People Analytics from New Tech companies

NEW TECH BENCHMARK REPORT

2015

Culture Amp
WHAT’S NEW IN 2015

Pulling together data from over 60,000 employees across more than 100 New Tech companies we are proud to announce the first in our series of 2015 benchmark reports.

So what’s changed? New Tech companies were already ahead of the pack in building engaging work places - and this year they managed to improve in all areas except one. Suffice to say that talent mobility is going to be a BIG issue for companies in the next 12 months. We also look at:

» How has Engagement in these companies been tracking since 2013?
» How does Engagement in New Tech companies compare with other industries?
» What distinguishes companies with the most engaged employees?
» How much impact do these defining qualities make on engagement levels?
» What makes employees recommend their companies to others?

This is the first in a series of reports to be published this year. Subsequent reports will investigate links between employee data and other business metrics, gender, tenure and age diversity.

“In this first report for 2015 we use data from over 60,000 New Tech employees from over 100 different companies.”
The numbers tell a story of (mostly) young and fast growing companies that are some of the most in-demand places to work in the world right now. But what makes a New Tech company is not their age, size or industry - it is their approach to business. All of our New Tech companies are disruptive at heart; internet-based or focused on creating bold new technologies.

Other 'Technology' benchmarks are usually based on results from large established technology manufacturers. With Culture Amp’s rapidly growing database of emerging New Tech companies we want to build on the insights we gained last year and provide a glimpse into the kind of “culture-focused” companies we are proud to call customers.

Participation is anonymous, but the type of customers we work with are here:

http://www.cultureamp.com/customers.html

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Data is sourced from a subset of Culture Amp clients who fit the New Tech description. All companies provided consent for data to be used anonymously and in return have access to Culture Amp benchmark data. All data was collected in 2014 and only includes companies with 25 or more employees.
Looking at the core Engagement questions* (side note provided on page 7) across 2014 and 2013, while most metrics were fairly stable, there was a significant drop in the number of employees who felt they could still be with their companies in two years’ time.

The data matches other reports indicating increasing levels of confidence amongst employees that they can find another job. A recent survey also found that 35% of employees stated they would be looking for a new job if they didn’t get a pay rise in 2015. While pay rarely shows up as a driver of Engagement there were some interesting results in 2014 with relation to the retention component of Engagement (see page 6.)

Culture Amp’s data confirms that the competition for talent in New Tech is fierce... and employees know it. The findings could mark the beginnings of more movement for New Tech employees.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Would recommend Hooli as a great place to work</td>
<td>83%</td>
<td>86%</td>
</tr>
<tr>
<td>Motivated to go beyond what they would elsewhere</td>
<td>70%</td>
<td>73%</td>
</tr>
<tr>
<td>Proud to work for Hooli</td>
<td>87%</td>
<td>89%</td>
</tr>
<tr>
<td>Not thinking about looking for a job elsewhere</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td>Can see themselves still at Hooli in two years’ time</td>
<td>58%</td>
<td>70%</td>
</tr>
<tr>
<td><strong>Engagement Score</strong></td>
<td>71%</td>
<td>75%</td>
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[Note: Hooli is a fictional New Tech company made famous in the HBO TV parody ‘Silicon Valley’. It is lead by inspirational CEO Gavin Belson.]

“Hooli isn’t just another high-tech company. Hooli isn’t just about software. Hooli... Hooli is about people. Hooli is about innovative technology that makes a difference. Transforming the world as we know it, making the world a better place through minimal message-oriented transport layers. I firmly believe we can only achieve greatness if first we achieve goodness.” - Gavin Belson
In 2014, as in 2013, New Tech employees are far more positive about their companies than those in other industries. In particular they are more likely to recommend their company as a great place to work and are more motivated to put in discretionary effort.

However, although they may not be more likely to be looking for another job right now, they are not necessarily any more committed to staying with their company in the medium to long term. If anything, judging by the comparison with 2013 results, there is growing confidence amongst New Tech employees that greater opportunities may await them elsewhere in the future.

