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The Effects of Company Culture on Company Profitability

Jennifer Bartoli

THE EFFECTS OF COMPANY CULTURE ON COMPANY PROFITABILITY

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Jennifer Bartoli

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Prof. Hardik A. Marfatia Department of Economics — Date
Faculty Advisor

5/5/2020

Prof. Scott W. Hegerty, Department of Economics — Date
Faculty Reader

Prof. Aaron Schirmer, Department of Biology — Date
Honors Curriculum & Standards Board

Dr. Nadja Insel, Department of Earth Science — Date
Co- Coordinator, University Honors Program

Prof. Ana Nieves, Department of Art & Design — Date
Co- Coordinator, University Honors Program

ABSTRACT

The majority of companies, whether they be service, production, or entertainment oriented, all have one common goal: profitability. Certain companies spend millions of dollars researching the latest trends or the next best-selling product in order to capitalize on it. Other companies spend all their effort and time on customer relations in order to draw as many new consumers into their business as they can. Finally, some companies spend many years focusing on increasing profits through growing their brand or business. Overall, no matter how companies expand and change, they are all working towards the same thing: profitability. Profitability can be accomplished through either increasing sales or decreasing costs. Though, what many companies forget is they all have one thing in common that can have a strong impact on profitability: company culture. Company culture refers to the force within a company that encourages certain behaviors and shaped the attitudes of employees. No matter what type of company, what products or services they sell, and even where they are located, company culture is an overarching aspect of a company. This research will look at pre-collected data which measures and analyzes the effect that company culture has on company profit. The term "company culture" will be defined and looked at as an opportunity for growth of the company, rather than an afterthought. The hypothesis that positive company culture contributes to higher company profit and negative company culture leads to losses will be tested in this research. Finally, this research paper will look at how companies can use its culture to their advantage. Company culture is an extremely valuable asset that companies have, that has been surprisingly underutilized in the past. This research paper seeks to inform those in the business world about the tremendous benefits that company culture can have, if implemented correctly, on company profitability.

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INTRODUCTION

Companies are always attempting to figure out what factors affect their retained earnings. Components such as advertising, product demand, and the state of the economy are all things that have been tested and proven to affect a company's retained earnings. All these elements can affect profitability by either decreasing the total costs incurred or increasing sales. These factors which have been proven to affect company financial gain have, historically, come from elements originating from outside of the company. However, factors under the direct control of the company must have affected profitability though this effect has not been completely explored. Company culture is one of the most important features regarding the inner workings of a company and yet has no widely accepted definition. Company culture can be the expectation to respond to emails after the workday has concluded or what year-end professional goals employees work towards. Company culture also referred to as organizational culture, can affect which individuals are hired, what products or services you provide, and what activities get accomplished [Ahmed 2014]. Since company culture affects so many aspects of a business, it seems logical that it must have some effect on the revenue or loss of a company. In this paper, the connection between company culture and company profitability will be explored. The hypothesis is that positive company culture has a strong correlation with profit and company success.

The definition of company culture will be defined and explained along with the definitions of positive and negative company culture. This research will then look at three separate studies, the Flamholtz (2001) study, the Tedla (2016) study, and the Rebelo and Gomes (2015) study. All three of these studies will provide the necessary data to track the connection between company culture and company profitability**.** These studies will then be analyzed for the effect and implications that they have presented for existing businesses. The next idea that will be explored is whether or not this information is valuable for managers. The question of whether this increase in revenue makes up for the costs it takes to create a positive company culture, will be analyzed. Furthermore, it will explore what happens when companies attempt to change company culture and never see this increase in profitability. Finally, though the study of company culture is not new, it has been developing and changing. Over the past 20 years, companies such as Google and Amazon have emerged, both bringing with them vastly contradicting ideas of successful company culture and both becoming extremely profitable nevertheless. This study will look into the company cultures created at the successful organizations of Google and Amazon and the implications that these different cultures on profitability. Once these studies have been explored, the effects on profitability measured, and famous contradicting examples are analyzed, the connection between company culture and company profitability will be clear and significant.

