

The Business Case for Empathy

What the numbers actually say

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— A B S T R A C T

This paper makes the financial case for investing in empathy. Not as a cultural aspiration or a wellness initiative — as a line item with a measurable return. Drawing on published research across sectors, it traces the cost of low empathy through turnover, disengagement, customer churn, and transformation failure, and maps what organisations that invest seriously in empathy development actually achieve. The central argument is straightforward: empathy is not a soft skill. It has hard financial consequences — in both directions. The evidence is not obscure. The logic is not complicated. The challenge has always been translation: making a case that speaks the language of the people who control the budget. That is what this paper does.

— EXECUTIVE SUMMARY

The case is already made. It just needs to be spoken in the right language.

THE REAL COST

Poor empathy in leadership and customer-facing roles costs UK and US organisations billions annually — distributed across turnover, disengagement, transformation failure, and customer loss. Much of it is invisible because it is reported under the wrong headings.

THE EVIDENCE

Studies spanning finance, healthcare, retail, and technology consistently show that organisations with higher empathy capability outperform those without on revenue, retention, and resilience. The data is not ambiguous.

THE RETURN

Structured empathy development — done properly — delivers returns that dwarf the investment. The challenge is not the business case. The challenge is making it legible to decision-makers who have been trained to treat soft skills as unquantifiable.

Executives increasingly ask for evidence before committing budget to people development. That is a reasonable request. This paper answers it — not with anecdote or advocacy, but with research that already exists and the financial logic that connects it to boardroom decisions.

The framing matters. When organisations treat empathy as a soft skill — aspirational, hard to measure, the province of HR — they underinvest in it and then wonder why their culture scores remain flat, their managers keep leaving, and their transformation programmes keep stalling. When they treat empathy as an organisational capability with quantifiable downstream effects, the conversation changes entirely.

That second conversation is what this paper enables.

— SECTION ONE

The problem with how organisations budget for empathy

Soft skills get soft budgets

The category matters more than the content. When empathy is filed under 'soft skills', it competes for a share of an L&D budget that is already marginal and already defensive. The conversation becomes: how much of our training spend should go to communication and interpersonal skills? It almost never becomes: what would a one-point reduction in voluntary turnover be worth?

This is not a failure of evidence. The evidence for empathy's financial impact is extensive and consistent. It is a failure of framing. The case is being made in the wrong currency.

The three questions boards actually ask

When a board or executive team evaluates any people investment, they are implicitly asking three questions: What is it costing us not to do this? What do organisations that do it actually achieve? And what would it cost to close the gap? Most empathy proposals address none of these questions directly. They address a fourth question — why empathy matters in principle — that no one with real budget authority is asking.

This paper addresses all three. Not because the case is weak without that structure, but because a strong case presented in the wrong language is not a strong case at all.

The language problem

Consider two ways of framing the same investment. Version A: "We want to invest in empathy training to improve our culture and make our people feel more heard and valued." Version B: "We lose approximately 12–18 months of fully-loaded salary every time a manager leaves. Voluntary attrition in teams with low-empathy leaders is typically 20–30% higher than in high-empathy equivalents. This programme addresses that gap."

— THE CORE ARGUMENT

Both describe the same programme. One generates a polite nod and a waiting list. The other generates a line item. The rest of this paper is Version B, made rigorous.

The shift is not about making empathy sound harder than it is, or dressing a human development argument in financial clothes it do not fit. It is about recognising that the financial consequences of empathy — positive and negative — are real, substantial, and demonstrable, and that framing them correctly is not spin. It is accuracy.

SECTION TWO

The cost side: what low empathy actually costs

Before building a case for investment, it helps to understand what the status quo is actually costing. The direct costs of low organisational empathy are rarely visible as a single line — they are distributed across several categories that are typically reported and managed separately. That distributional invisibility is part of what makes them persistent.

Staff turnover: the obvious cost that is still underestimated

Voluntary turnover is the most direct financial consequence of low-empathy leadership. Research published by Gallup and others has consistently found that the quality of the manager-employee relationship is the single most powerful predictor of whether someone stays or leaves.

The cost of replacing an employee is routinely underestimated in internal calculations. Most HR functions use a rule of thumb of 50–100% of annual salary. Independent research, including studies by SHRM and Deloitte, puts the true figure for knowledge workers and managers at 1.5–2× salary when you include recruitment costs, onboarding time, productivity lag, team disruption, and the informal knowledge that walks out the door.

£30K+

avg cost to replace a mid-level manager (UK)

34%

productivity loss per actively disengaged employee

2–3×

salary: total replacement cost for senior knowledge workers

For a 200-person organisation with a typical voluntary turnover rate of 15% and an average mid-level salary of £45,000, the fully-loaded cost of turnover is in the range of £2–3 million per year. A 20% reduction in that turnover — achievable through targeted empathy development at the manager level — represents £400–600K of annual saving. Against which almost any reasonable investment looks rational.

