What Makes an Employer a Great Place to Work?

It takes conscious effort to build and maintain a workplace where every employee feels like a star.

By Mark Feffer I June 1, 2015

Google has free meals. Quicken Loans offers arcade games. Salesforce.com provides treadmill desks. When we think of great places to work, we often focus on the perks and benefits that make a workplace more fun, convenient or flexible. But talk to people who study, build or just work at great workplaces and you'll find that pay, benefits and perks are only part of the story.

The foundation of a great workplace lies in a culture of trust and engagement that unites management and the workforce in a common vision that's not only about success but that describes the type of organization an employer wants to be. "We're talking about very intentional, people-centric culture," says China Gorman, CEO of the Great Place to Work Institute, the research and consulting firm behind Fortune magazine's annual 100 Best Companies to Work For list.

Indeed, the leaders of these companies talk about their people not as employees who can be satisfied with the right compensation package, but as colleagues who are invested in the business. They talk about the importance of trust by managers in employees and by employees in managers, of the commitment employees must have to each other, and of the importance of engagement, of employees being "all in" with regard to the business and its success.

It's not an easy thing to accomplish. Building and maintaining a great culture requires leaders who are committed enough to devote time and attention to an effort that never ends. It means taking a long-term view that can conflict with short-term business results and maintaining a style of communication that is frequent, authentic and deep.

The results can be worth it, for nurturing a great culture isn't just an exercise in feel-good HR. Studies show that companies with an engaged workforce turn in a better financial performance. Organizations on Fortune's list realized annualized stock market returns of 11.8 percent between 1997 and 2003, according to Great Place to Work, compared with 6.04 percent for the S&P 500. Across industries, employers on the list saw lower turnover: 8 percent compared with an industry average of 16.2 percent in IT, for example, or 24.5 percent compared with an average 38 percent in hospitality.

"Our business results have a lot to do with quality people and low turnover," says Scott Scherr, chairman, president and CEO of HR solutions provider Ultimate Software, which ranked 20th on Fortune's 2014 list. Scherr says that from the time he started the company in 1990, he has believed that a strong culture could give it a strategic advantage.

The Foundation

So what makes a culture great? A number of organizations compile lists of exceptional employers—*Fortune*'s is one example, the employer review website Glassdoor's Employees' Choice Awards (http://www.glassdoor.com/blog/tag/employees-choice-award/)is another—and the results reveal common themes in these employers' approaches.

Key among them are the notions of trust and engagement. Both are embedded in the programs that great employers put in place to foster their culture. Trust goes both ways: Employees have an implicit trust in leaders to make the right decisions for the organization—including its people—while leaders trust employees to put the organization's needs first as they interact with customers, vendors and partners. Leaders demonstrate that trust by clearly communicating about the company's challenges as well as its successes and by pushing decision-making power downward. Delivery people are empowered to resolve customer issues on the spot, for example, and managers can take their teams offsite without a higher-up's approval.

That trust contributes greatly to a sense of engagement. Armed with a clear view of the state of the business, invested in the company's success and loyal to their colleagues, workers see themselves as being a part of something greater—the company's mission and its values.

Tasty Catering (http://www.tastycatering.com/), which was No. 3 on the Crain's Chicago Business list of Best Places to Work 2013 (http://www.chicagobusiness.com/article/20130330/ISSUE02/130329815/crains-best-places-to-work-2013), shares business results with its 85 employees through a weekly newsletter that features reports from the company's six departments on customer feedback, sales numbers and new contracts signed, among other things. "It's all about transparency," says Human Resources Manager Rich Henquinet. "We want them to know what's going on everywhere in the company."

The trust engendered by that kind of transparency can instill in workers a real sense of ownership. When Tasty Catering's business fell off during the recent economic downturn, the company asked the staff for ideas on how to respond. After meeting on their own, workers proposed a companywide pay cut, which lasted a year. One result: The company weathered the recession without layoffs.

Employee participation, though, isn't always the result of such dramatic circumstances. At Wegmans, the Rochester, N.Y.-based supermarket chain that stands at No. 12 on Fortune's list, workers are routinely asked to weigh in on everything from new business initiatives to safety equipment. When deli employees said the "cut gloves" they used with slicers were less than ideal, the company got feedback from every department employee before settling on a custom-made glove that addressed their concerns.