WHAT IS COMPANY CULTURE?

Company culture is an umbrella term used to describe the invisible forces which shape attitudes and encourages behaviors within a company. [Groysberg, 2018]. The company or organizational culture is often considered to be an extremely powerful tool, useful in deciding the inner workings of how a company's members think and act. [Schuneman, 2019]. Furthermore, an organization's culture can not only impact the work lives of its employees but can have significant impacts on its employees' personal lives as well.

The term organizational culture can trace its origins back to Dr. Elliott Jaques' book "The Changing Culture of a Factory" published in 1963. Dr. Jaques explains that new members entering into an existing company need to learn and accept the traditional way of thinking and doing things that the existing members all share [Jaques, 1951]. Through Jaques's work, many economists have been able to create a general list of attributes that make up organizational culture. These attributes are as follows: treatment of employees, interactions between managers and their subordinates, accountability of authority, long-term organizational goals, and opportunities to progress [Schuneman 2019]. Treatment of employees includes fair pay and merit-based recognition. Interactions between managers and their subordinates include feedback, recognition, and personal appraisal. Accountability of authority is the creation of trust and dependence on a company's authority figures. Long-term organizational goals refer to the shared or collaborative vision for the organization's future. Finally, opportunities to progress are when individuals in the company can grow within the business. Even with this clear definition of what organizational culture is, it can be difficult to trace the impact that company culture has on company profitability.

According to Eric Flamholtz in his 2001 journal article, "Corporate Culture and the Bottom Line" there are four key areas that organizations must use to manage their culture or values. The four key areas are the treatment of customers, the treatment of an organization's people or human capital, the standards of organizational performance, and the notions of accountability [Flamholtz, 2001]. Flamholtz has created a very clear-cut rubric that companies can use to manage their culture. The first item in this rubric was the treatment of customers and the treatment of an organization's people or human capital all contribute to the psychological environment of a company. Furthermore, the standards of organizational performance and the notions of accountability lead to employees maintaining consistent and active engagement in their business activities.

Managing an organization's culture is an extremely important and useful tool that managers can potentially use to increase company profitability. Positive company culture leads to an increase in company profitability is the hypothesis for this research. Having said that, what is the difference between positive and negative company culture?

POSITIVE VS. NEGATIVE COMPANY CULTURE

Now that we have defined company culture, it is important to understand the difference between positive and negative company culture. Positive company culture is oftentimes defined as a respectful and collaborative work environment that leaves employees feeling satisfied with their work. [Kohll, 2018] This can be any workplace that emphasizes the strengths of its employees and creates an environment of enthusiasm and encouragement. Alan Kohll mentions the benefits of positive company culture in his 2018 Forbes article, “Strong company cultures have been linked to higher rates of productivity. This is because employees tend to be more motivated and dedicated to employers who invest in their well-being and happiness.” [Kohll, 2018] The previous quote explains that when employees feel happy and valued within their workplace, they become more motivated within their job. This leads to greater productivity from employees at firms with positive company culture. Companies can accomplish this positive company culture in many different ways, such as yearly employee bonuses, merit-based raises and promotions, and even employee perks such as free sports tickets. This positive culture has a positive effect on the well-being of employees which leads to a positive impact on company productivity.

Similar to positive company culture, negative company culture can have the same strong effect on employees, only with detrimental effects. Negative company culture is frequently defined as a work environment in which employees feel invalidated and insignificant [Frost, 2021]. Frequently, negative company culture is associated with high employee turnover rates and an unhealthy work environment. Factors like poor communication can cause negative company culture due to the lack of support and information being provided to employees. Even factors like competition can be a great incentive at first but can cause resentment between employees, which can lead to divisions between them. This negative company culture can present itself in many ways, though it becomes recognizable when employees have an unhealthy balance between their work and home lives. Overall, negative company culture can be detrimental to business but can be avoided when management is working towards a healthy and flourishing work environment. Now that the full extent of what makes up company culture has been defined and explored; a new question arises. How have companies used company culture to affect company profitability?