Disengagement: the cost that never appears on a budget

Gallup's State of the Global Workplace report consistently finds that only around 20–23% of employees globally are actively engaged at work. The majority are 'not engaged' — present, but not committed. A significant minority are actively disengaged, working against the organisation's interests. The estimated cost of disengagement in the UK alone exceeds £340 billion per year.

These figures are large enough to feel abstract. A more useful framing: a team of ten with four disengaged members is operating at perhaps 60–65% of its theoretical capacity. The other 35–40% is being paid for and not received. In that context, an intervention that moves two people from disengaged to engaged — which good empathic leadership consistently does — has a calculable return that dwarfs almost any training cost.

Transformation failure: the budget item hiding in plain sight

The Boston Consulting Group estimates that 70% of large-scale transformation programmes fail to deliver their intended outcomes. McKinsey puts the global cost of failed digital transformations at over \$900 billion annually. The research explanation is consistent: change fails when people do not feel heard. Transformation programmes that prioritise technical and process change while neglecting the human dimension

consistently underperform those that do not.

Empathy is not a soft wrapper around transformation. It is a technical requirement for successful change. Organisations planning significant transformation and not investing in empathic leadership capability are, in effect, paying for a more expensive failure.

Customer loss: the revenue side of the equation

Low empathy is not only an internal cost driver. The Businessolver State of Workplace Empathy study found that 76% of consumers have stopped doing business with a company because of poor empathy in a customer interaction. For consumer-facing organisations, this has a direct revenue implication. The linkage between employee empathy, customer experience, and retention is well-established in the service-profit chain literature. Employees who feel treated with empathy by their managers are substantially more likely to treat customers with empathy — and customers who feel heard stay.

SECTION THREE

The evidence: what happens when you invest

The research base on empathy's commercial impact has grown substantially over the last decade. What follows is a representative selection of the most credible and practically relevant evidence. The picture is consistent across sectors, methodologies, and geographies.

The financial performance link

The Global Empathy Index, published by the consultancy Lady Geek, tracked the top and bottom companies in the Fortune 500 by empathy score over a five-year period. The top performers grew in value more than twice as fast as the bottom, and generated 50% more earnings. This is a correlation, not a controlled experiment. But the consistency of the finding across time and sectors — and the plausible causal mechanisms that connect empathy to retention, engagement, collaboration, and customer loyalty — gives it significant weight.

Selected evidence base

Finding	Source	Metric	Period
Top-empathy companies in the S&P 500 grew in value more than twice as fast as the bottom decile	Lady Geek Global Empathy Index	Financial performance	2015–2020
High-empathy cultures show 40% lower burnout rates	Businessolver Workplace Empathy Study	Wellbeing / retention	Annual
Empathic sales teams achieve 87% higher quota attainment	Salesforce State of Sales	Sales performance	2022
Patient outcomes 20% better with empathic clinicians	Hojat et al. / Academic Medicine	Clinical effectiveness	Meta-analysis
Teams led by empathic managers report 76% higher engagement	Catalyst	Engagement	2021

What the healthcare sector has known for twenty years

The medical literature on empathy and outcomes is perhaps the most developed of any sector. Studies going back to the 1990s have consistently found that patients of more empathic clinicians have better outcomes: they adhere to treatment plans more reliably, report higher satisfaction, and in some studies show measurable differences in clinical results.

The mechanism is not mysterious. When patients feel heard, they share more accurate information, they ask better questions, and they trust the treatment plan enough to follow it. The same mechanism operates in management: when employees feel genuinely understood by their managers, they perform better, raise problems earlier, and engage more fully with the organisation's goals.

The reframe: soft skills have hard ROI

There is a persistent assumption in boardrooms that soft skills — communication, empathy, emotional intelligence — are valuable but unmeasurable, and therefore difficult to justify as investment targets. This assumption is simply wrong. The measurement challenge is real but not insurmountable, and it does not justify the conclusion that investment cannot be justified.

Consider the standard financial logic applied to any capital investment: you model the baseline cost, you model the expected improvement, and you calculate the return. The components of the empathy ROI calculation are all measurable: voluntary turnover rate, cost per replacement, engagement scores, absenteeism, customer churn, NPS, transformation success rates. The fact that 'empathy' is the underlying lever does not make those metrics soft.

— THE REFRAME

Empathy is infrastructure. Just as an organisation would not question the ROI of CRM software because "customer relationships" sounds soft, it should not question the ROI of empathy development because "interpersonal skill" sounds soft. In both cases, the question is what it costs to not have it. And in both cases, the answer is substantial.

