

presents:

WHAT CULTURE AND ENGAGEMENT HAS TO DO WITH EMPLOYEE RETENTION

THE UNITED STATES HAS A CRISIS WITH TALENT!



of employees are unengaged year after year

Source: Gallup



of employees are likely to leave their job in the next 12 months

Source: Simpplr Research



Record low unemployment rate

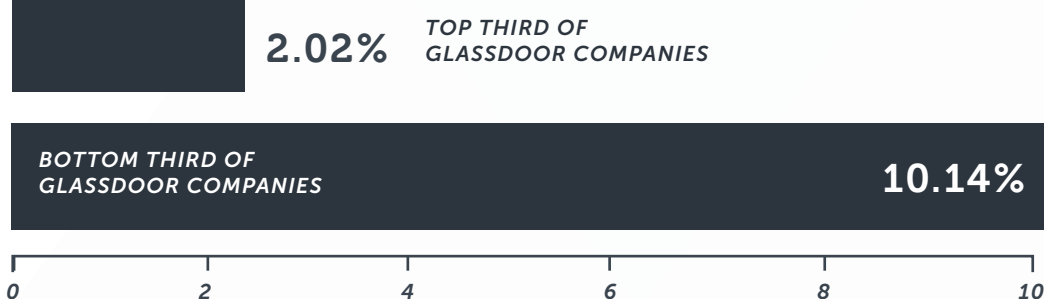
Source: US Department of Labor

So we decided to conduct a study. And we:

- Scoured through Glassdoor™ data throughout the entire Wilshire 5000 Index
- Surveyed the same audience to ask about what drives employee engagement
- Hired a smart PhD candidate to crunch numbers and perform statistical analyses

Holy cow! Did you know that employees at companies with poor Glassdoor reviews are 5x more likely to leave than employees at companies with good Glassdoor ratings?

Percentage of Respondents "Highly Likely to Leave My Job" by Overall Glassdoor Cohort:

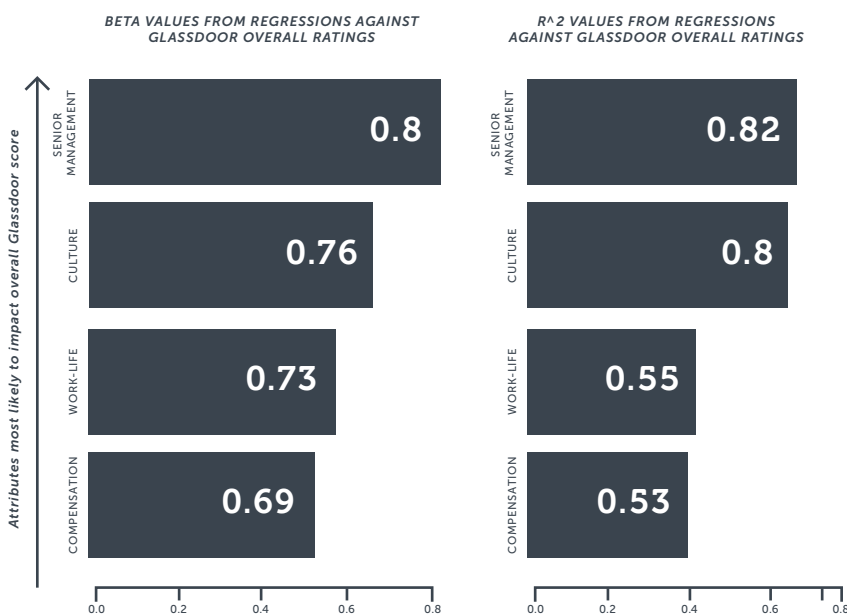


Source: Simpplr Research



IT TURNS OUT THAT CULTURE AND SENIOR MANAGEMENT ARE TWO OF THE LEADING DRIVERS OF YOUR GLASSDOOR SCORE.

On Glassdoor, as goes culture so goes senior management



Source: Simpplr Research

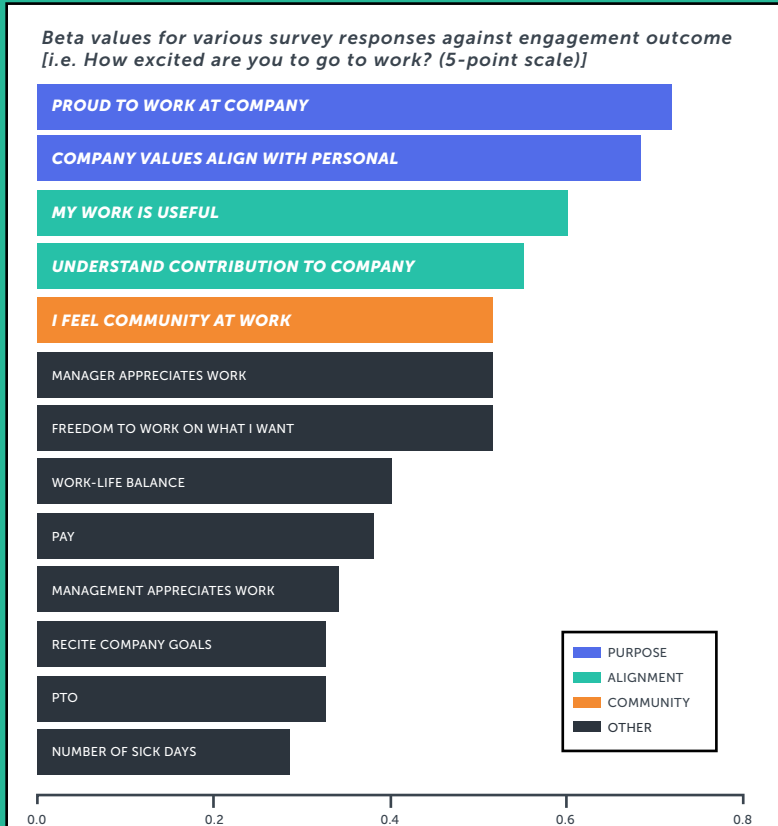
The fact that R² is 0.8 suggests an **obscenely high relationship** between these variables and the overall Glassdoor score.