“New Tech employees may not be looking for another job right now, but they are not necessarily committed to staying with their company in the medium to long term.”

### NEW TECH VS EVERYONE ELSE

<table>
<thead>
<tr>
<th>Survey Category</th>
<th>New Tech</th>
<th>Everyone Else</th>
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</thead>
<tbody>
<tr>
<td>Would recommend Hooli as a great place to work</td>
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<td>83%</td>
</tr>
<tr>
<td>Motivated to go beyond what they would elsewhere</td>
<td>57%</td>
<td>70%</td>
</tr>
<tr>
<td>Proud to work for Hooli</td>
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<tr>
<td></td>
<td>80%</td>
<td>87%</td>
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<tr>
<td>Not thinking about looking for a job elsewhere</td>
<td>53%</td>
<td>58%</td>
</tr>
<tr>
<td>Can see themselves still at Hooli in two years’ time</td>
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<td>61%</td>
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Most companies want their employees to be more engaged and connected, but it is hard to simply make that happen or improve directly (try telling people to be happier and the chances are that won’t work).

To understand what engages New Tech employees and what exceptional culture looks like in those companies Culture Amp analyzed data across all of its Engagement components to identify what were the most consistent predictors of highly engaging companies. In other words, what were the specific things that set these companies apart from the others.

**KEY DRIVERS OF ENGAGEMENT IN NEW TECH**

1. Company seen as a great place to develop
2. Confidence in the leaders
3. Company effectively directs resources (funding, people and effort) towards company goals
4. Open and honest two-way communication
5. Leaders that demonstrate people are important to the company’s success
Looking further down the list of predictors there is some further evidence of the importance of career development and leadership, but there are also other unique drivers worthy of mention:

**Service & Quality Focus**
Another emerging factor in the results were companies with a strong day-to-day commitment to quality and improvement. This was further supported by companies with strong scores for recognizing great customer service also showing higher levels of engagement. These factors are unsurprisingly related for many companies and both of these were significant drivers of engagement across New Tech companies in 2014.

**Making A Positive Difference**
Another interesting driver of engagement across companies was the perception that a company allowed its employees to make a positive difference in the world around them. This is sometimes associated with companies that are engaged in community focused causes, but it can also be associated with companies that clearly communicate how their goals are associated with positive changes in a marketplace or other aspects of people’s lives.

It may be more surprising to note what is not in the list, such as funky office spaces, work life balance or benefits. This doesn’t mean those things are not attractive but rather they are not consistently the things that separate the most engaging companies from the rest of the pack.

*Driver analysis is a family of statistical techniques used to determine how strongly variables are related to each other.*

In the Culture Amp platform, every individual’s responses (to every question) are statistically compared with how they respond to the engagement questions to determine which questions are the most strongly related to overall engagement.

Importantly, the things a company does very well, or not very well, are not necessarily the things that determine how engaged employees are.

We should not just focus on the high or low scoring questions unless they are also strong drivers.

“Engagement is linked with meaningful work.”
WHAT DIFFERENCE DOES IT MAKE?

Scores for companies scoring higher and lower on the top drivers of Engagement

Hooli seen as a great place to develop

<table>
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Having confidence in the leaders at Hooli

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<tr>
<td>63%</td>
<td>78%</td>
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Company effectively directs resources (funding, people and effort) towards company goals

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Open and honest two-way communication

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Leaders that demonstrate people are important to the company’s success

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So just how much difference would it make if companies improve some of these things? Culture Amp looked at the top 5 drivers across the lower and higher scoring companies, and identified and compared their overall Engagement.

The first thing that becomes obvious for each of the Top 5 drivers is that their effect is quite similar. Companies with higher scores on these drivers had Engagement scores approaching 80% while those with lower scores on any of these drivers had Engagement scores below 65%.