"People come and stay at Wegmans because they believe in the mission and are empowered," says Peggy Riley, the company's manager of employee communications. "That's a different value proposition than simple pay and benefits."

Characteristics of a Great Workplace

Trust
- Employees trust executives to lead a healthy, dynamic and growing company that looks out for its people.
- Leaders trust workers to be advocates who will make decisions that support both the business and its customers.
- Co-workers regard each other as "family" who "have each other's back."

Engagement
- Employees of great companies are invested in both the business and the organization.
- They see themselves as being part of a greater mission, something that goes beyond simple revenue and profits.

Transparency
- Leaders are open about the problems facing the business, as well as its successes.
- They seek feedback on issues ranging from financial questions to operational challenges.
- They are accessible and approachable.

Communication

- Communication is constant.
- The organization regularly seeks feedback on its culture and practices.
- Conversations between managers and workers take place regularly.
- Workers seek feedback from their peers.

Intention

- Great cultures begin with the vision of a passionate advocate.
- They require the continual attention of everyone from the CEO to line workers.

Real Results

Concepts like "trust" and "engagement" may sound touchy-feely, but they contribute to tangible results. Engaged employees are "much more likely to be better performers," says Laura Sejen, managing director in the Talent and Rewards practice of consulting firm Towers Watson. Such a dynamic "correlates with better customer satisfaction and better financial performance." Also, she notes, engaged employees are less likely to depart for new opportunities, a key consideration as executives grow increasingly concerned about retention.

In fact, the impact that culture has on recruitment and retention comes up regularly in conversations with leaders at great workplaces. "Having a great place to work gives you access to great talent," notes Lee Burbage, chief people fool at The Motley Fool (http://www.fool.com/), No. 1 on Glassdoor's list of Employees' Choice Awards 2015.

Ashley Goldsmith, chief human resources officer at HR and financial software provider Workday, which topped the Bay Area News Group's 2014 list of top workplaces, agrees. "People talk about the Workday culture," she says. "That's important in a competitive employment market."

This type of advantage is key in industries that rely on workers' intellectual skills. "It's not surprising to see professional services and tech companies show up on these lists," says Alec Levenson, senior research scientist at the Center for Effective Organizations (http://ceo.usc.edu/)at the University of Southern California's Marshall School of Business. "They're targeting knowledge workers. If they don't attract and retain the right kind of people, they can't do their work."

"Ultimately, especially in technology, your product is only going to be as good as the people who work on it," adds Joris Luijke, vice president of people at website platform developer Squarespace, No. 14 on the 2014 Crain's New York Business list of Best Places to Work in New York City (http://www.crainsnewyork.com/article/20141001/PROFESSIONAL_SERVICES/140939995/crains-names-2014-best-places-to-work). "You want the best to come to you and to stay as long as possible. If you have top engineering talent staying for four years, you can't describe the value that person will bring."

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—*Joris Luijke, Squarespace*

Hiring with Care

While great employers see their culture as a recruiting asset, they also take exceptional care when deciding which people to hire. They're not simply looking for the most skilled candidates who'll accept their salary offers. They want people who understand the company's mission and values and who will actively contribute to making the culture work.

Companies "have an objective in mind besides being profitable—a certain objective or mission," says Samantha Zupan, global senior director of communications at Glassdoor. "If you don't hire the right people, it's harder to get there." For that reason, great employers often spend a lot of time interviewing, measuring what Zupan calls "a combination of hard skills that can be written down and soft skills you need to look for as part of the interview process."

"We're very careful in our hiring," says Burbage, who adds that 10 people can be involved in interviewing top candidates at The Motley Fool. Among them are members of two groups, he says—the Top Guns, who focus on finding potential high-performers, and the Foolishness Council, which focuses on cultural fit.

Of course, the dynamics of a workforce continually change. Companies grow, business ebbs and flows, new competitors and changing markets present fresh challenges. Through all that, great employers keep a close eye on their culture, measuring its strength and their employees' state of mind.

The Motley Fool, for example, "surveys like crazy," Burbage says. In addition to twice-yearly engagement surveys, the company regularly tests new programs and solicits feedback on what it's "getting right."

PricewaterhouseCoopers (http://www.pwc.com/us/en/index.jhtml)(PwC), No. 65 on Fortune's list, conducts an annual global study that covers individual teams, leadership, flexibility and compensation. It's a long survey that goes into "every part" of employees' work lives, says Anne M. Donovan, U.S. human capital transformation leader. Broken down to the 100-person team level, the results are published across the firm. "We're willing to ask hard questions and different questions, and respond to what we hear," Donovan explains.

