

# Employee satisfaction improves UK company financial performance

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A new study led by the University of East Anglia (UEA) using data from recruiting site Glassdoor has for the first time revealed a strong link between a satisfied workforce – in the form of higher Glassdoor

company ratings – and the financial performance of UK companies.

Researchers from UEA's Norwich Business School have identified that having a one-star higher rating on Glassdoor is related to almost one per cent higher annual return on company assets, and that public companies experienced extra stock portfolio returns of up to 16 per cent per annum.

The in-depth study, "Employee Satisfaction and Corporate Performance in the UK," analysed 35,231 [employee](#) ratings from Glassdoor, one of the world's largest job and recruiting sites, for 164 large UK companies<sup>2</sup> between 2014-2017. The sample only included firms with a minimum of 100 reviews within this time period, with annual financial data obtained from Bureau van Dijk's FAME and daily stock price and market index (FTSE 100) data gathered from Thomson Reuters Datastream.

The results reveal that firms rated higher by their current employees in terms of satisfaction achieve superior profitability compared to those rated lower. After controlling for many firm-specific characteristics, such as leverage, total assets, number of employees and firm age, among others, company ratings on Glassdoor still had a positive and statistically significant link to company profitability.

The UK study also looked at the return of a stock portfolio for public companies with top Glassdoor ratings, in the 75th percentile of monthly average Glassdoor ratings. After accounting for risk, researchers found that over a four-year period, the portfolio earned significantly higher returns than expected, according to standard asset pricing models.

On average, these "abnormal" returns ranged approximately between 10 and 16 per cent extra annually, depending on the model used to assess portfolio performance and the portfolio's weighting methodology. This further supports the link between employee satisfaction and firm performance and signals to equity investors that it is to their advantage to

leverage employee sentiment and company ratings when evaluating companies for investment opportunities.

Dr. George Daskalakis, finance lecturer at Norwich Business School and report co-author, said: "These findings have significant implications for both managers and investors. We live in a knowledge-and service-based economy where employees are, increasingly, a valuable asset, contributing directly to company value through innovation and customer relationships. We now know all of this has a direct and measurable impact to a company's financial performance.

"There is clear empirical evidence to suggest that employers should adopt a human-centred approach to running a business. Though it's to their advantage to do so, most investors in the market are still not accounting for the impact satisfied employees can have on improving business results when assessing and valuing stocks."

Dr. Daskalakis added: "It is also worth noting that we performed our analysis over a period characterised by turmoil in the UK labour market and increased uncertainty for UK firms due to the Brexit referendum and its outcome. Due to this, our findings reinforce that even in tough or troubled periods, employee satisfaction can be a source of significant competitive advantage for firms."

Glassdoor's chief economist, Dr. Andrew Chamberlain, said: "These results are striking as they suggest online employee reviews can be used to predict a firm's financial performance and that there is a meaningful economic link between intangible company assets, such as employee satisfaction, and company performance in the United Kingdom.

"Employees are an important resource and not just a homogeneous cost of production. Tending to employees is like looking after your garden: helping them grow by giving them nutrients and an optimal environment

can ultimately improve your yield."

This independent study is the first to examine the link between Glassdoor ratings and [company financial performance](#) outside the United States, and comes on the heels of U.S.-specific studies that also found that more satisfied employees drive better business results. This is also the first study to examine the link between [employee satisfaction](#) and [financial performance](#) for both privately held and publicly traded companies in the UK.

**More information:** Efthymia Symitsi et al. Employee Satisfaction and Corporate Performance in the UK, *SSRN Electronic Journal* (2018).  
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