This is frequently the case because drivers are often similar in terms of their practical impact. This is why Culture Amp recommends companies don’t just focus on the top driver but instead look at the list of highest drivers (top 5 or 10) and focus on those they feel they have the best opportunity to improve on.

How do companies identify what they can most improve on? By looking at how they score on top drivers compared to benchmark scores they can assess the potential scope for improvement. They can also identify drivers that may be aligned with strategic initiatives that are already underway or soon to be implemented. Sometimes it’s also just a matter of communicating what you companies are already doing that can make a difference.
A CLOSER LOOK AT WHAT DRIVES ‘RECOMMENDATION’

Would employees recommend their company as a great place to work?

As well as being a great Engagement question it is also a variant of what is commonly known as an employee Net Promoter Score (eNPS) question. A true eNPS score is calculated using a simple formula, but measures the same thing as other scores based on this type of question. Because some companies choose to focus on this measure alone, Culture Amp analysed if there were any unique drivers of Recommendation.

Unsurprisingly, top drivers of Engagement were also top drivers of Recommendation. Providing a great place for people to develop, leadership and directing resources efficiently, were top drivers of both Engagement and Recommendation. However, there were also some unique drivers that stood out in the analysis for Recommendation.

Amongst the top 10 drivers of Recommendation, Culture Amp found some questions that were ranked much lower as drivers of other Engagement components. Three of the questions were related to individual resources (things, learning and information), one to managers and another to encouraging innovation.

The theme evident here is that employees may be influenced to recommend their company as a great place to work by immediate and day-to-day factors in the workplace - access to resources to get their job done, having a caring manager and an environment conducive to innovating. Perhaps these are tangible things they believe others might immediately experience and enjoy if they came to work alongside them?

Unique drivers of Recommendation

5 25
Having access to things (devices, equipment etc.) needed to their job well

6 24
Having access to learning and development needed to do their job well

7 23
Information needed to do job effectively being readily available

8 22
A manager who genuinely cares about their wellbeing

10 33
Employees encouraged to be innovative even when some initiatives may not succeed
PUTTING IT ALL TOGETHER

New Tech companies have plenty of competition for employees, and as a result, that usually means they are companies that truly care about culture. In 2015, employees are likely to have an increased confidence that there are other opportunities out there.

What can companies do to ensure they don’t lose employees? A company’s own data should be seen as the priority. That is why the Culture Amp platform provides driver analyses based on a company’s own results. If companies are looking for ideas to re-engage or improve the engagement levels of their employees then here are a few key things they might consider:

Development
Development needs to be tackled creatively in New Tech companies (in accordance with a company’s specific organizational profile) and different roles and functions will have their own unique challenges. It is all about creating environments that encourage development rather than traditional hierarchical progression for employees.

Development needs to be jointly owned by employees, managers and the company together. It is unhealthy if employees feel that development is something that is just done or given to them. It’s also unhealthy if a company thinks that the development ambitions of employees don’t need to be nurtured. Companies that succeed have an open and realistic dialog about opportunities that need to be created together. Think co-created side projects, voluntary reassignments and co-discovered mastery goals.

Companies and employees together need to challenge the ‘upward and onward’ notions of career development. A development path shouldn’t be limited to moving up a management chain. Things that can help counter this include providing opportunities for employees to transition or learn completely new skills - even when they’re considered ‘too valuable’ in their current role. Employees moving into management roles need to view it as a new skill rather than moving up a chain of command. Programs pairing new managers with peers can help counter this sense of being alone at the top.

Remember it is crucial to communicate that these opportunities have been created for others, and that programmes in place and are open for all.

