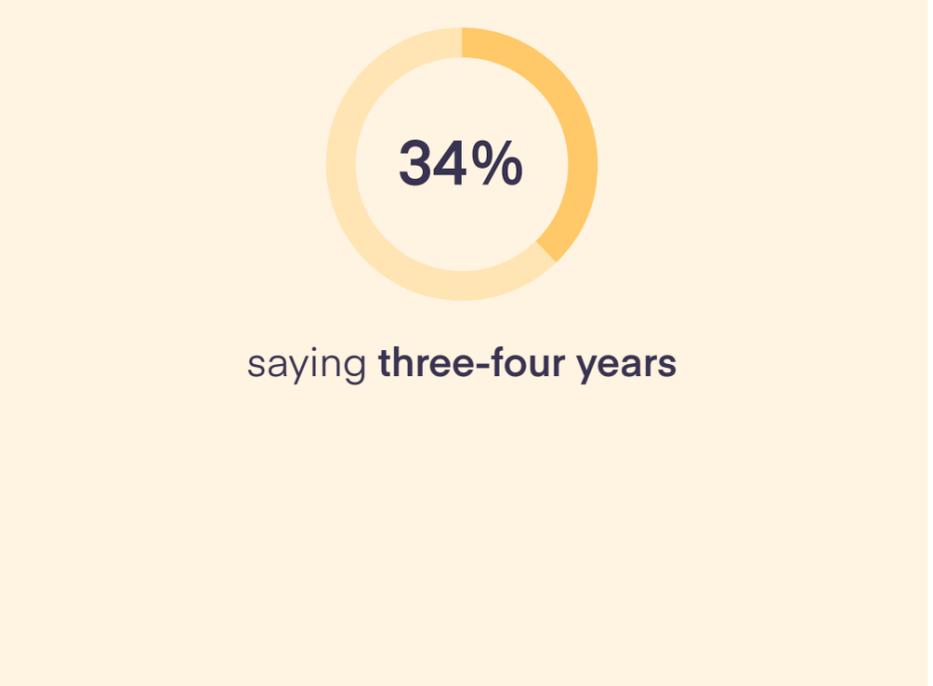
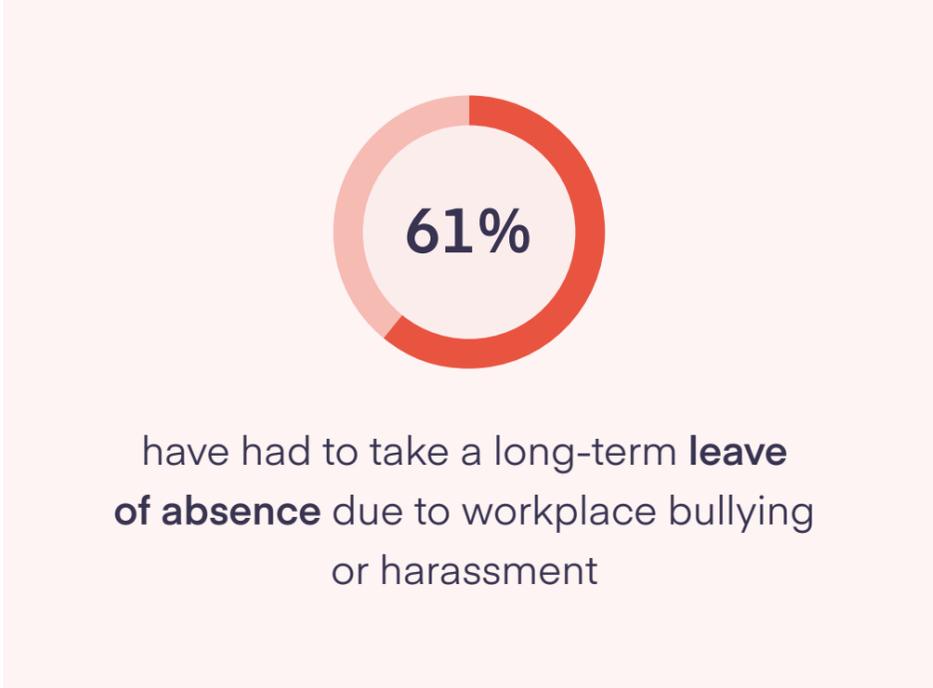
of employees have **experienced problematic behaviour** (such as bullying, harassment or discrimination) at work



