

# Staff satisfaction affects company performance

November 15 2017

---

Companies with high levels of staff satisfaction perform better financially, according to new research from the University of East Anglia (UEA).

The study examined the effect of staff [satisfaction](#) on [corporate performance](#) using employees' online reviews of where they work.

Writing in the journal *Economic Letters*, the researchers from Norwich Business School say that [firms](#) rated highly by their current employees in terms of satisfaction achieve greater financial performance compared to firms characterised by low levels of [employee satisfaction](#).

They add that this association between [employee](#) satisfaction and corporate performance indicates that employees' online reviews are good predictors of a firm's financial results, and so of value-relevance for investors.

However, they find that positive employee satisfaction is not fully reflected in equity prices on the stock market, as an analysis using a trading strategy based on investing in firms characterised by high levels of employee satisfaction achieved statistically and economically significant abnormal returns.

Lead author Efthymia Symitsi said the findings have significant implications for both managers and investors: "Increasingly researchers from a wide range of disciplines argue that in the current knowledge-

based economy, employees are a particularly valuable organisational asset as they can contribute to firm value through innovation and customer relationships.

"Therefore, ensuring their wellbeing and general satisfaction should be a major concern for businesses. This human-centred view of the firm is in direct contrast to the traditional view, according to which employees perform unskilled tasks and, therefore, are expendable commodities. Naturally, which of the two views is the appropriate one is an issue of the utmost importance for both managers and investors."

The study, published online this month, analysed more than 326,000 employee ratings of 313 US public firms from 2009-2016. The sample only included firms that had more than 500 reviews during the period studied, with quarterly financial data also collected for each firm.

Co-author Dr George Daskalakis said: "Our results provide empirical support for a human-centred view of the firm. Interestingly, however, it seems that this is not wholly recognised by equity investors, providing further evidence that intangibles are not fully priced in the stock market and, most importantly, that this is not due to lack of information, since we measure employee satisfaction on the basis of freely available online reviews.

"The reason we find abnormal portfolio returns and, therefore, conclude that this intangible is not fully priced in the [stock market](#), could be because equity investors don't believe that employee satisfaction is value-relevant for firms or perhaps because it is difficult to actually quantify its value."

Previous studies investigating the effect of employee satisfaction on corporate performance are relatively limited and commonly based on the '100 Best Companies to Work for in America' list, published annually by

Fortune magazine.

However, to potentially be included in the list a firm needs to be certified for a fee first by the California-based Great Place to Work Institute. Therefore, only firms that have, or believe themselves to have, significant levels of employee satisfaction have an incentive to pay this fee and get certified. The authors argue that this can result in any conclusions drawn being driven by self-selection bias.

To avoid this possibility, this study based its analysis on freely available online reviews that employees posted on job and recruiting site Glassdoor.

**More information:** Efthymia Symitsi et al, Employees' online reviews and equity prices, *Economics Letters* (2017). [DOI: 10.1016/j.econlet.2017.10.027](https://doi.org/10.1016/j.econlet.2017.10.027)

Provided by University of East Anglia

Citation: Staff satisfaction affects company performance (2017, November 15) retrieved 10 April 2024 from <https://phys.org/news/2017-11-staff-satisfaction-affects-company.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------