MEASURING THE IMPACT OF COMPANY CULTURE

Company culture is often described as an invisible force and it can be difficult to truly see the impact it has on the overall company. Despite the difficulty that company culture may be to define, the impact that it has on the business overall is crucial. Furthermore, how is the impact of company culture measured? Fortunately, through mediums such as surveys, studies, and other research collections there are many different sources to evaluate this impact.

FLAMHOLTZ (2001) STUDY

The first study that will be evaluated is the Flamholtz (2001) study, which evaluated a US-based, medium-sized, industrial enterprise that was surveyed by Eric Flamholtz from the University of California at Los Angeles. This company was given a pseudonym company name, the Banner Corporation. “The intent of the present study is to determine whether corporate culture has a significant impact on financial performance.” [Flamholtz, 2001]. Flamholtz and his team worked on creating a desired corporate culture for the Banner Corporation by developing an explicit statement of company values and cultural statements. These statements were then turned into an assessment questionnaire of the company culture which was sent out to all salaried employees. This survey was administered to 950 employees and had a response rate of 78% [Flamholtz, 2001]. This questionnaire was designed with two objectives in mind, the first of which is as follows: “to determine the extent to which people throughout Banner Corporation agreed with the stated or desired culture” [Flamholtz, 2001]. The second objective was “to determine the extent to which people perceived that each division, as well as the corporate office (headquarters), was behaving in ways consistent with the desired or ideal corporate culture” [Flamholtz, 2001]. These objectives show that the Banner Corporation study was aimed at measuring the acceptance rate that employees had towards the stated or desired company culture.

Once the questionnaire’s responses were collected, Flamholtz and his team found that over 96% of the respondents agreed with the stated or ideal culture of the corporation. Banner Corporation was separated into divisions and within those, earnings before interest and taxes, or EBIT, were recorded. Flamholtz and his team proved their hypothesis, “...that the greater the degree of agreement between the desired corporate culture and the culture perceived to exist, the better the financial performance.” [Flamholtz, 2001]. Flamholtz was setting out to see if the divisions that perform the best financially are the same ones that are best in compliance with the company's desired culture. Furthermore, Flamholtz was seeing if the lowest financially performing divisions were those who were most out of line with the desired company culture.

Flamholtz collected the data that was derived from the Flamholtz (2001) study and plotted it, further showing the divisional concurrence with company culture. This data from the Banner Corporation was looking within a medium-sized industrial enterprise and suggested that the correlation between divisions that adhere to the desired company culture increased earnings before interest and tax. These results strongly support the hypothesis that positive company culture affects company profitability, though there are many other factors and companies to look at to further demonstrate this correlation.

THE TELDA (2016) STUDY

A study conducted by Tewodros Bayeh Tedla at Walden University in 2016 was attempting to discover the strategies that managers use to create an effective company culture that improves performance [Tedla 2016]. Tedla developed in this dissertation, the following question to ask senior managers, "What successful strategies do senior company managers use to establish organizational culture to improve performance?" [Tedla 2016]. Tedla conducted face-to-face interviews with 20 senior managers within one corporate group. These senior managers all had at least five years of experience and had educational backgrounds ranging from master's degrees to doctoral degrees [Tedla 2016]. The participants in this study were given both a consent form and an invitation letter 15 days before the interview date, giving them time to think over the study topic. These interviews lasted anywhere from 30-60 minutes for each participant and follow-up interviews provided some additional information and data. Once Tedla collected the data and analyzed it, the combination of each senior manager's answers had four main apparent themes within them. Those four themes are "well-defined mission and vision, core corporate values, employee-focused leadership, and consistency" [Tedla 2016]. This study provides important information regarding how company culture affects company performance in the context of a corporate group. Overall, it shows how managers can use the effects that company culture has on company profitability to their advantage and create strategies that help them increase profitability through company culture.