If they **witnessed bullying or harassment at work** 40% of employees would encourage the employee being bullied or harassed to seek legal advice

Key insights

The impact on those who have experienced problematic behaviour at work



Part One

The wider impact of problematic behaviour in the workplace

The wider impact of problematic behaviour in the workplace

Employee wellbeing has always been an important topic, however since March 2020 when we saw remote working become the new norm, we've seen more and more businesses realise the importance of fostering a good workplace culture. It became less easy to get this right, and employers had to be inventive and deliberate about making sure employees were safe, happy and supported.

Positive workplace culture is often a determining factor when it comes to whether or not an employee sticks around. Gone are the days where a good salary alone is enough for people to feel satisfied at work. This was cemented earlier this year, when new research revealed that a good salary isn't enough to encourage people to apply for a new job. Instead, a good work-life balance is now more important to employees than anything else.

Research from Glassdoor also revealed that more than two thirds (69%) of candidates would not take a job with¹ a business that had a bad reputation, even if they were unemployed².

With this in mind, and the fact that good work-life balance and a positive workplace culture go hand in hand, it's clear that businesses need to do more to stamp out problematic workplace culture.

Our research reveals a worrying 44% of employees in the UK have witnessed problematic behaviour (such as bullying, harassment or discrimination) at work, while 40% have experienced this problematic behaviour first hand.

When you take into account the fact that many people will never speak out about what they've experienced, even in an anonymous survey, and the fact that people tend to minimise things they've seen or experienced and label it as 'just banter' rather than harassment or bullying, it's easy to see that the true extent of poor behaviour could be much higher.

Of those who have experienced problematic behaviour at work, two thirds (61%) have had to take long-term leave, while 42% have left permanently due to bad workplace culture. That's a staggering number of people leaving, and it's costing businesses dearly every time.

1. <https://www.randstad.co.uk/about-us/reports/work-life-balance-more-important-salary-two-thirds/>

2. <https://bmsperformance.com/blog/sales/employer-branding-matter/>

The wider impact of problematic behaviour in the workplace

If employees are leaving due to bad workplace culture, job seekers are prioritising work-life balance over anything else, and people are reluctant to join organisations full stop if they have a bad reputation, how will employers fill roles if all they have to offer is a good salary? The answer is, they won't and this will have a detrimental impact on the business.

Employers must now work harder than ever before to secure - and retain - good talent, with fostering a positive and supportive workplace culture a crucial factor in doing this.

The impact problematic behaviour has on those who experience it at work



say experiencing problematic behaviour at work **negatively impacted their mental health**



say they've had to have **therapy** due to an issue they experienced at work



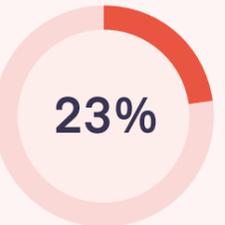
say they've called in sick **due** to not wanting to see somebody they have a negative relationship with at work

People who witnessed bullying or harassment at work

It's not just those who experience it that are directly impacted by problematic behaviour, it's also those who witness it - as they are often put in a very uncomfortable situation.



would **encourage the employee** being bullied or harassed to seek legal advice



would **leave the organisation** as soon as they could find a new job

The expert view



“Creating and maintaining a great culture for employees is essential when scaling a business. As an investor, we love seeing management teams who want to attract and retain talent by creating a happy and healthy work environment.

Management is the most important filter when we look at new investment opportunities. Not just their talent, but their ability to build a great culture and create a great working environment. Whilst workplace issues can arise, how management addresses them is a real test of their leadership.”

David Foreman, Managing Director, Praetura Ventures

Part Two

The true cost of a negative workplace culture

The true cost of a negative workplace culture

Not only does bad workplace culture often lead to employees leaving, which ultimately costs the business as they then need to recruit, costing an average of £30,000 per new recruit³, in many cases workplace misconduct leads to the employee seeking legal advice and also requiring counselling.