Tasty Catering's Henquinet also emphasizes the importance of responding to employee comments. "We take them seriously and try to address them," he says.

Your Take

We asked HR professionals on the Society for Human Resource Management's LinkedIn page what makes a great place to work. Here's a sample from the hundreds of comments we received:

"A company that is as invested in its employees as it is in its customers/clients. A great company has leaders that inspire, motivate, and encourage the improvement and development of staff. People feel free to challenge the status quo and are treated with respect and trust. And, of course, somewhere that understands that there is life beyond the workplace." —*Melanie Silverman, London*

"Forget work/life balance. I want to work for a place that makes it easier to integrate my work into my life. Flexibility and trust are important organizational characteristics to make this happen. All of the extra added perks are nice, but ultimately I want a place where I can sink my teeth into my work, grow in my career and develop my skill set. Oh, and money does matter—fair pay for my work goes a long way." —*Colleen Ferrell, Leesburg, Va.*

"Trust, collaboration, appreciation and shared purpose. A great company has strong leaders who drive the business by 'igniting,' capitalizing on and appreciating their teams' contributions. A great company has people who identify themselves with the company's mission and have the space to be creative, take ownership, learn from mistakes and develop continuously." —*Alexandra Culicovschi (Burlan), Bucharest, Romania*

"Where you're treated with respect and not thought of as a tool to turn a profit." —*Tim Sparks, SHRM-SCP, Arden, N.C.*

Feedback

"Respect your employees. Proper training. No micromanaging. Letting employees manage their work effectively without intruding." —*Natalia Rivera, Allentown, Pa.*

"Growth and development, flexibility, advancement opportunities, company culture, trust, and mutual respect. Fair compensation and raises." —*Melanie Hornstein, Ocoee, Fla.*

"Ethics, shared values, development opportunities and recognition of a job well done." —*Rachel Yates, SHRM-CP, Cokato, Minn.*

All the Way Through

All of this underscores that great cultures are, as Gorman says, "intentional." To build them takes a clear vision, much thought and a lot of work. Usually, the intention comes from the company's leader—the founder or CEO who determined that the advantages of a great workplace outweighed the expense and effort involved in nurturing one.

But having senior leadership behind the effort is only part of the equation. "The message has to emanate from the top, but it happens on the ground," Donovan observes. That means the executive team, middle managers, line managers and employees all need to be active participants in making the company's approach work.

As Zupan puts it, "The best efforts are comprehensive. It has to percolate throughout the company."

That percolation happens when the business focuses on putting its values into practice. A big part of that involves constant communication between and among workers and managers. Great employers foster frequent and open discussions about not only financial results but also performance, engagement and personal objectives.

At Tasty Catering, managers and employees meet quarterly to discuss the workers' level of happiness as well as their long-term goals. Squarespace has "very lively feedback loops," Luijke says, where employees provide comments on their managers, their team and the company and also receive feedback about their own work. At PwC, annual performance reviews have been replaced by real-time conversations—both through an app and face to face—with managers and peers.

Great employers, then, have cultures that are participatory. Their sense of trust, communication and transparency are engendered at every level, and the organization itself never stops thinking about where it is and how it might improve. For some companies, the culture's foundation blocks have been in place from the beginning. For others, the need to develop a workplace of trust and engagement is gaining momentum as the competition for talent increases. "The calculation of making the connection between talent and retention has reached the top of the organization," Gorman says. "CEOs are thinking more about keeping their people in ways that they didn't five years ago."

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Web Extras

Your take:
Tell us what you think makes a great place to work. (SHRM LinkedIn page) (https://www.linkedin.com/company/11282/comments?topic=5991222678730653696&type=U&scope=11282&stype=C&a=Vm2B&page=1)

Website:

Fortune 100 Best Companies to Work For (Great Place to Work Institute) (http://www.greatplacetowork.com/best-companies/100-best-companies-to-work-for)

Website:

50 Best Small & Medium Workplaces (Great Place to Work Institute) (http://www.greatplacetowork.com/best-companies/best-small-a-medium-workplaces)

Website:

Employees' Choice Awards (Glassdoor) (http://www.glassdoor.com/Best-Small-and-Medium-Companies-to-Work-For-LST_KQ0%2c43.htm)

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