So what? To be a remarkable leader and earn a high glassdoor score, you need to build a great culture.



SIMPPLR RESEARCH: WHAT DRIVES CULTURE AND ENGAGEMENT? (SINCE THEY'RE SO IMPORTANT)

We ran a survey to the same Glassdoor audience, ran regressions, and learned that the top 3 drivers are:



PURPOSE: Showing employees how their work (and the work of the company) has a positive impact

ALIGNMENT: Making sure that employees and executives are on the same page and that everyone understands how their work is impactful

COMMUNITY: Creating an environment where employees feel safe, connected, and supported

PURPOSE:

Focus your organization and actively promote what your organization is about.

The place where we work shapes who we are and becomes part of our identity

This isn't just a millennial mindset! Purpose is important to everyone.



ALIGNMENT:

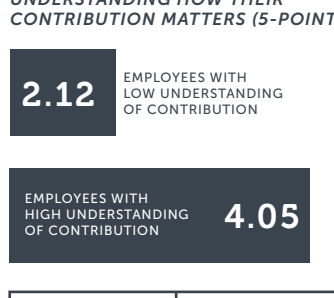
Companies need to be painstakingly clear on corporate priorities.

For employees to be engaged, they need to understand how their contribution impacts the broader organization.

MIT Research shows an astonishingly few employees can recite strategic priorities.

Too many companies lose focus on communicating strategy.

EXCITEMENT TO WORK BASED ON UNDERSTANDING HOW THEIR CONTRIBUTION MATTERS (5-POINT SCALE)



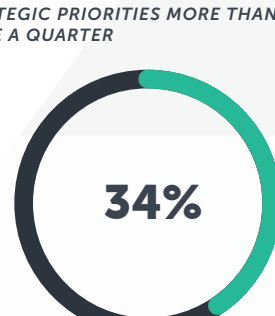
Source: Simpplr Research

POOR UNDERSTANDING OF STRATEGIC PROPERTIES



Source: MIT Sloan Review, February 2018

COMPANIES WHERE EXECUTIVES REITERATE STRATEGIC PRIORITIES MORE THAN ONCE A QUARTER



Source: Simpplr Research

Employees **don't even realize** themselves they need to know priorities to be engaged

Leaders need to communicate vision and strategy more frequently than **4 times a year!**



COMMUNITY:

Companies need to go out of their way to build community for all employees

LIKELIHOOD TO LEAVE JOBS BASED ON SENSE OF COMMUNITY (5-POINT SCALE)

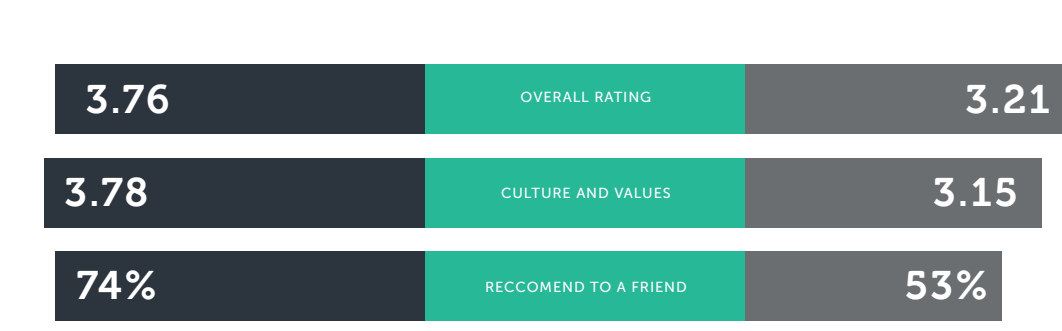


Source: Simpplr Research

Employees that do not feel a sense of community are **2x more likely to leave** in the next 12 months than those who feel a strong sense of community

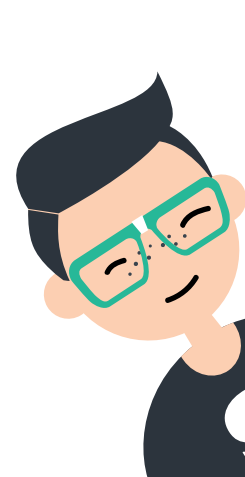


FINALLY, WE LOOKED AT SIMPPLR CUSTOMERS ON GLASSDOOR:



Companies need to do a better job at supporting and selling the importance of internal communications because engagement and retention are a huge problem in today's workforce.

We are not inferring causality!