Our research reveals that, on average, respondents had to pay **£1,629** out of their own pocket as a result of problematic behaviour they experienced at work (on things like counselling, therapy and legal fees). However, it's not just financial strain, the impact workplace misconduct has on an employee's mental health can often be long-lasting.

For over half (55%) of those who have experienced problematic behaviour at work, the emotional distress lasted one to two years, whilst a third (34%) say it lasted three to four years.

As well as having a financial and mental health impact on the employee, the employer can also face substantial financial repercussions.

On average, employees we surveyed who faced problematic behaviour at work were awarded **£381,350** in pay outs. But, is this a fair amount considering the long-term impact workplace misconduct has on an employee? The majority of those who have experienced this type of behaviour don't think it is, with two thirds (65%) saying the compensation they received does not make up for the emotional distress caused.

And, it's not just a short-term financial impact that problematic workplace behaviour has on a business, it can cost a business thousands, if not millions, in lost investments.

When it comes to funding, more than two thirds (68%) of investors say it's important a company they invest in aligns with their own values. Whilst almost three quarters (71%) say they pay a lot of attention to ESG (Environmental, Social and Governance) issues when considering whether to make an investment.

Ranking the most important non-financial factors investors take into consideration



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

The true cost of a negative workplace culture

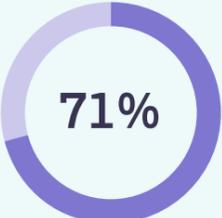
More than four in five (86%) investors say if they had invested in a company that was then embroiled in a workplace bullying and harassment case, they would look to distance themselves as quickly as possible. Whilst, for businesses that are looking for new investors, almost three quarters (71%) say that they wouldn't invest in a company that had a problematic workplace culture.

As well as understanding what would deter an investor, our new research also uncovers what type of scandal is most damaging from an investment standpoint.

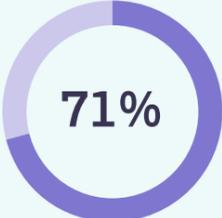
When asked what would deter an investor from providing funding:



