Company Culture
The Secret Sauce for Increasing Business Value

Since the dawn of business thousands of years ago, company culture has existed. Whether stated or not, companies have always had missions, values, beliefs and personalities. Despite this, people rarely talked about or tried to change their cultures. Instead, they focused squarely on the bottom line. In recent years, however, businesses have begun to invest time, energy and money to ensure their working environments are fun, challenging and friendly — characteristics that employees desire. At the same time, the media has shone a light on the subject. But why the change? Is culture more important than it used to be? Or is there simply an increased awareness of how it can impact on an organization's success?

Change Driven by Information

The internet explosion over the last couple of decades provides part of the answer. Because the information superhighway brought data to our fingertips, it revolutionized our personal and business lives. Today, when questions arise, whether they are about the latest storm, housing prices, business solutions or the best employers, people turn to the internet.

Potential employees can now find out about work environments via the social media platforms LinkedIn, Indeed and Glassdoor, all of which attract millions of page-views monthly. Indeed and Glassdoor, which are both job-search sites, dedicate sections of their websites exclusively to reviewing employers. These spaces, where anyone can contribute their thoughts, have become repositories for information about workplace culture. Thus, the hiring process, which traditionally favored the employer's needs, has now become a two-way street. And those businesses with unique, positive cultures, such as Google and Zappos, not only gain the attention of potential employees but also receive plenty of media attention. To assess whether a company fits their values or beliefs, workers no longer have to rely on the interview process and, perhaps, word of mouth. After they join an organization, there is no reason for them to be surprised by a cultural misfit. With some research, job seekers can quickly identify healthy work environments.

Armed with this new level of transparency into the inner workings of a business, prospective employees have changed how they select employers. Why join a firm with an undesirable culture and only one week's vacation, when they could work for a company that offers an enjoyable environment and unlimited vacation? As a result of the newfound knowledge of potential recruits, companies with poor cultures have scrambled to attract talent and have been forced to change the nature of their workplaces.

While the wide dissemination of information was the catalyst for change, employers who bettered their work environments accrued benefits beyond attracting the best and the brightest.

Doing the right thing for their employees turned out to be good for business profitability, too.

Positive Cultures Stoke Revenues

In healthier cultures, employees became more engaged and less stressed, leading to increased revenues. While high-stress work environments may create excitement and activity in the short run, studies show stress reduces productivity over the long term.[1] For example, disengaged workers are more likely to be absent or to have accidents, thus reducing revenues. By improving culture, companies can minimize this loss of productivity.

Another critical aspect of the working environment is the social relations between employees, including both peer-to-peer and boss-subordinate interactions. People spend a great deal of their time at work, and the quality of relationships with fellow employees can make the duration either enjoyable or miserable. A recent article by Harvard Business Review[1] claims that social bonds are the most important predictor when it comes to team success. So employees relating well to each other are essential not only for their welfare but also for company valuations.

Healthy Workplaces Reduce Costs

There are two significant ways that improving culture decreases costs. First is its ability to reduce healthcare costs. The American Psychological Association estimates that the US economy loses over $500B per year due to health costs[1]Error! Bookmark not defined. related to workplace stress. Since improving culture can reduce stress, it also decreases associated health costs.

Secondly, enhancing culture can lessen turnover costs by shoring up employee loyalty. According to research[1], workplace stress increases voluntary turnover by 50 percent. As a result, employers have to spend more to recruit and train new employees.

The Bottom Line on Culture

The availability of workplace information on the internet has brought more attention to company cultures, forcing companies to improve them to attract talent. In doing so, they have realized many benefits. They have furthered the wellbeing of employees, retained workers longer, attracted better talent, and heightened their business reputation. Revenues have increased along with engagement and productivity. At the same time, businesses have decreased healthcare and turnover costs. The net effect of all these benefits has been to boost bottom-line results. Thus, it's vital for every company to examine their culture and take steps to enhance it.

[1] Positive Culture increases Productivity: https://hbr.org/2015/12/proof-that-positive-work-cultures-are-more-productive