THE REBELO AND GOMES (2015) STUDY

In 2015, Teresa Rebelo and Adelino Duarte Gomes conducted a study involving 107 medium-size firms to measure the effects that specific types of company culture had on organizational performance. Of the 107 firms surveyed in Rebelo and Gomes' sample, 70% were manufacturing firms, and 30% were consulting firms [Gomes and Rebelo 2016]. Furthermore, of the firms sampled, 61% have been in existence for less than 20 years. [Gomes and Rebelo 2016]. The study consisted of a questionnaire that was completed by a representative of the firm's employees. This survey collected data regarding employee culture and the overall concept of company culture on the organizational level. This particular study was measuring both company culture's effects on profitability as well as culture effects on customer satisfaction. The employees are the link between both company profitability and customer satisfaction, according to Gomes and Rebelo. "Thus, one managerial contribution of these findings is that an organizational culture oriented toward learning should not be overlooked and to invest in creating this kind of culture seems to be a good option due to its potential positive effect on different organizational stakeholders" [Gomes and Rebelo 2016]. This study concluded that managers should invest time, money, and initiative into creating a supportive environment where positive company culture can develop and flourish.

In the study conducted by Gomes and Rebelo, organizational culture was looked at in the context of two outcomes, profitability and customer satisfaction. Their study revealed that there is a direct positive impact of organizational culture on profitability and an indirect positive effect of organizational culture on customer satisfaction. Gomes and Rebelo also used total quality management as a way to link company culture to their two outcomes. This study, similar to the other two mentioned previously, all draw similar conclusions. These results all lead to the idea that company culture does have a substantial impact on company profitability. However, what implications can that conclusion have and how can companies use it to their advantage?

RESULT SUMMARY

All three studies evaluated, the Flamholtz (2001) study, the Telda (2016) study, and the Rebelo and Gomes (2015) study, presented vastly different data that all came to similar conclusions. In the Flamholtz (2001) study, the data measuring the connection between earnings before interest and taxes and the divisional agreement with company culture was graphed. This led to a regression equation explaining the being calculated as $y = 0.3888x - 18.015$. This meant that around 46% of the earnings before interest and tax was explained by the corporate culture of each division within the Banner Corporation. The Telda (2016) study on the other hand, conducted interviews with senior managers within different companies and evaluated the monetary success that these managers had when they worked to improve company culture. Teldan found a high correlation between senior managers who worked hard to create a positive company culture, and the success their departments and or divisions had within the company. Finally, the Rebelo and Gomes (2015) study evaluated the impact that employees had on company profitability through company culture and customer satisfaction. Through their collected data, they found a high correlation between profitability and company culture, 2.51 and 1.38 correlation between the two. These three studies all provide substantial data to support the high correlation between positive company culture and an increase in company profitability.

IMPLICATIONS

After looking at three different studies all conducted to measure the impact that company culture has on company profitability, what are the implications of these findings? The Flamholtz (2001) study, for example, demonstrates that company culture does impact the financial performance of the organization. Banner Corporation can then implement these findings as part of their management systems. In practice, managers can measure the improvements of their divisions adhering to the desired company culture and see the increase in company profits as a result. Therefore, what does this mean for the management of the Banner Corporation?

By establishing the connection between company culture and company profitability and making those necessary changes in the management decisions and strategies, it adds a new level to the responsibilities of management. Managers within corporate businesses are responsible for three important categories: company processes, people, and expectations [Stobierski 2019]. For managers to effectively increase company profits through company culture, they need to manage all three important categories simultaneously. Managers with this new company profitability connection must oversee the processes which go on within their organization, focusing on company profitability. That idea is nothing new, managers always had company profitability on their radar. Though, how can they both manage processes centered around profitability, while simultaneously managing people and aim them towards profitability? The next important category for managers is to supervise people, and in the context of these studies, that would require managers to aim employees towards the desired company culture. Managing people is a strenuous task on its own, the difficulty is heightened when this additional step of ensuring that employees all share the same desired company culture is added. The next category that the higher-ups are responsible for is managing expectations. This is when managers expect realistic outcomes for any initiative within their company. Though managers need to oversee their employees effectively to go along with realistic expectations, they also have their own expectations to take care of, such as increasing company profitability thanks to company culture. All of the previous factors add to the continuous list of tasks and projects that managers effectively lead. This list can be overwhelming and that is why many managers forget about company culture and only ever have company profitability on their mind while decision making. This disconnect of only focusing on company profitability and not on the factor that affects it, company culture, can have negative and sometimes detrimental impacts on the culture and profitability itself. The Flamholtz (2001) study has suggested that the connection between corporate culture and company performance is now under the list of tasks that company managers have. This means that managers are now in charge of reducing the gap between the companies desired culture and the current state of culture for the company. By creating a positive company culture, all other aspects of a manager’s job within the organization become easier due to cultures' positive effects on productivity and profitability.