wouldn't invest in a company that had been **embroiled in a public scandal**



wouldn't invest in a company that had a **poor reputation**

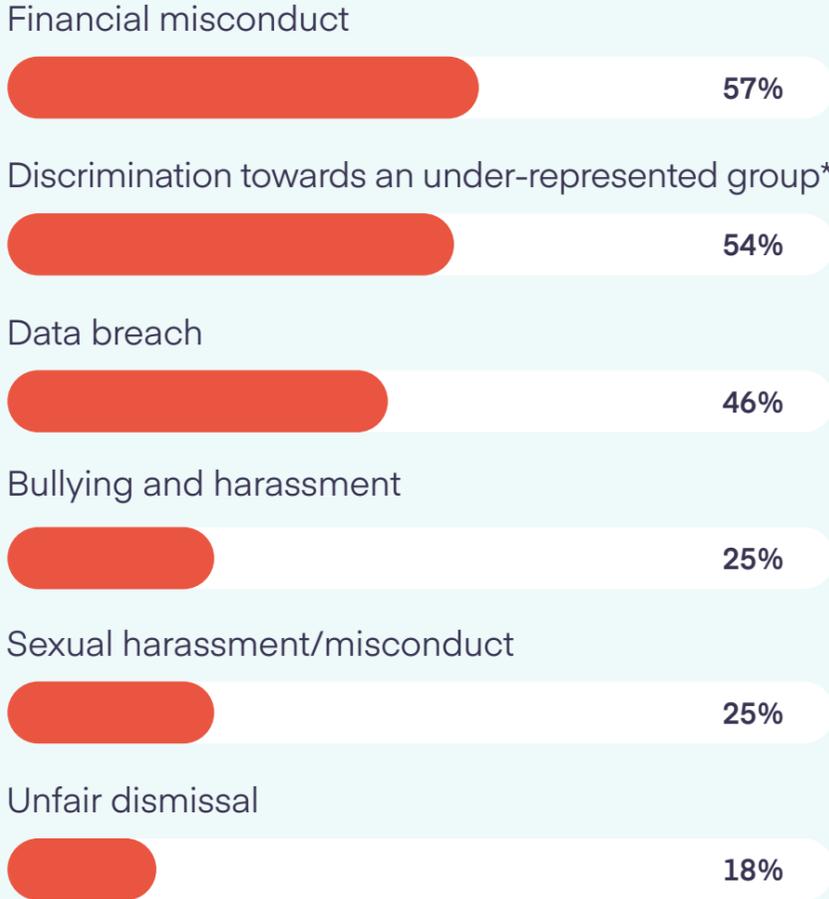


wouldn't invest in a company that had a **problematic workplace culture**



wouldn't invest in a company that has **numerous NDAs with former employees**

Ranking the types of scandals most damaging from an investment standpoint:



*Including racial, religious belief, gender, maternity, sexual orientation, disability or age discrimination.

The true cost of a negative workplace culture

The wider impact on a business' bottom line

Poor workplace culture doesn't only have a negative impact on investment opportunities, a bad reputation from an employer brand perspective can also lead to a decrease in sales.

96% of companies believe employer brand and reputation can positively or negatively impact revenue, and they're not wrong⁴.

Two fifths (40%) of UK consumers say they've stopped buying from brands and businesses they believe don't treat their staff fairly⁵. In the current climate, where we're seeing the cost of living increasing and consumers being savvier than ever with their money, businesses can't afford to lose any customers – never mind 40% of them.

The cost of absenteeism and presenteeism

Problematic workplace culture is also resulting in absenteeism and presenteeism across businesses here in the UK.

Our research reveals that over a quarter of employees (27%) have called in sick as a result of experiencing or witnessing problematic workplace behaviour, whilst 29% have taken time off. Even if employees are still in work, the data shows that those who have witnessed or experienced problematic workplace behaviour are less engaged with their job and are less productive.

In 2020 days off due to mental health rose by 10%, while 36% of employees said their mental health affects their productivity on a weekly basis, according to recent research from Westfield Health. The same research also revealed absenteeism cost UK businesses a staggering £14 billion in 2020⁶. While charity, Centre for Mental Health, calculated that presenteeism from mental ill health alone is costing the UK economy £15.1 billion per year⁷.

However, Deloitte and mental health charity, Mind, report the UK's presenteeism problem is even greater, costing UK employers between £26 billion and £29 billion annually through lost productivity⁸. Whatever way you look at it, presenteeism and absenteeism is clearly one of the major problems facing businesses today, and to avoid this drain on profit there is a real need for employers to understand the root cause.

All of this further solidifies just how widespread the financial impact of negative workplace culture is. From appealing to investors and a business' profitability, to the cost of recruitment and legal action, there is only one way that businesses can avoid these added costs and that's by looking after their people.

Analysis from Deloitte reveals just how important looking after employee mental health is for a business's bottom line and data shows that, on average, for every £1 spent on supporting employee's mental health, employers get £5 back on their investment in reduced presenteeism, absenteeism and staff turnover⁹.

4. <https://everyonesocial.com/blog/employer-branding-statistics/>

5. <https://inews.co.uk/inews-lifestyle/money/ethical-money/shoppers-shun-brands-with-poor-track-records-on-ethics-1289382>

6. www.westfieldhealth.com/docs/marketing/covid-19/coping-with-covid/coping-with-covid-report.pdf

7. www.centreformentalhealth.org.uk/sites/default/files/2018-09/managing_presenteeism.pdf

8. www2.deloitte.com/uk/en/pages/consulting/articles/mental-health-and-employers-refreshing-the-case-for-investment.html

9. <https://www2.deloitte.com/uk/en/pages/press-releases/articles/poor-mental-health-costs-uk-employers-up-to-pound-45-billion-a-year.html>

The expert view



Dr Reuben Wilcock
Head of Ventures,
Blackfinch Ventures

“Establishing that a company has a healthy and collegiate workplace culture is an area upon which we place increasingly greater scrutiny as a VC investor. From a financial perspective, team dysfunction and employee dissatisfaction are among the leading predictors of start-up failure, therefore, we work very hard before and after investing to ensure our portfolio companies have the right processes, governance structures and products in place to manage workplace culture effectively.