Bottom Line: Companies that invest in culture:

- Reduce the rate of voluntary employee turnover
- Outperform on Glassdoor
- Attract better candidates with higher Glassdoor scores

To view research findings, visit: simpplr.com/engagementresearch

Corporate Culture and Company Performance

Manu Navjeevan

July 27, 2018

Abstract

This paper explores the relationship between measures of corporate cohesion and company performance. Using survey data and data from Glassdoor we find that alignment, community, and purpose are important in generating good corporate culture and that corporate culture is more important than level of compensation in predicting company success.

1 Introduction

Recently and based on emerging research, companies have been reimagining how workplaces are organized and how teams are motivated. Companies and the public at large have showed renewed interest in what makes a successful workplace with productive employees. *The New York Times* went so far as to dedicate a whole 2016 Magazine issue on the future of work. It is increasingly being recognized that offering monetary incentives for higher individual performance does not lead to better team performance. Rather, cohesion of a group (RAND: MacCoun & Hix, 2010), intrinsic achievement motivation of individuals (Hoque & Ali, 1998), and coordination (Mao et. al, 2016) are better indicators of team success. These, however, are broad categories and the results confirming these have often been drawn from non-industry settings such as the military or the classroom. The goal of this paper is to explore the relationship between these attributes and specific measures of corporate performance. Namely, we are interested in predicting Glassdoor overall scores and how engaged employees are at work. The hope is to provide insights into which aspects of corporate culture are associated with higher success and statistically analyze how high performing companies differ from low performing companies in these regards.

To do so, this paper uses data from www.glassdoor.com, a site where employees can rate their companies on a variety of metrics. High Glassdoor ratings are increasingly important for attracting and retaining high quality employees, especially in today's full employment labor market. This data is combined with data from a survey designed to measure how people feel about the work that their companies are doing and the perceived cohesiveness of their teams. The survey was sent out to a random sample of employees at companies in the Wilshire 5000. By comparing survey responses to the Glassdoor data, we show that companies with high Glassdoor overall ratings perform better on measures of employee retention and engagement. Analyzing the survey results, we further find that employee engagement and corporate culture are driven by corporate alignment, community, and purpose. Based on these results this paper recommends companies interested in improving team

performance focus on building corporate cohesion, fostering a sense of community at the company, and work on convincing their employees that the work the company is doing is meaningful and having an impact.

2 Prior Research

Recently, a number of these cases studies and experimental studies have emerged supporting the cohesion-performance hypothesis. In it's Summer 2009 Issue on "Unlocking Social Capital", the journal *International Studies of Management & Organization* collected papers exploring the relationship between social capital and cohesion on performance, finding a generally positive relationship between the three (Bachmann & Nielsen, 2009). (Change & Bordia, 2001) find that the degree to which team members enjoy each other company and would spend time together outside of the project is a significant covariate with the group's overall performance. Conducting a literature review of the effect of team cohesion on Military Unit cohesion, MacCoun and Hix at RAND find evidence that shared values and trust between members of the unit is important for unit success, especially in high stress situations. (RAND, MacCoun and Hix, 2010). Social cohesion within a unit can also help alleviate stress amongst members of a unit (Bass et. al, 2003). Finally, in his 2009 book, *Drive*, Daniel Pink reviews a number of studies relating performance on various tasks and methods of motivation. In his review he finds evidence that people perform best at complex tasks when they are motivated intrinsically by purpose (feeling your work matters) and a desire for mastery (feeling like you are improving at a task). The studies he cites show that financial compensation can be a strong motivator up to a point, but once basic needs are met it fails to spur higher performance.

The goal of this paper is to look at survey data and Glassdoor data from a wide range of companies and industries and see how these results can be further extended to a corporate setting.

3 Data

Data is obtained from two main sources. Broad company level data is obtained from scraping the site www.glassdoor.com¹, which provides a place for employees to rate their companies on metrics such as but not limited to corporate culture, senior management, and overall satisfaction. Glassdoor data is collected for all companies in the Wilshire 5000, an index of all sizable companies listed on major U.S stock exchanges (NYSE, NASDAQ, etc.). In total this leaves us with a total of 3,675 companies on which to make the ratings. The average company in our data set has 474 reviews, meaning the 'sample' glassdoor mean variable ratings can be taken as low variance estimators of the true population mean variable ratings.

The second main source of data is a survey, sent to employees at companies in our Glassdoor dataset, which asks employees questions related to how they feel about their company and the culture at their company. Our analysis is focused on predicting how employees respond to the question 'How Excited are you to go to work in the morning,' which we use as a measure of engagement and a proxy for culture, because understanding of culture can vary in a survey setting.

¹Data used in this paper was scraped in June 2018

Section 5.1 shows how responses to this question are tied to Glassdoor overall data and the viability of 'Excited to Work' as a Culture proxy. These responses are explored in the second half of our results section and used to explore specific ways companies with good culture differ from companies with poor culture. Respondents were compensated for their time with \$10 Amazon gift cards. The key for the questions is given in the Appendix.

This combined dataset is used below to statistically show the importance Glassdoor overall ratings in employee retention and engagement. Further, the results from the survey show that employee engagement is driven mainly by alignment, community, and purpose.

