



# INTRODUCING THE 2ND P&L

How employee engagement  
impacts the traditional P&L

The  
Happiness  
Index

# YOUR PEOPLE: THE DRIVING FORCE OF YOUR BUSINESS

Your people are the driving force behind all decisions. Their activity will determine the success of your organisation.

However, how many businesses have a mechanism for measuring the impact of their people?

Some may use an annual employee engagement survey, pulse checks, staff workshops, suggestion boxes and other mechanisms. But there's a world of difference between gathering data, measuring the impact people are having and actually doing something about it...



# BUILDING BETTER BUSINESS CASES

Traditionally HR has struggled to build an evidence-based business case that influences their agenda. This is because of the lack of data.

Historically it's difficult to provide metrics that can be regularly benchmarked and measured against targets - particularly when it comes to the softer HR metrics. This needn't be the case today! We are working to empower businesses by giving them the people data they need to influence key business decisions using bespoke feedback tech. Up and down the country, HR's contribution and influence has been limited due to a lack of data. We know this doesn't make sense! If businesses know that one of their greatest strengths is their people - Why isn't HR taking centre stage?

Did you know that only:

**5%** of HR leaders are optimising their use of analytics to inform HR and business strategy, and drive performance. (CIPD)

**8%** of organisations report they have usable data. (Deloitte)

**14%** of business leaders are happy with the data HR is providing. (CIPD)



# INTRODUCING THE '2ND P&L'

Everyone that has a part to play in running a business will be familiar with the all-important P&L.

A profit and loss account is a recognised, tried and tested way of presenting the financial performance of a business. It's a great basis for making decisions.

Looking purely at the financial P&L to gauge the success of a business produces a one-dimensional view and doesn't consider people... except as a cost.

To generate a 360-degree view, business owners should keep track of their 2nd P&L – a measurement of the impact your people and leaders have on business performance. It's not designed to replace the traditional P&L. It's designed to complement and provide actionable and measurable insight on every aspect of your business.

The 2nd P&L report looks at the performance of key organisational elements, such as line management, and compares your current performance with prior periods. This helps to highlight the links between the traditional and 2nd P&L, uncovering clearer relationships between People and Leadership, and Profit and Loss.

By applying targets on areas such as culture, vision and wellbeing and tracking performance - you can generate a figure that shows an alternative return on investment. We call this concept your "Return on People".



# THE 2ND P&L STATEMENT

We developed a business tool called The 2nd P&L statement. It delivers an instant overview of performance in recognisable business language.

Typically, the traditional P&L statement allows people to get answers to questions such as; “What is our budget? What did we spend? Are we up or down on that budget?” There’s nothing you can equate to the human side of your business, until now... We can provide measurable insights into our people and leadership too.

This is where people data from feedback and the 2nd P&L statement come in (see table below).

	Current Period	Target	Prior Period	Current Period as % of Target	% Change from Prior Period
<b>Culture</b>					
<b>Total Culture</b>	<b>8.0</b>	<b>7.5</b>	<b>6.5</b>	<b>106.7</b>	<b>23.1</b>
How do you rate the leadership within the business?	7.8	7.5	7.1	104.0	9.9
How do you assess the level of energy and commitment?	7.9	7.5	6.3	105.3	32.3
How do you assess the level of trust within the company?	8.2	7.5	6.2	109.3	32.3

Let’s use the “Culture” section as an example. There are three questions that help you to gauge how your people view this area, and all the scores are on a 1-10 scale. The “Prior Period” covers where you were last financial year and is a 6.5. The “Target” is set at 7.5 and performance from the “Current Period” says you have scored 8. This means you are 106.7% of your target and 23.1% up from last financial year. Suddenly statistics on culture are far from being vague and immeasurable... This is the exact same language used in the boardroom to talk about sales and finance, but now we are talking about culture, leadership, vision and direction.

Your people are at the forefront of every process within your organisation. By taking these measurements, and adding them to existing KPIs, you will be able to build strategies and action plans for the entirety of your business.

# HR CAN LEAD THE WAY:

## Creating value and opportunities for growth.

Your people provide all your human capital. Their sentiment, happiness and performance are directly linked to your organisational performance. The way you harness and retain this human capital and expertise is likely to be the core indicator of your long-term growth.

There's traditionally been ambiguity over the true impact of staff turnover, morale and motivation. However, the rise in people data allows companies to understand important things that haven't previously been measured including culture, leadership and vision – as well as their definitive impact on the financial performance.

Focussed on improving business performance, we help to understand how your people feel, what is working for them, what could be improved, and how to prioritise the things that will have the biggest positive impact!

By combining the traditional P&L with The 2nd P&L you will be in a better position to identify opportunities, create positive experiences and retain your best people.



**Website:** [www.the-happiness-index.com](http://www.the-happiness-index.com)

**Email:** [hello@the-happiness-index.com](mailto:hello@the-happiness-index.com)

**Twitter:** <https://twitter.com/happinessindex1>