As an ESG-focussed investor, we believe that superior financial returns should, and are more likely to be, achieved by companies that implement working practices that have a sustainable social impact. As a result, a key step in our due diligence process is a deep dive into a company’s work environment.

In order to evaluate the human impact of workplace culture on employees in our investee businesses, our pitching process involves asking founders a set of questions about the culture in their businesses, this information is then validated and assessed against a set of culture-based interviews with every employee in a prospective portfolio company.

This process gives us unique insight into the type of work environment a company has, how employees are managed and everything that pertains to the values and ethics of the company.

Spending time evaluating a company’s culture has a number of positive knock-on effects for our portfolio companies. Fundamentally, having a strongly identifiable set of values underpinned by a highly cohesive team ethic will dramatically increase a company’s chance of successfully navigating the inevitable ups and downs that come with start-up life.

As an investor, not only does it mean the chances of achieving positive returns are higher from the outset, but also that we can depend on the company to traverse difficult situations and make the right decisions when times are tough.”

Part Three

Spotlighting the sectors: paying the price for negative workplace culture

Spotlighting the sectors: paying the price for negative workplace culture

In this section of the report, we explore the similarities and differences when it comes to the impact negative workplace culture has on organisations in the financial services, healthcare, insurance, law and public sectors.

It's important to note that while the severity does vary from sector to sector, with some industries seemingly having more serious problems than others, there is still work to be done across all industries surveyed.

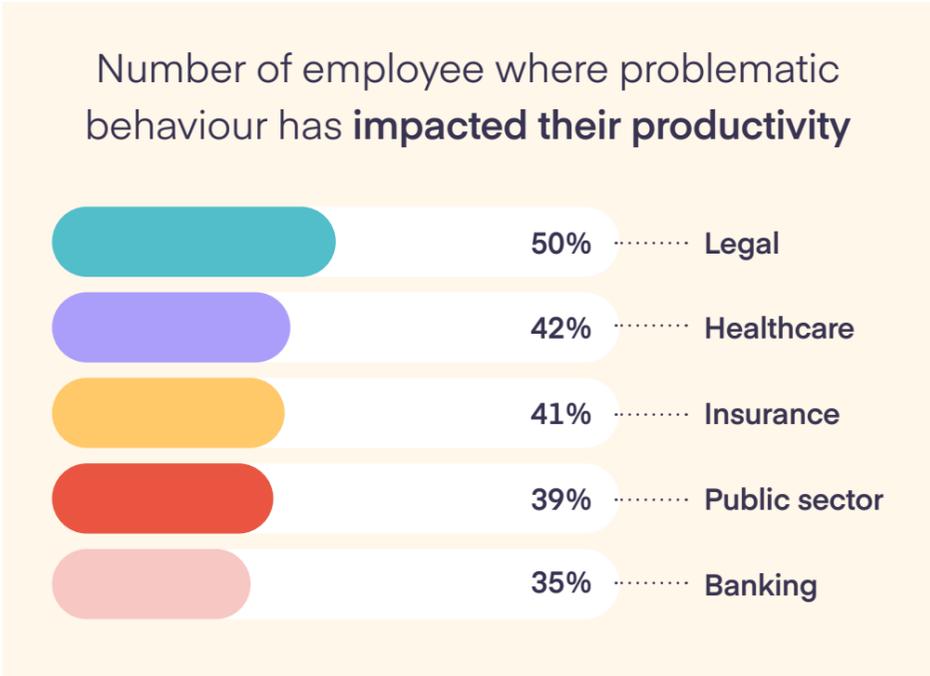
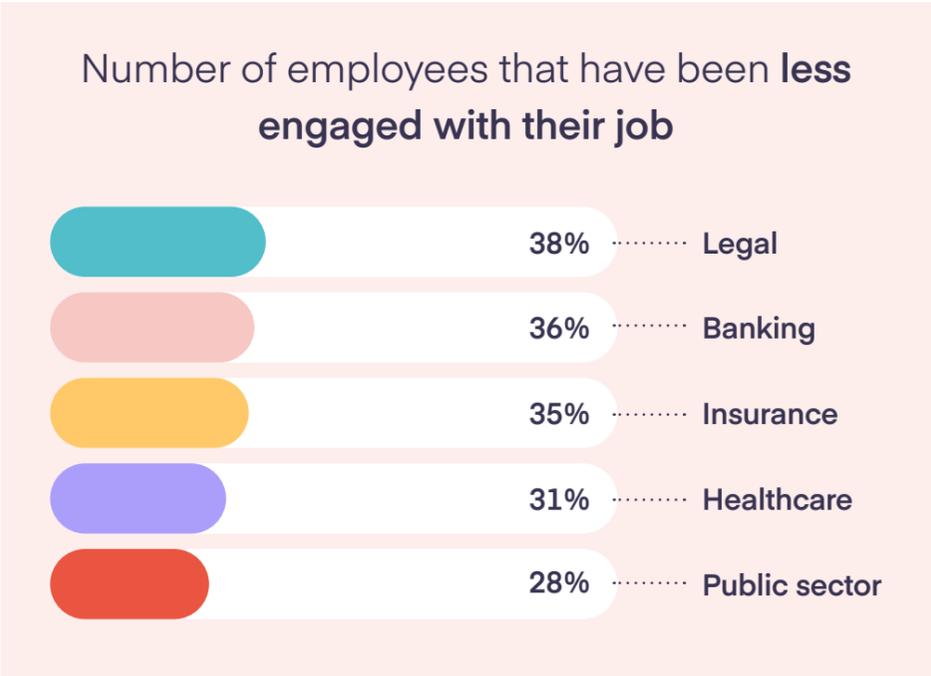
We surveyed at least 100 employees from each of the sectors mentioned above to hone in on the culture within their workplace, while also shining a light on incidents they have witnessed or experienced at work.