4 Predicting Glassdoor Overall Scores

4.1 Importance of Glassdoor Overall Ratings

An immediate question here is whether companies should care about their Glassdoor overall ratings at all. Logically, it makes sense that companies would want to be more attractive to prospective employees, and having a high Glassdoor rating is a good way to do this. Glassdoor is a highly used and accessible site and in today's employee's labor market it would seem more important than ever to be attractive on the site. However, a rigorous reader may also want statistical evidence of the relationship between Glassdoor ratings and hiring potency. The following section offers evidence for this relationship.

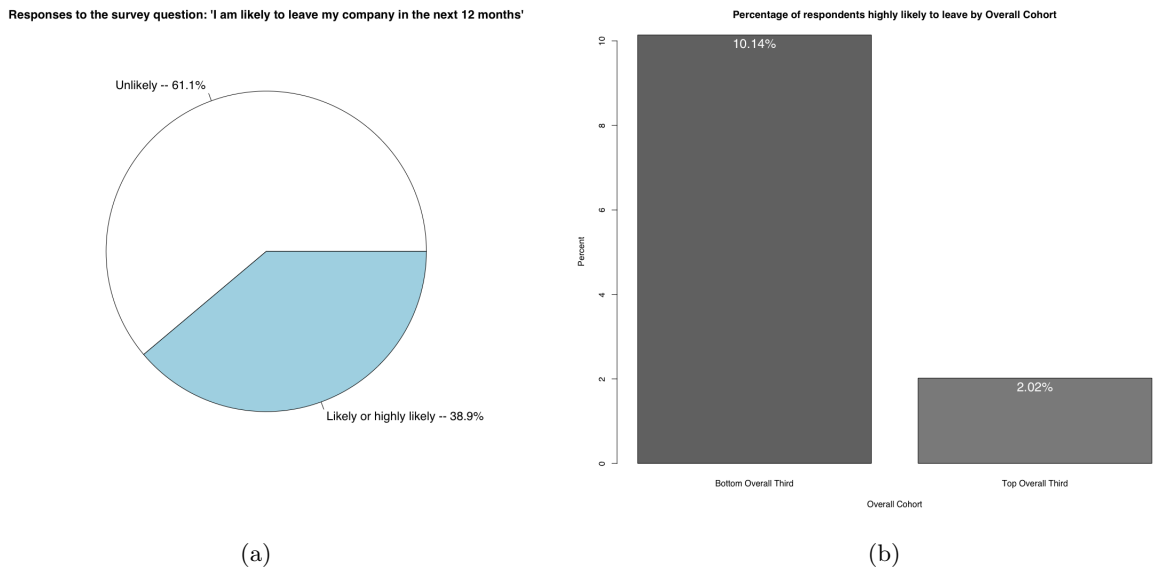


Figure 1: Glassdoor Ratings can help with recruiting and employee retention

The results in Figure 1 are obtained by combining survey results with the Glassdoor data. Figure 1a shows that fully 38.9% of respondents in our survey were considering leaving their companies in the next 12 months. High Glassdoor ratings can be an important part of attracting new talent, so having a good overall rating can help mitigate the detriments of employee turnover. Figure 1b breaks these results up by the overall k-means cluster from before. Employees at companies

in the bottom overall cluster were 5 times more likely to respond as highly likely to leave, the highest level in our survey, than employees at companies in the top overall cluster (10.14% vs. 2.02%, respectively). This suggests that companies that have good overall scores are better at retaining employees. This is important since employees who stay in an organization for longer are more productive than employees with shorter tenure (Banwo, Du, and Onokala, 2015).

4.2 Culture, Senior Management, and Overall Ratings

This paper now takes a broad look at the relationship between company culture and company performance with the Glassdoor Dataset. Prior literature discussed earlier suggests that compensation is not as great a motivator for performance as group culture or purpose. By looking at the relationships between various Glassdoor categories one can confirm this result. Figure 2 shows the β and R^2 values obtained from a linear model of Glasdoor predictor variables against the Glassdoor overall ratings.

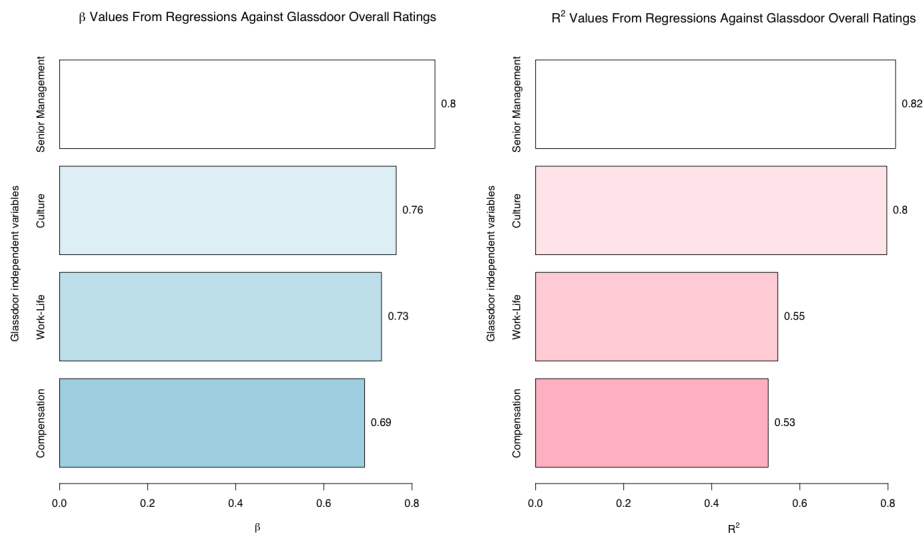


Figure 2: Senior Management and Culture ratings are much better predictors of Overall ratings than Compensation