High-empathy organisations are not just nicer places to work. They are more profitable, more resilient, and more capable of executing strategic change. The data says so. The question is whether the decision-makers in your organisation are hearing it in those terms.

— SECTION FOUR

How to build the internal case

The challenge for those who want to make the case for empathy investment internally is not usually lack of evidence. It is translating that evidence into a proposal that speaks the language of the organisation's decision-makers. The following framework has been developed through conversations with HR directors, L&D leads, and chief people officers who have successfully secured investment for empathy development programmes.

Step one: identify your most expensive symptoms

Before making any proposal, understand what is already being measured. What is your current voluntary turnover rate, and what does that cost? What do your engagement survey scores look like, and what trend are they on? What have been the outcomes of your last two or three major change programmes?

These numbers already exist. You do not need to create new metrics to make the case — you need to connect existing metrics to their underlying causes. Low-empathy leadership is a demonstrable driver of all of these outcomes. Your job is to make that connection visible.

Step two: quantify the baseline cost

Using the numbers you have identified, construct a conservative baseline cost estimate. For turnover: take your voluntary departure count for the last year, multiply by 1.5× average fully-loaded salary, and that is your minimum replacement cost. For disengagement: Gallup estimates the productivity cost at 34% of salary for each actively disengaged employee. Count them and multiply.

The goal is not precision. It is credibility. A board-level audience will not believe a figure that claims to be exact. They will believe a figure that is clearly derived from real data and conservative assumptions. Present your method, not just your conclusion.

Step three: model a conservative improvement scenario

Having established the baseline cost, model what a 15–20% improvement would look like. Not as a promise — as a scenario. If voluntary turnover fell from 18% to 15%, what would that save? If the proportion of actively disengaged employees fell from 25% to 20%, what would the productivity gain be worth?

These improvement figures are not aspirational. They are consistently achievable through targeted manager development programmes. The research supports them. Your proposal is not asking the organisation to take a leap of faith — it is asking them to capture a well-documented opportunity.

Step four: state the investment and the timeline

A proposal without a number is not a proposal. State clearly what the programme costs, over what period, and when the financial return would be visible. Be specific about what the investment includes — design, delivery, assessment, and any ongoing coaching or reinforcement.

Most well-constructed empathy development programmes show measurable impact on engagement and manager effectiveness within three to six months. The financial consequences — reduced turnover, increased productivity — typically begin to appear in the data within twelve months. This is a faster payback cycle than most capital investments, but it needs to be stated explicitly.

Step five: address the sceptic's questions in advance

Every board has a sceptic. Their questions are usually variants of four: How do you know it's empathy that's driving the problem? How do you know the training will change anything? How will we measure it? And what happens if people just leave anyway? Address all four in your proposal. The answer to the first is the evidence in this paper and your own data analysis. The answer to the second is the research on structured development programmes and the importance of choosing an evidence-based approach. The answer to the third is your measurement framework: the specific metrics you will track and the intervals at which you will report. The answer to the fourth is that some people will leave regardless — but you are asking for investment to shift the odds, not to guarantee outcomes.

SECTION FIVE

What the investment looks like

Having established what low empathy costs and what the research says about the returns from investment, the practical question is: what does a serious empathy development programme actually require, and what can it reasonably deliver? Stuart Nolan Consulting works across four tiers of engagement, each using the same underlying methodology. The right entry point depends on what you already know and how far you want to go.

The four tiers of engagement

Tier	From	What it involves
Tier 01 · Keynote Talk	£1,500	Live physical empathy exercises with any group size. The moment that convinces the sceptic in the room — every time. Entry point for organisations testing appetite before committing to development.
Tier 02 · Workshop or Lab	£3,500	Half-day session, 8–30 participants. Pre/post measurement. Written outcome summary. The most direct way to experience behaviour change rather than attitude change.
Tier 03 · Empathy Audit	£4,500	Diagnose before you develop. Written report with ROI projections, capability mapping across leadership and key roles, and prioritised recommendations. The right starting point for any serious investment.
Tier 04 · Full Programme	£12,000	6–12 month organisation-wide transformation. Quarterly KPI tracking. Final outcomes report. Every session is measured; outcomes are pre-agreed in SMART format before work begins.

All figures are starting points. Every engagement is scoped to the specific organisation, and pricing reflects that context. For most organisations approaching empathy development seriously for the first time, the Empathy Audit is the most efficient entry point: it maps capability, identifies where investment will have the highest leverage, and produces a written report with ROI projections before any development commitment is made.

