Corporate culture can affect company performance, research says

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Criticism of e-commerce giant Amazon.com's corporate culture in recent weeks has created a media firestorm, but a new study by the University of Kansas School of Business may shed light on the financial link between corporate culture and company performance.

The forthcoming Journal of Corporate Finance article "Family firms, employee satisfaction and corporate performance" finds, in general, employees who work for founder-run companies report greater satisfaction with their workplace culture than employees in nonfamily firms. In turn, greater employee job satisfaction creates more value for a company's owners.

"We found that employees at firms like Amazon—large, founder-run, publicly traded—are, on average, more satisfied with their company," said Felix Meschke, assistant professor of finance and co-author of the paper.

Their data suggest:

- Employees who work for firms with active founders rate their companies higher, especially if the founder runs the company.
- Employees are less satisfied in companies run by family heirs.
- Employee assessments can predict firm performance.

Meschke conducted the study with fellow School of Business researchers Jim Guthrie, Minjie Haung and Pingshu Li.
He and his co-authors used survey data to capture how employees perceive their company's culture. They studied more than 100,000 surveys from Glassdoor.com between 2008 and 2012.

Better corporate cultures help predict subsequent firm performance, Meschke said.

"Many institutions foster a culture that values hard work and high achievement," he said. "Amazon is not unique in that regard."

Meschke's study is the first to systematically measure corporate culture by looking at employee satisfaction across a large sample of family and nonfamily firms. Their research reinforces the notion that family-run firms focus on long-term growth and invest long term in human capital.

"Our results show that corporate culture systematically differs by firm type and that it matters for subsequent firm performance," Meschke said. "There is an old Dilbert cartoon about the saying, 'Employees are our most valuable asset.' We can't tell whether money, employees or carbon paper matter the most, but our results suggest that more satisfied employees create more value for the owners of the firm."


Provided by University of Kansas

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