As seen in the figure senior management and culture ratings are leading predictors of Glassdoor overall ratings, and have a significantly larger relationship with overall ratings than compensation. The effect on Glassdoor overall ratings of a 1 point increase in senior management rating is $\approx 16\%$ larger than the effect of a similar increase in the compensation rating (0.8 vs. 0.69). Similarly, the effect of a 1 point increase in culture ratings is about 12% higher than the effect of a 1 point increase in the compensation rating (0.78 vs. 0.69). Figures 3 and 4 further show this relationship. In both figures, companies are clustered using k-means clustering into 3 clusters. In Figure 3, these clusters are displayed in scatterplots of Glassdoor overall ratings versus Culture and Compensation ratings. The plots show a clear difference in culture ratings between the top overall ratings cluster and the bottom overall ratings cluster. For example, no top cluster company has a culture and

values rating below the bottom cluster average and only one company in the bottom cluster has a culture rating above the top cluster average. Further, the regression line shows that there is a strong and seteep relationship between culture and overall ratings (the beta coefficient is higher) and that the points in the culture scatterplot are more tightly bound to the regression line than those in the compensation scatterplot. All this suggests that culture is a leading predictor of overall rating.

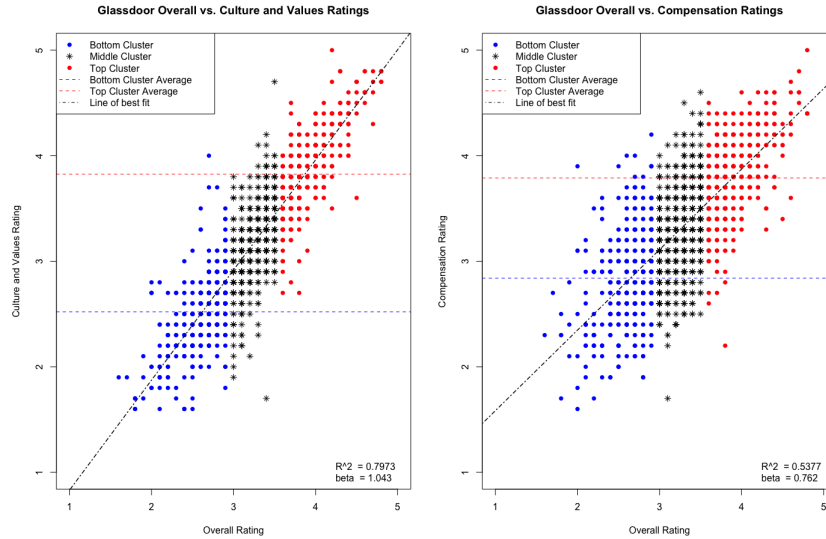


Figure 3: The relationship between overall and culture ratings is significantly stronger than the relationship between overall ratings and compensation

Figure 4 shows the relationship between senior management ratings and culture ratings with the overall k-means clusters overlaid. There appears to be a strong relationship between culture and senior management, which is inline with what is expected from the strong relationship they both have with overall ratings. Looking at the overall cluster overlay, Figure 4 shows that bottom overall rated companies tend to have both low senior management ratings and low culture ratings whereas top overall rated score highly in both categories. The seperation is still important to note in this image, however, since it appears that hardly any top overall rated companies have poor scores on either culture or senior management, and vice versa. Put together, this analysis shows that if companies want to improve their Glassdoor overall ratings, it is wise to invest in bettering culture and quality of senior management. This paper trusts that most companies will know how to increase the quality of their senior management or will turn to a broad existing literature on effective management. Thus, the rest of this paper will mainly be concerned with understanding what makes a good culture and suggesting ways in which companies can improve their culture. Given the strong relationship between senior management and culture, many of these strategies may work to increase quality of management.

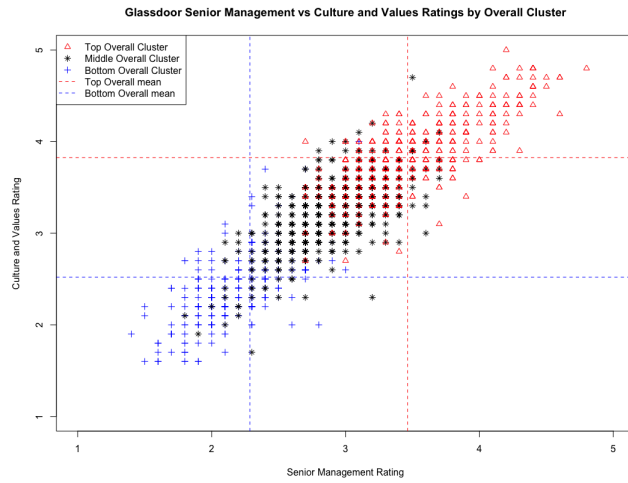


Figure 4: Top overall rated companies on Glassdoor are visibly distinct from bottom rated companies in both senior management and culture ratings