The Telda (2016) study has different, yet important implications from their conducted research. This study focused on corporate senior managers and interviewed them regarding how they developed a corporate culture that increase company productivity. The study established a definitive list of key terms that were present in almost all strategies of the interviewed senior managers. Within the particular corporate group, it became clear that these managers were given quality training that caused them to promote performance-oriented systems within their corporate group. “The corporate group leadership used the consistency strategy to establish an effective organizational culture and to improve performance in the corporate group” [Telda 2016]. This shows that the leadership for the senior managers has instilled values of effective company culture and that it greatly affects company performance. This is an extremely important and valuable asset that leaders can give their subordinates and this study proves how effective it can be. The top management can express the importance of the connection between company culture and company profitability to middle and lower-level management. This expression of importance by top management makes middle and lower management more aware of this powerful tool they have in their arsenal and they can then begin to strategically use it in their projects.

The Telda (2016) study also shows that consistency between firms and departments of the same company is an important factor in ensuring employees adhere to the desired company culture. “The company human resource, finance, materials management, and marketing policies served as a necessary tool to help managers in the corporate group to maintain consistency” [Telda 2016]. This statement opens up an interesting question; how can managers push the same company culture to employees of all different backgrounds, workspaces, and jobs? As Tedla stated, the company's departments such as human resources, finance, marketing, etc, all serve as bridges between the many different areas of the company. The next connection between employees of all different backgrounds is simply the company culture. At the end of the day, company culture is simply the shared values, goals, and ideas between employees of the same company. It does not matter which department one work in within the company, as long as you work there and have goals to work towards. Every individual employee contributes to the company culture and can relate to other employees at the same workplace as them. Employees have the ability as a whole to not only change company culture if desired but to use company culture to affect profitability. The staff are the ones who hold the most value in the equation of company culture and company profitability because they are the ones that make that connection a reality. The Telda (2016) Study shows evidence that managers and employees truly have a large impact on the profitability of their company, no matter if they are affecting it knowingly or not.

The Rebelo and Gomes (2015) study was focused on linking company culture to organizational performance and customer satisfaction. Gomes and Rebelo expressed that employees are the link between company culture and customer satisfaction. This study shows a positive relationship between organizational culture and performance as well as customer satisfaction. The research expresses that managers who invest time, money, and effort into creating a supportive work environment using positive company culture see an increase in company profitability as well as customer satisfaction. With that being said, what does this study mean for other businesses?

Profitability and customer satisfaction are each goals that companies strive for. Giving managers the tools necessary to increase both customer satisfaction and company profitability while also keeping their employees happy seems like the ideal situation. Unfortunately, achieving a positive company culture is not always something that some business managers strive for or can practically accomplish. In many cases, creating a positive company culture can be a costly process. Creating workplace incentives, giving out employee bonuses, and promotions to keep employees happy are all costs that add up, and many managers do not see this as a long-term investment. That being said, how does creating a positive company culture give managers the “payoff” they are promised through company profitability or do some companies spend more money creating the positive environment and never get to reap any of the rewards?

IS A POSITIVE COMPANY CULTURE WORTH IT?

