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**ACCOUNTING & AUDIT**

# Better Culture Drives Revenue Growth for Businesses

Executives who say their culture is extremely healthy are 1.5 times more likely to report average revenue growth of more than 15 percent over three years.

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Cultural factors such as collaboration, employee engagement, employee retention, and customer satisfaction have a clear relationship with revenue growth for businesses. That's according to a new study from Grant Thornton LLP and Oxford

Economic, which focused on organizational culture and its correlation to business outcomes and financial performance. The [Return on Culture](#) study was based on survey data of 1,000 professionals from U.S. companies with revenues between \$200 million and \$5 billion.

- Executives who say their culture is extremely healthy are 1.5 times more likely to report average revenue growth of more than 15 percent over three years.
- Among public company survey respondents, those with extremely healthy cultures are nearly 2.5 times more likely to report significant stock price increases over three years.

“Companies clearly care about revenue and their people, but are likely not looking at culture as a way to grow both. This is short-sighted,” said Erica O’Malley, Grant Thornton partner, Organizational Strategy. “Our study shows that, in fact, investing in culture can help companies grow and thrive financially, and keep employees for a longer time period.”

### **Culture leads to less turnover, which equals savings**

In addition to revenue growth, Return on Culture also correlates culture to decreased employee turnover. Survey respondents who describe their organization’s culture as extremely healthy are more likely to retain employees for more than six years, on average (45 percent versus 29 percent overall). Half (49 percent) of employees would leave their jobs for a lower-paying job in exchange for a better organizational culture.

“Organizational culture has been vitally important to employees and executives for years, but the focus of the conversation has been on how culture makes people feel,” said Chris Smith, Grant Thornton Strategy & Transformation Practice managing principal. “Now we have hard facts showing significant savings – more than \$150 million<sup>[i]</sup> on average for some companies – meaning we’re able to evolve the conversation. Those who’ve doubted the importance of culture and those who needed more arsenal in their arguments for resources to grow, will now have it.”

### **Executive-employee disconnect**

Management and workers do not always see eye to eye on what defines their organizational culture, according to the study. Executives tend to prioritize workplace design (e.g., aesthetics) and onsite amenities, while employees prioritize

the nature of their work, job security, collegiality and trust among coworkers, and work-life balance.

According to the study, executives also overestimate employee engagement and satisfaction, while underestimating the growing importance of corporate ethics and employees' abilities to do their jobs without working long hours.

- Among executives, 57 percent say that workplace environment is important to culture, but only 36 percent of employees agree. What's more, workplace design was determined to be the lowest weighted cultural factor, meaning the office décor has little to no bearing on the factors that drive revenue growth.
- Results indicate a significant disconnect between how executives and employees view company culture: 76 percent of executives say their organization has a defined value system that is understood and well-communicated, while just 31 percent of employees believe this to be true.

“Leaders tend to see their efforts at embedding values into their corporate culture as successful, but employees are somewhat less inclined to say so,” said O’Malley. “Most organizations need to rethink their approach to organizational culture—and work harder to understand what their employees want and need.”

### **Majority of companies don't measure culture**

Seven out of every 10 companies (69 percent) are not measuring culture, despite 93 percent of executives saying they are attuned to company culture and have taken steps to strengthen it.

Using data from the survey, Grant Thornton, with assistance from Oxford Economics, created a correlation and regression analysis to determine the strongest links of organizational culture and business performance outcomes. The [Return on Culture benchmarking tool](#), now publicly available for free, measures five critical culture aspects:

- Workplace environment
- Sense of community
- Executive investment in employees
- Purpose and value system
- Diversity

“We now have a great new resource for executives who care about their people and their bottom line, but are unsure of the first step to take to create a healthy, high-performing culture,” said Smith. “It takes just a few minutes to use our online benchmarking tool, where results are displayed immediately and shareable via email. Our team members are available for consultation to dig deeper into specific organizational results.”

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