Spotlighting the sectors: paying the price for negative workplace culture

With so many employees reporting they've either witnessed or experienced problematic behaviour, it's clear that across all sectors there is a truly concerning issue with negative workplace culture. But, what impact is this having on the organisations within these areas?

Our research reveals that a negative workplace culture has a direct link to absenteeism and presenteeism. This should be a real red flag to all employers, as it's proven a non-productive workforce will directly impact an organisation's bottom line – not only through lost working hours, but also through having to find temporary staff to cover those on sick leave, or putting added pressure on existing employees – again potentially negatively impacting culture further.

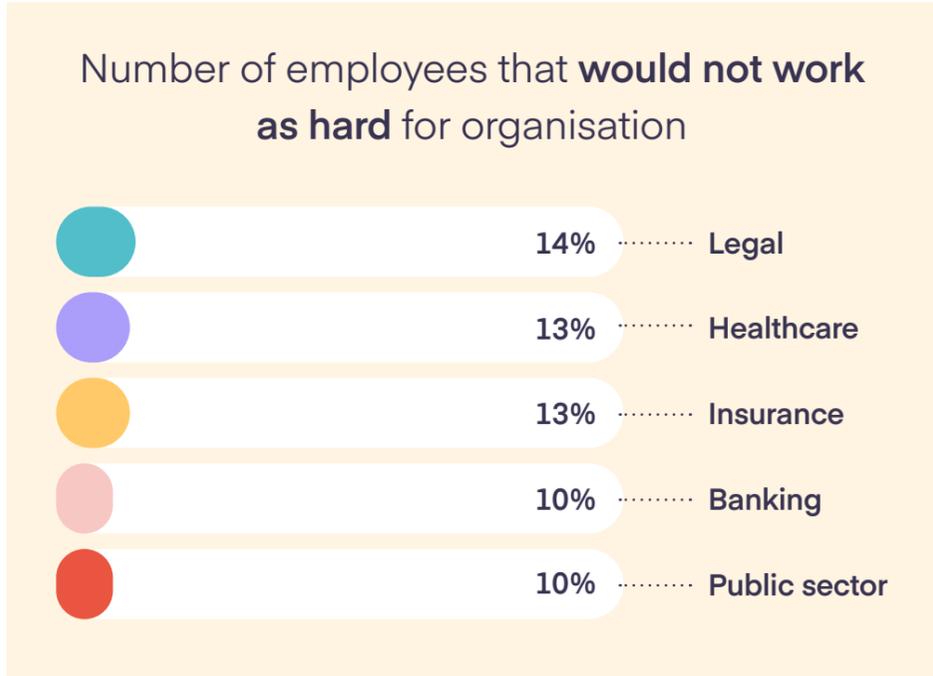
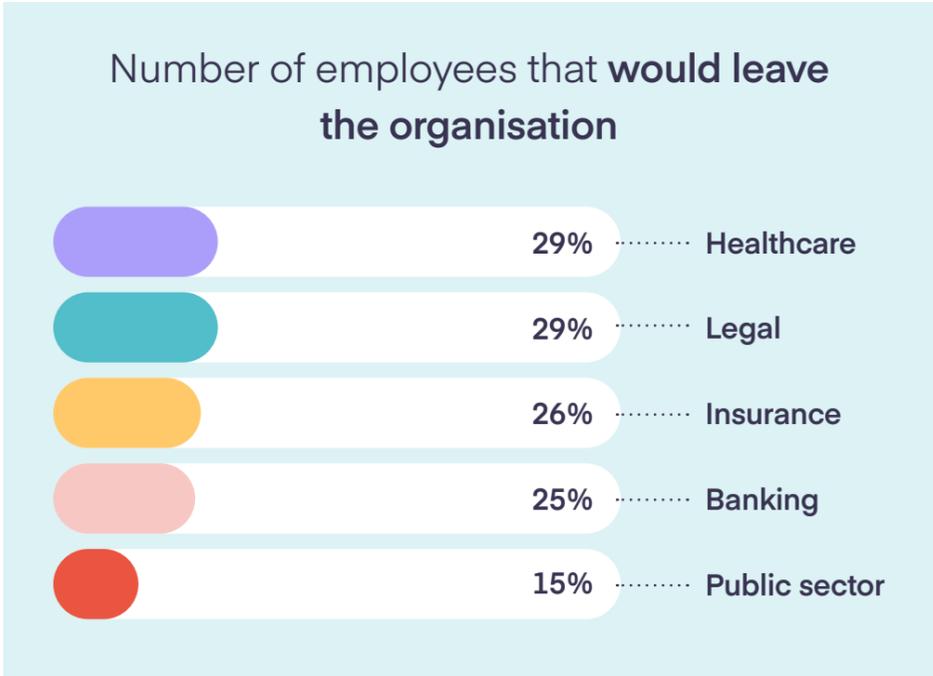


Spotlighting the sectors: paying the price for negative workplace culture

As well as leading to staff being less productive and becoming unmotivated, problematic workplace behaviour can often lead to employees seeking legal action against an organisation. This can have huge repercussions; from the organisation being less appealing to future investors, to having to pay out thousands, if not hundreds of thousands and on occasion millions, in lawsuits.

When we asked employees if they would encourage colleagues who were being bullied or harassed to seek legal advice, those in the public sector were the most likely to encourage a co-worker to seek legal support, followed by those in healthcare.

The data is clear – employees across various sectors are now more willing than ever before to speak up or even leave a stable job if they are facing problematic workplace behaviour. So, we need to shift the conversation and start looking at what businesses can do to ensure that this doesn't become an issue in their workplace.



Conclusion and key takeaways for employers

As well as having a detrimental impact on the mental health and wellbeing of employees, negative workplace culture and problematic behaviour can have a huge impact on an organisation's bottom line.

Many investors will avoid organisations that are known for having a negative workplace culture that allows problematic behaviour to be swept under the rug, whilst current investors would consider pulling their investment if an incident came to light.

With this in mind, what can businesses do to help stamp out negative workplace culture to not only ensure employees are safe, supported and motivated, but also investors and other important stakeholders are happy and confident in the organisation?

1

Put your people first! Whilst it should be a given, some employers often forget that their employees should be at the heart of what they do. Employers that take the time to ensure their employees are supported, happy and healthy have a higher chance of attracting and retaining great talent. Their teams will be more likely to work to the best of their ability, leading to better performance outcomes, and improving the company's reputation. The first step in putting your people first is listening to them. Be inquisitive about your current workplace culture, find out what challenges your team are facing and commit to improvement. All of this equals a thriving and motivated workforce, and in turn, happy leadership and investors if you have them.