“It is unhealthy if employees feel that development is something that is just done or given to them.”
PUTTING IT ALL TOGETHER

Leadership
Leadership teams and founders are often highly visible in New Tech companies early on, but this can change as growth and a degree of "business-as-usual" creeps into the culture. Leaders need to be encouraged to socialize, communicate and connect more than most of them think is necessary. Often leaders are surprised when leadership scores go up during a crisis - simply because they have something to communicate about. Leaders need to adopt a mindset where communication and connection is front-and-center all the time. They also need to listen to and encourage the feedback that they get. Think roadshows where leaders present hard data, leaders rotating through the reception desk or support team, and leaders who communicate they can be wrong.

Effectively Directing Resources
Companies need to be seen to be focused on achieving their goals and not being wasteful. That means clear communications accompany decisions, such as an explanation as to why one thing was done instead of another. Leaders may also need to make extra efforts to communicate and demonstrate how less visible decisions are being made. Tracking these questions in different parts of your company is also a great use of 'people intelligence' because employees provide eyes, ears and brains that are operating on the ground - they often see things before the leaders are aware. Leaders need to view this data as a potential leading indicator for what might need to be investigated and improved.

“Companies that succeed have an open and realistic dialog that is about opportunities that need to be created together.”
PUTTING IT ALL TOGETHER

Open and Honest Two-Way Communication
Often people think that regular surveys are part of open and honest two-way communication, but alone they’re not enough. As well as seeking feedback companies also need to demonstrate very clearly that things have been heard and considered. They need to focus on both communicating and listening to the good and the bad, and acknowledge they’ve heard and appreciate both. Often leaders in a company need to overdo their appreciation for hearing negative feedback and make sure that the only criticism is to ask that it be constructive. Lead by example on this.

Recommendation
If a company is particularly focused on improving Recommendation, Culture Amp found that localized features of an employee’s environment had a unique impact on this. Making sure that employees have access to all the resources they need to get their job done is crucial - so making a comprehensive checklist for newly onboarded employees might be a good start. Company leaders might also encourage managers to check in with employees on a personal level more often - and to let them know how this is valued when they speak with others about their experiences.

“Making sure that employees have access to all the resources they need to get their job done is crucial.”

If a company is focusing on one single metric such as a Recommendation measure they might find that certain things will have a bigger impact. However, they may also be neglecting other things of great importance that will only surface if they use a broader outcome measure.
NEXT STEPS

Trends in 2015

Companies continue to make use of online platforms that are allowing them to adopt more agile feedback processes. More companies are moving away from large surveys trying to capture everything in one go, towards an ongoing adaptive approach to surveys. This means surveys can change over time while keeping a few key metrics consistent so they can validate improvements or change. An example of this would be a consistent Engagement Index used with shorter and more specific surveys (e.g. Values, Manager Effectiveness, or Learning and Development) across the year. This type of approach uses survey results as input to ongoing culture conversations and refinement.

Many companies have been using single measure approaches are broadening out from metrics such as eNPS, Happiness or Wellbeing measures. This doesn’t mean dropping these metrics but amplifying them with broader measures such as Engagement and Company Confidence indexes. These measures are often more amenable to analytical approaches such as Driver or Impact analyses.

The final trend Culture Amp is seeing is companies looking to understand the relationship between survey data and other workforce data (such as retention, performance ratings, customer satisfaction and sales). Linking these sorts of data can provide crucial extra information to help you validate and adapt your survey approach into the future.

QUICKTIP

Sometimes companies focus on just one measure such as an employee Net Promoter Score (eNPS) or employee satisfaction. The Culture Amp Engagement Index includes an eNPS question but also adds other elements such as pride, motivation and commitment. Engagement is a slightly broader and complimentary concept and using more than one question as an outcome also increase statistical reliability.
About the author

Jason McPherson is Chief People Geek Scientist at Culture Amp and heads Culture Amp’s research and development team. He has a PhD in Psychology and has published scientific papers on survey and assessment methods in the American Psychological Association’s journals.

Jason has worked with clients all over the world designing measurement approaches, helping them analyze and understand their people intelligence data, and linking this to other business data.

Prior to Culture Amp, Jason worked at Kenexa and Towers Watson.


Start measuring
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