A select amount of companies view positive company culture as an unnecessary cost. Many managers focus on getting rid of unnecessary costs, thus increasing short-term profits. They do not see the long-term benefits that investing in positive company culture produces. A company will see the change in productivity and profitability over time from positive company culture, however, this factor can be overlooked by managers not wishing to invest the long-term money and energy. Managers will not see the payoff that positive company culture has on company profitability right away. They themselves need to feel invested in the long-term future of the company and they need to want to work towards what's the best for their employees. Unfortunately, if the company culture is not already in a good position, it can be difficult to fill management positions with those individuals who have a passion for the company. If a company harbors positive company culture, it creates passionate and motivated employees. These motivated employees work hard at their job and create goals that are in line with the company's objectives. Those motivated employees become managers who work hard to create the same nourishing environment that they were given for other employees. This produces a cycle of positive company culture that creates highly motivated employees. This cycle can be difficult to start because this payoff is not necessarily seen by the manager who begins the cycle. Due to this, it can seem like the payoff is more long-term than some managers are willing to invest. This process can be long-term but the benefits that come from creating a positive company culture make up for it.

In some cases, companies may spend a large portion of money on creating a positive work environment and never see a change in profitability. While this research is mainly focused on tracking the link between company culture and company profitability, there are still many other factors that are affected by the change in company culture. One important factor that is affected by creating positive company culture is the decrease in turnover costs. Turnover costs are defined as the costs relating to the loss of morale and burnout of employees, the cost of hiring someone new, and losing an employee [Branham, 2001]. There are two types of turnover costs, direct and indirect. Direct turnover costs are the cost of employees leaving the company, the cost to replace the lost employee, and the costs that result from this transitional period. Indirect turnover costs are more abstractly connected to the cost of turnover, such as the loss in production and the reduced performance of employees. Furthermore, when employees leave their workplace, they take their unique and useful skills away with them. Therefore, by creating a positive company culture, even if it does not lead to company profitability directly, it avoids direct and indirect turnover costs which greatly reduce company profitability and employee morale.

EXAMPLES

As stated previously, the connection between company culture and company profitability is influential and valuable. There are well-established companies that have utilized this connection and have been very successful. A company that has utilized the connection between company culture and company profitability is Google. Taking a deeper look into Google's company culture, how has Google not only completely changed the idea of positive company culture but also used it to dramatically increase company profits?

GOOGLE

Google is a web-based search engine company founded in 1998 by Larry Page and Sergen Brin. Google has become the ideal representation for positive work environments and positive company culture. They have office locations throughout North America, South America, Europe, Asia, Africa, and Australia which are all designed with the idea of communication and innovation in mind. Google is known for having an almost inconceivable good workplace environment. They have foosball tables, swimming pools, and gaming systems at their offices to encourage creativity and taking a break from working. Due to this, Google attracts very ambitious, motivated workers and they keep those workers engaged creatively by giving them spaces to create and learn from one another. They also hire based on character and they look for candidates who are team-oriented and innovative. Google does this because according to them, they can teach someone skills like coding or design but cannot teach someone to be motivated and to be a good worker. The revolutionary approach to a company culture that Google has taken in the last 20 years has changed how the everyday person viewed a successful company. Due to Google's unorthodox approach to company culture, they have become the poster child for positive company culture. It is no secret that Google is extremely successful, bringing in nearly $181.69 billion dollars of revenue in 2020 [Johnson 2021]. Google provides costly perks to its employees, such as free chef-prepared meals, free dry-cleaning, etc. They justify these costs by stating that these perks ensure no employees are dissatisfied and they avoid turnover costs. Due to this fun atmosphere, Google can offer employees less money and keep them working for longer. They also stated that retaining employees means less time and money is spent replacing and recruiting new workers [Bulygo, 2020]. Google has capitalized on the connection between company culture and company profitability but not all companies follow in suit.