2

Don't underestimate the long-term impact negative workplace culture can have. More often than not, it's assumed that problematic workplace culture has a short-term impact on one individual, although that's rarely the case. Our research shows that as well as the person directly impacted, those around them who have witnessed the behaviour are also impacted. The most negative consequence of this for your business is consistently high levels of staff turnover with those who have witnessed or experienced an incident looking to leave the organisation as soon as they can. What's more, long term investment can also be hugely impacted by reputation, with 71% of investors admitting they wouldn't invest in a company that has a negative workplace culture. If the people case for preventing problematic behaviour isn't enough, the business case certainly should be.

Conclusion and key takeaways for employers

3

Offer employees a way to safely – and anonymously, if they wish – report problematic behaviour when it happens. Implementing a reporting platform, where employees can raise concerns and voice their opinions is the first step in creating an open, positive workplace culture and ensuring teams feel supported and heard. Crucially, this needs to be a year-round listening tool, and we wouldn't be surprised if the standard yearly staff survey was on its way out, as we learn more about the decreased likelihood of teams speaking out about bad behaviour after the moment has passed.

Remember, investing in protecting your team from bullying and harassment doesn't mean you're admitting you have a problem in your workplace. It means you acknowledge that wherever there are large groups of people, there is likely to be some level of poor behaviour, and you value your team telling you about these experiences so you can protect them from harm and future-proof your business.

We hope you've found the insights highlighted in this report useful and are able to adopt some of the key recommendations within your organisation to create a safe environment for all employees.

To discuss the information contained within it further, or comment on the findings, please reach out to:
hello@culture-shift.co.uk

The Research

To form this report, we surveyed 1,000 employees on the culture within their workplace. We asked about their experiences, incidents they've either witnessed or experienced, and the impact this had on them.

As part of the sample, we had more than 100 respondents from each of the banking/finance, healthcare, insurance, legal and public sectors. In addition, we surveyed 100 respondents who have experienced problematic behaviour, such as bullying or harassment at work, and have received a payout as a result, to uncover the true extent experiencing incidents of this nature has had on other areas of their lives.

What's more, we also surveyed 20 investors who have at least £100K in investments, who aren't angel investors and invest in FTSE100 companies to understand what is important to them when investing and what would cause them to cut ties with a business.

About Culture Shift

Culture Shift is an impact software business that exists to lead a positive change in organisational culture. Its proprietary online reporting platform gives organisations the insight they need to monitor and prevent bullying and harassment in workplaces. The software allows users to report any incident safely and anonymously and access further support – enabling organisations to take a proactive and preventative approach to protecting their culture.

Already working with over 80 of the UK's biggest universities, as well as a number of corporate businesses and public sector organisations, Culture Shift has a proven track record of activating change for the better and eliminating the stigma around reporting any form of harassment.

Since its inception in 2018, Culture Shift's mission has been to tackle bullying and harassment. Working with organisations to take a preventative approach to tackling all forms of problematic behaviour and to address patterns of negative behaviour before they could escalate, Culture Shift's software provides rich data that has empowered leaders to implement long-term, preventative solutions to harassment and bullying. While the platform is already providing support to more than one million people across the UK, Culture Shift firmly believes there's still a long way to go in eradicating all problematic cultures from the workplace.

Special thanks

With special thanks to Praetura Ventures and Blackfinch Ventures for taking part in the research and sharing further insight. Please note that this report does not express the views of each practice. Where individuals are quoted, views represented are those of the individual, not the practice as a whole.



Want to find out more about the risk of not preventing workplace bullying and harassment?

Our easy to use calculator gives you a idea of the financial risks you could be exposed to, along with a bespoke action plan so you can get ahead of any problems and start protecting your company culture today.

[Find out more](#)

Thank you

To discuss the information contained in this report further, or comment on the findings, please reach out to hello@culture-shift.co.uk

[instagram.com/ukcultureshift](https://www.instagram.com/ukcultureshift)

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