5 Understanding Drivers of Culture/Engagement

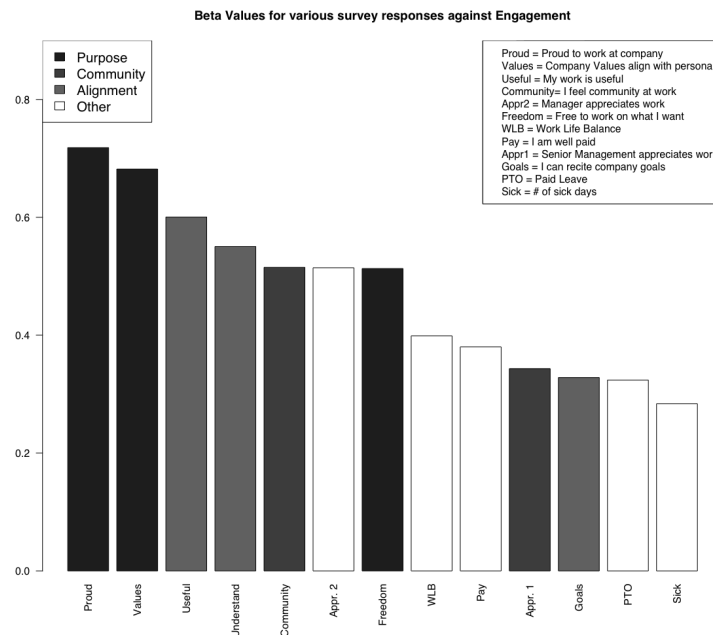


Figure 5: Highest beta values from regressing against employee engagement. Alignment, community, and purpose variables are labeled by category.

5.1 Defining Culture

As mentioned before, culture in and of itself is loosely defined and hard to measure directly. An employee answering how they would rate their culture could take this to mean how they would rate their work-life balance or their benefits package. Further employees may rate culture on dimensions irrelevant to corporate success or goals. Given this, the survey elects to measure corporate culture specifically by asking employees how excited they are to go to work in the morning on a scale of 1 (Not at all) to 5 (Very much so). The goal is to provide a specific and relevant metric on which to measure engagement as a proxy for corporate culture. Figure 6 provides evidence for the relevance of the excited to work question to Glassdoor Overall ratings. Companies in the top 20% of Glassdoor overall ratings have an average excited to work response in our survey 14.2% higher than companies in the bottom 20% of Glassdoor overall ratings.

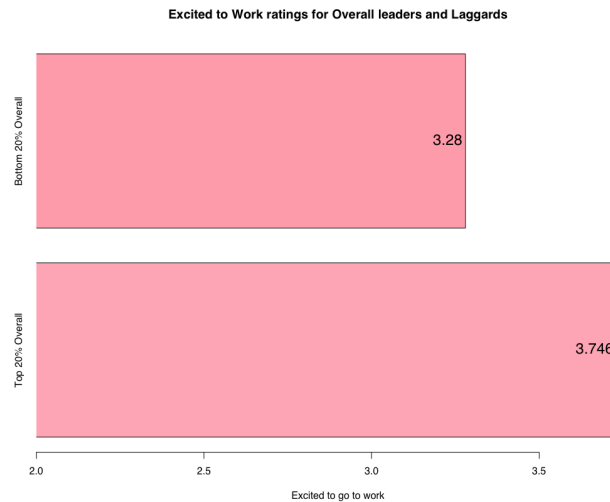


Figure 6: Excited to Work average response by Glassdoor overall rating leaders and laggards

The rest of this section analyzes survey results to understand what the key drivers of employee engagement are. By focusing on improving these drivers, companies can improve their overall culture. The subsections below show that alignment, community, and purpose are the biggest drivers of employee engagement.

5.2 Alignment and Engagement

Results from the survey show that lack of alignment is a problem faced by most companies. Figure 7 shows respondents were not confident in their ability to recite company annual goals on the spot. This and other measures of alignment are also significantly related with culture, specifically their understanding of contribution and how useful employees find their day-to-day work in achieving their corporate goals. While this didn't show significant impact on engagement (Figure 5), this does show a significant disconnect between employees and executives in their knowledge of company goals. This and other measures of alignment are significantly drivers of Culture, specifically their ability to recite their annual goals.

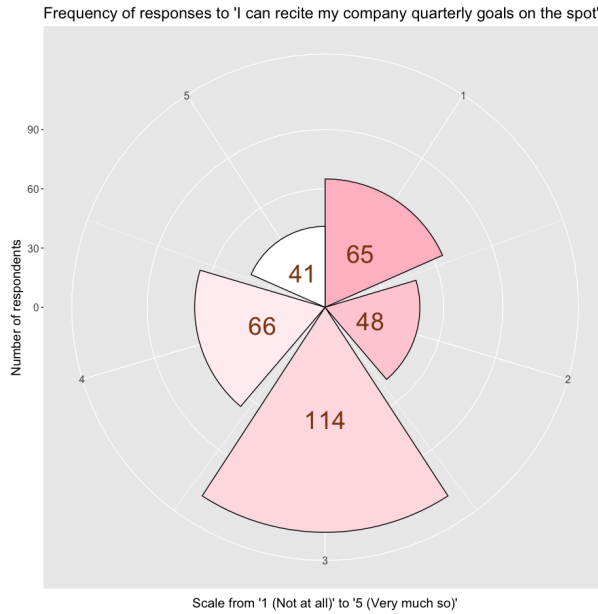


Figure 7: Responses to the question "I can recite my company annual goals on the spot"