AMAZON

Amazon was founded in 1994 as an online bookstore by Jeff Bezos. In its nearly 25 years as a company, Amazon has become the largest online retailer in the world. Despite its immense success and larger-than-life sales, in recent years Amazon has received several allegations from previous employees claiming that the company's workplace was harmful and harsh. In a 2015 New York Times article published by Jodi Kantor and David Streiteld, the poor work environment and negative company culture of Amazon was revealed to the public. [Kantor & Streitfeld, 2015]. Newly recruited employees are thrown into the deep end of this harsh work environment by being informed that if they “hit the wall” in this fast-paced environment, the only solution is to simply climb it [Kantor & Streitfeld, 2015]. Employees are encouraged to tear each other apart during workplace meetings and sabotage other employees by complaining to higher management about their inability to complete simple tasks. Oftentimes important and content-heavy emails are sent well after midnight on a workday along with follow-up messages soon after if the email has not been addressed by its recipient immediately. Turnover costs are extremely high, as the average worker stays with the company for only one year [PayScale 2021]. “Some workers who suffered from cancer, miscarriages, and other personal crises said they had been evaluated unfairly or edged out rather than given time to recover” [Kantor & Streitfeld, 2015]. This “hard-driving” culture includes long hours, difficult entry tests, and lots of processes in place to “weed out” non serious workers. There has been a multitude of lawsuits against Amazon in recent years, many regarding wrongful termination, unfair work conditions, and unequal pay. [Schiffer 2020]. All of these lawsuits add to the long list of costs that are avoidable if the company would adopt more of a positive workplace culture. Amazon’s top recruiting director, Susan Harker, has stated that due to the innovative and groundbreaking ideas that come from Amazon, the workplace is extremely challenging and not for everyone. Bo Olson, a former book marketing employee at Amazon, said that he witnesses nearly every single coworker of his, break down and cry at some point during his time working there. [Kantor & Streitfeld, 2015]. Amazon workers are given the bare bones when it comes to complementary workplace benefits, oftentimes having to pay for business travel expenses themselves. This customer-focused mindset comes with a cost, as the employees oftentimes feel overlooked. Amy Michaels, who worked at the advertising and marketing department from 2012- 2014, had stated that these high turnover rates are beginning to make upper and middle management view employees as extremely easy to replace [Kantor & Streitfeld, 2015]. This inhumane viewpoint of employees may have extremely detrimental effects on management if they continue along this unhealthy path. Despite the seemingly intolerable working conditions that Amazon put its employees through, they still come out year after year extremely successful and profitable. However, more and more companies are adopting a similar business strategy to Amazon and despite their business strategy giving them a considerable competitive advantage, whether this is a sustainable competitive advantage or not might depend on their treatment of their ever-changing employees. Both Google and Amazon arguably both have monopolies in their industry. Their domination of their respective industry means that Amazon can see a decrease in costs because they purchase in such substantial sizes and Google has nearly no competition within their industry to compete with.

CONCLUSION

Company culture is an extremely valuable tool that, when properly utilized, can lead to increases in company profitability. The three studies explored in this research all show that employees improve productivity when presented with a positive work environment and that increase in productivity leads to lower turnover costs and higher profitability for the company. Companies where managers see the value of positive company culture and use it to their advantage end up creating a business strategy that creates a cycle of managers and employees who all feel respected and flourish in their workspace. The impact of company culture can be difficult to measure from a financial standpoint, especially if companies are only in earlier stages of creating this positive company culture, but once this culture has been established it has many long-term benefits. An example of a company that utilizes positive company culture to increase profitability is Google. Google has created an extremely creative and team-oriented work environment where employees work together to come up with innovative ideas and have creative outlets all funded by the company. In contrast, Amazon sees substantial profits, but their negative and harsh work environment causes costly turnover rates, damaging competition between employees, and an unhealthy balance between work and home life in employees. It is clear to see the large impact that company culture has on company profitability through the studies conducted and examined in this research paper as well as analysis of current successful companies with opposite company cultures. This link between positive company culture and increase in company profitability is useful for any business, large or small, looking to truly understand the full impact that upper and middle management choices and goals can have on the health and longevity of their company. Positive company culture is an extremely useful instrument that any manager can use as long as they fully understand the impact that it has.

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