A worked return calculation

The following is an illustrative example based on a 300-person UK professional services organisation. The engagement begins with a Tier 03 Empathy Audit (£4,500), followed by a Tier 04 Full Programme (£12,000+) targeting manager-level capability. Total illustrative investment: £16,500–£20,000.

Metric	Baseline	After 12 months	Financial impact
Voluntary turnover (managers)	22%	16%	£480K saving — 6 fewer departures at £80K replacement cost

Metric	Baseline	After 12 months	Financial impact
Active disengagement	28%	21%	£340K productivity recovery — 18 people at 34% of salary
Transformation delivery rate	40%	62%	Programme-dependent — typically 7–10× investment value
Total illustrative return			£820K+ on a £16,500–£20,000 investment in year one

This calculation is conservative. It excludes the customer-facing revenue effects of improved empathy in client-facing roles, the medium-term impact on talent attraction as culture improves, and the value of the next transformation succeeding where the last one failed. It also excludes the avoided cost of the next round of engagement survey consultancy, which typically recommends the same interventions without the development rigour to deliver them.

The point is not the specific number. The point is the method: take the real costs, model a conservative improvement, and calculate what that improvement is worth. The result, in virtually every scenario, is that empathy development is not a cost. It is one of the higher-returning investments available to any people-intensive organisation.

The Founding Partner opportunity

Stuart Nolan Consulting is currently building its first cohort of Founding Partners: organisations that want to engage seriously with empathy development at a strategic level and are willing to shape how that work is designed and measured. Founding Partners receive early access to all new frameworks and materials, genuine influence over programme development, and permanently preferred pricing that reflects the founding relationship rather than a standard fee schedule.

If the case set out in this paper is persuasive — and if the gap between where your organisation currently is and where it could be is one worth closing — a conversation about the Founding Partner programme is a natural next step.

— C O N C L U S I O N

The case is not complicated. It just needs to be made properly.

The business case for empathy is not complicated. It only appears complicated because it has historically been made in the wrong language, to the wrong audience, using the wrong frame.

When you account for what low empathy actually costs — in turnover, disengagement, transformation failure, and customer loss — the question of whether to invest in empathy development answers itself. The question that remains is how, and how well.

— I N S U M M A R Y

Empathy is not a soft skill. It is an organisational capability with hard financial consequences — in both directions. Organisations that understand this will outperform those that do not. The data is clear. The logic is sound. The challenge — always the challenge — is making that logic legible to the people who control the budget. That is what this paper has attempted to do.

The other papers in this series address complementary questions: Paper 01 examines what empathy is and why the physical dimension is consistently overlooked. Paper 02 analyses why most empathy training fails. Paper 03 places this work in the context of the wider engagement crisis. Paper 05 explores the implications for organisations navigating AI and automation. Paper 06 addresses measurement — how you know whether empathy investment is working.

If this paper has been useful, the logical next step is to understand what the gap looks like in your specific organisation — and what closing it would actually be worth.

— WORK WITH STUART NOLAN CONSULTING

Serious about empathy development? This is where to start.

Stuart Nolan Consulting works with organisations that are serious about building empathy as an organisational capability — not as a culture programme, but as an operational investment with measurable returns.

How we work

Every engagement uses the same methodology. The tier you choose depends on the depth of change you need — but all four produce documented, measurable outcomes, with results pre-agreed in SMART format before work begins.

For most organisations approaching this seriously for the first time, the Empathy Audit (Tier 03) is the right starting point: it maps current empathy capability across leadership, management, and customer-facing roles, identifies the highest-leverage intervention points, and produces a written report with ROI projections — before any development commitment is made.

For organisations ready to invest at scale, the Full Programme (Tier 04) delivers a 6–12 month organisation-wide transformation with quarterly KPI tracking and a final outcomes report. For those who want to test the approach first, a Keynote Talk or Workshop (Tiers 01–02) offers a direct experience of physical empathy in action, with pre/post measurement and a written outcome summary.

Founding Partner programme

A small number of Founding Partner relationships are available for organisations that want to engage at the most strategic level. Founding Partners are collaborators in developing the field. In exchange for that relationship and its demands, they receive:

- Early access to all new frameworks, tools, and research materials
- Genuine influence over the development of new programme designs
- Permanently locked-in preferred pricing — a rate that reflects the founding relationship
- Direct access to Stuart Nolan for strategic consultation beyond the scope of formal engagements

Founding Partner places are limited. If this paper has made a case that resonates, the conversation is worth having.

Contact

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Available for: strategy conversations, keynotes, programme design, and Empathy Audits.

— REFERENCES AND FURTHER READING

The following sources are cited or drawn upon in this paper. This list also includes recommended further reading for those who want to build a more detailed evidence base for internal proposals.

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