Figure 8 shows the results of regressing each of the predictors listed above against our culture outcome 'Excited to Work'. Employees feeling that their work is useful in achieving the companies goals ("Work is useful") is the most significant covariate with good corporate culture, exhibiting a β value of 0.6 and an R^2 of 0.24 in our linear model. Employees understanding of how they contribute to the company and their ability to recite annual goals are also significant covariates, with β values of 0.55 and 0.42 and R^2 values of 0.15 and 0.22, respectively. All of these β values are significantly different from 0 at the $\alpha = 0.001$ level. Further, the R^2 values are well above what would be expected from random correlation, suggesting there is an underlying association between these variables and corporate culture.

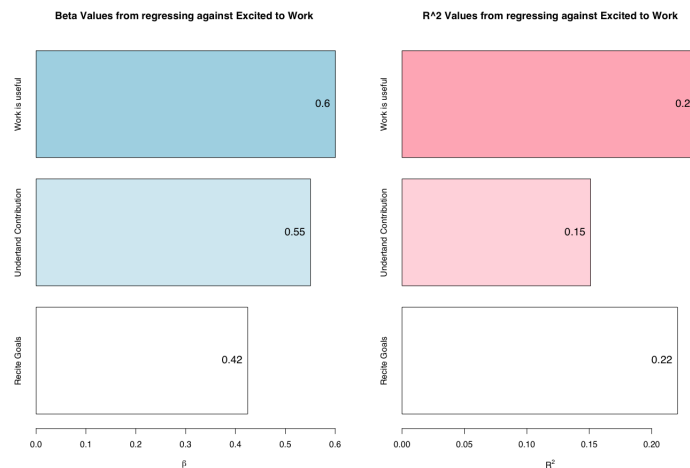


Figure 8: Results from regressing against Culture/Excited to Work

This all suggests that measures of alignment are important in predicting corporate culture. Companies with highly motivated employees seem to be those whose employees are aware of company goals and how their work relates to them.

5.3 Community and Engagement

The second set of variables found to be significant predictors of corporate culture were those related to the sense of community people feel at work. Specifically, the way respondents answered the questions "I feel a sense of community at work" and "My company cares about my well-being" were significantly related to how excited they indicated they were to go to work in the morning.

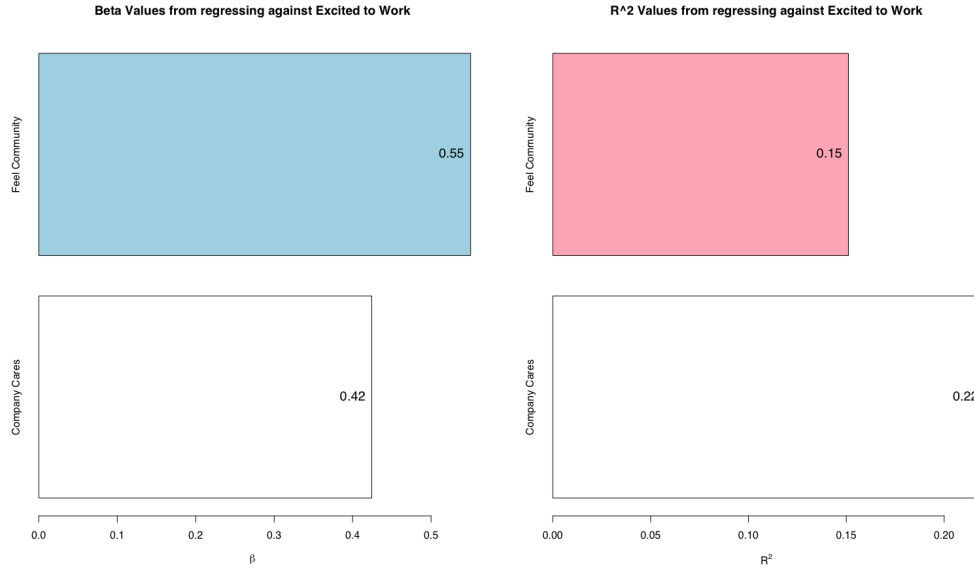


Figure 9: Results from regressing community variables against corporate culture

Figure 9 displays the results of fitting the relationship between excited to work ratings and community variable ratings to a linear model. Feeling a sense of community at work had a β value of 0.55, meaning that a 1 unit increase in sense of community ratings was associated with a 0.55 unit increase in how excited employees are to come in to work. This is significantly different from 0 at the $\alpha = 0.001$ level. Similarly, feeling that a company cares about one's well being has a β value of 0.42 when fitted to a linear model against "Excited to work". This β value is also significantly different from zero at the $\alpha = 0.001$ level. The R^2 values of 0.15 and 0.22 are also well above what we would expect from random association and suggest that there is a significant underlying relationship between community and how excited employees are to show up to work in the morning.

Further, there seems to be a relationship between measures of corporate community and how likely employees are to leave in the next 12 months. Figure 10 shows the difference in how likely employees are to be considering leaving the company between those that feel a high sense of community (leaders) and those that feel almost no sense of community (laggards)². Those who felt no

²Leaders are those who responded "5" to the question "I feel a sense of community at my company" whereas

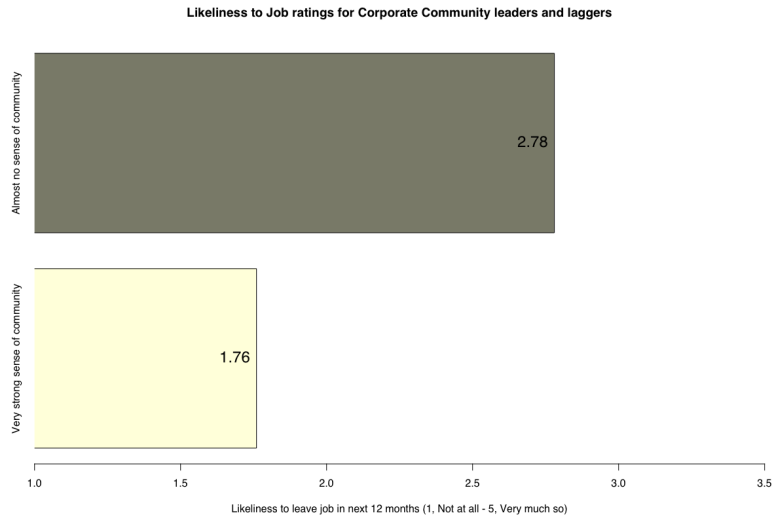


Figure 10: Employees at companies with good community are much less likely to report considering leaving the company

sense of community had an average likeliness to leave response almost 60% higher than those who felt a strong sense of community at work. This suggests that, in addition to being important in creating a good corporate culture, building a strong community in a workplace is especially important for employee retention.

5.4 Purpose and Engagement

The final set of variables found to be related to corporate culture were those dealing with “purpose.” Survey results showed that responses to the questions “I am proud of the work my company is doing” and “My company’s mission aligns with my personal goals.” This is in line with prior research which suggests that the most motivated employees are those with the highest intrinsic achievement motivation (Banwo et al., 2015).

Figure 11 shows the results of fitting the aforementioned purpose variables to a linear model against “excited to work.” Both being proud of the work one’s company is doing and having a company’s goal’s align with one’s personal values exhibit strong, positive, linear relationships with β values of 0.72 and 0.68, respectively. These are higher than the β values observed earlier (and, clearly, different from 0 at the $\alpha = 0.001$ level), suggesting that purpose variables are highly relevant in predicting company culture. Similarly, the R^2 values on these regressions are 0.36 and 0.38 for “proud of work” and “company’s mission aligns”, respectively. These, again, are higher than we have observed in other variable groups and definetly higher than what we would expect from random association between survey responses. This all suggests a tight and strongly positive underlying relationship between purpose and culture. Rephrasing, this suggests that companys with engaged employees and good culture generally spend time and are able to convince their employees that their work is worthwhile and has a positive impact on the world around them.

laggards responded “1”

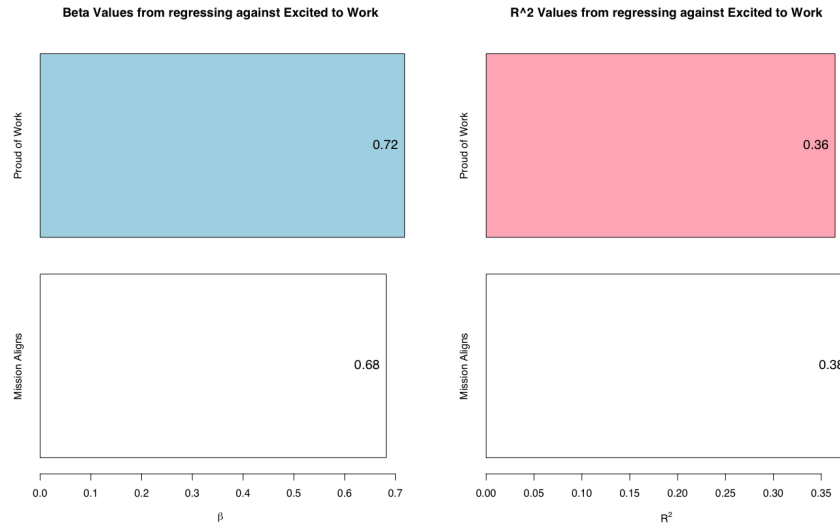


Figure 11: Results from regressing purpose variables against corporate culture

6 Conclusion

As a whole, results from the survey show that companies that have highly motivated employees and good culture also promote corporate alignment and community and make sure that their employees feel purposeful in their work. Having a highly rated culture, in turn, is better associated with having a highly rated Glassdoor overall score than than having high compensation. Further, companies with high Glassdoor overall ratings and high Glassdoor culture ratings do a better job of retaining talent and attracting new talent than companies rated poorly in these areas. This all suggests that companies who want to be more attractive to work at, do a better job of retaining and attracting talent, and getting their workforce more motivated are best served focusing on:

1. Alignment; making sure that employees and executives are on the same page and that everyone understands how their work is impactful
2. Community; creating an environment where people feel supported and can suggest ideas without judgment
3. Purpose; showing employees how their work and the work of the company is having a positive impact on their community, nation, or world at large