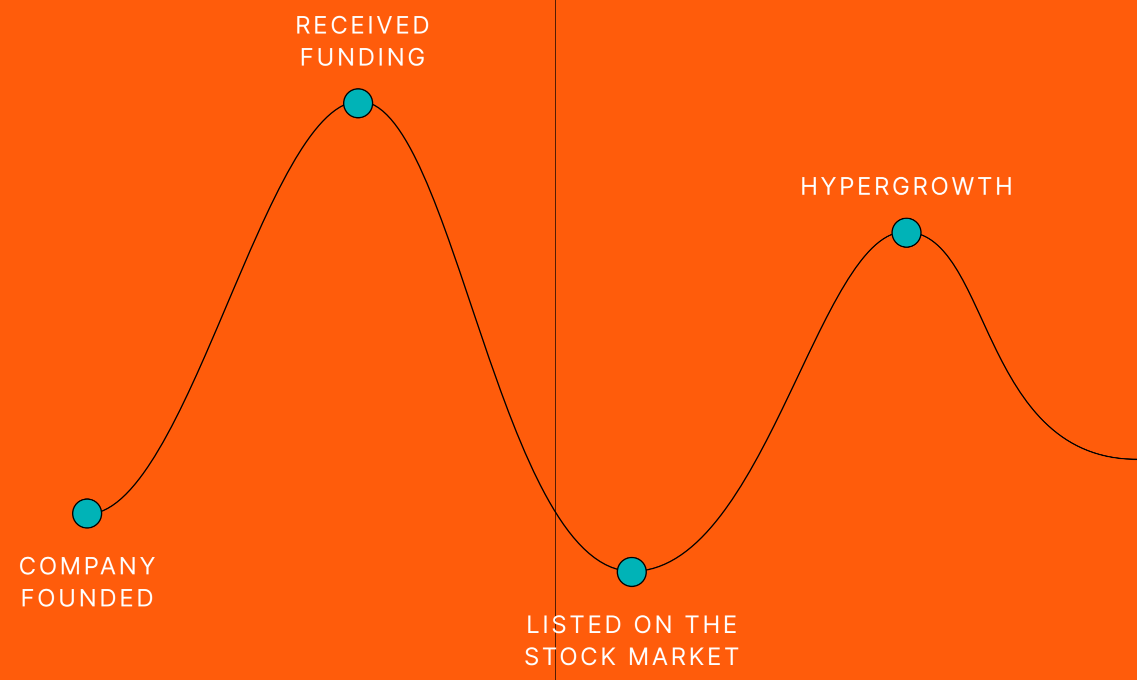
Culture Crunch

Top Trends throughout the company lifecycle



2021 Report

Culture Amp

Company culture (the set of shared beliefs, values, and behaviors within an organization) often changes over the course of a company's lifecycle. People's intuition surrounding the sometimes transient nature of culture is demonstrated in common phrases like "scaling culture" and "cultural transformation." However, little research has been done on exactly *what* changes during growth.

The most common questions we hear from executives whose companies are experiencing change are "Is what we're going through normal?" or for those that are proactive, "What can I expect in the coming months?" Culture Amp has worked with over 4,500 companies at many different stages to improve the employee experience – and that starts with culture. As a result, our team of People Scientists and Organizational Psychologists is uniquely positioned to explore these questions and provide data-driven suggestions.

We created this guide as a framework to help your team make better decisions around culture *now* and lay the foundation for future growth.

IN THIS GUIDE, WE'VE DEFINED **COMPANY PHASES** IN THREE KEY WAYS:

1. **Funding stage,** for venture-backed companies
2. **Company size,** as measured by employee headcount
3. **Company growth trajectory,** as measured by the change in employee headcount

Each of these phases can uniquely impact the employee experience. Depending on where your company is or where it's going, not every phase will be relevant. That's why there's no need to read this guide in its entirety. Instead, use it as a reference guide for identifying the insights that will be most useful to you.

How to use this *guide*

EACH **COMPANY PHASE** IN THIS GUIDE IS SUBDIVIDED INTO FOUR SECTIONS:

INTRODUCTION

Sets the stage for discussion and shares the sample data we used to come to our conclusions

MACRO TRENDS

Describes how culture changes across the phases

SPOTLIGHTS

Explores key milestones and micro-trends a company may experience (e.g., receiving funding)

TAKEAWAYS

Shares what companies in each phase can do to improve their employees' experience

Click on the links in the sidebar to easily navigate from section to section.

Typically, the first thing you'll see on each page is a visualization of the data. This is so you can see the data and come to your own conclusions first. Then, there will be a paragraph describing each insight and some possible explanations for what is driving this trend.

To navigate, we recommend:

First, determine which phases are relevant to you. If you're a private company, you can skip the chapter on funding stage and jump right into company size.

Next, review the macro trends. These focus on what changes across the phases, instead of focusing on a single phase (e.g., companies with 0-100 employees will experience x). This is because we've noticed that companies rarely stay in one phase for long and are most interested in what they can expect as they transition between phases.

Then, read the spotlights that are interesting to you. For example, if you're a private company, knowing what is most related to stock price might not be relevant.

Finally, read the takeaways. This section includes specific advice for different types of companies (e.g., what shrinking companies should focus on versus growing companies).

This guide is full of data, so we've included a glossary at the end. Click on the links throughout the guide to understand how we define key terms and view the questions we used to measure different aspects of culture. Generally, most of our data is derived from favorability, which is the percentage of employees who agree or strongly agree to a given statement in a survey.

What's included

Use the links below to navigate to the section
or subsection you're most interested in.

Funding stage

Funding stage is one way to look at a company's lifecycle. The strategy, culture, and mindset that takes a company from Seed to Series A are not the same strategy, culture, and mindset that take a later stage company public.

For this analysis, we looked at data from 1,275 Culture Amp customers that are venture-backed or public. Differences in the companies across stages generally follow a few key expectations. For example, compared to earlier-stage companies, later-stage companies:

- Have raised more money
- Are larger in employee headcount
- Have longer-tenured employees

IN THIS SECTION, YOU'LL LEARN:

- The three macro trends that change over the funding stage lifecycle
- Key predictors of whether or not a company will receive funding
- What companies with the highest performing stocks do differently

OUR SAMPLE (Seed includes Angel, Pre-Seed, & Seed; Late Stage Includes Series D+)

FUNDING STAGE	SEED	SERIES A	SERIES B	SERIES C	LATE STAGE	PUBLIC
# of companies	40	153	232	185	391	274
Median funding total	$1.4m	$5.6m	$12.8m	$23m	$34.5m	$50.6m
Median employee headcount	96	87	117	182	354	884
Median tenure (in years)	1.9	1.4	1.6	1.5	2.0	2.4

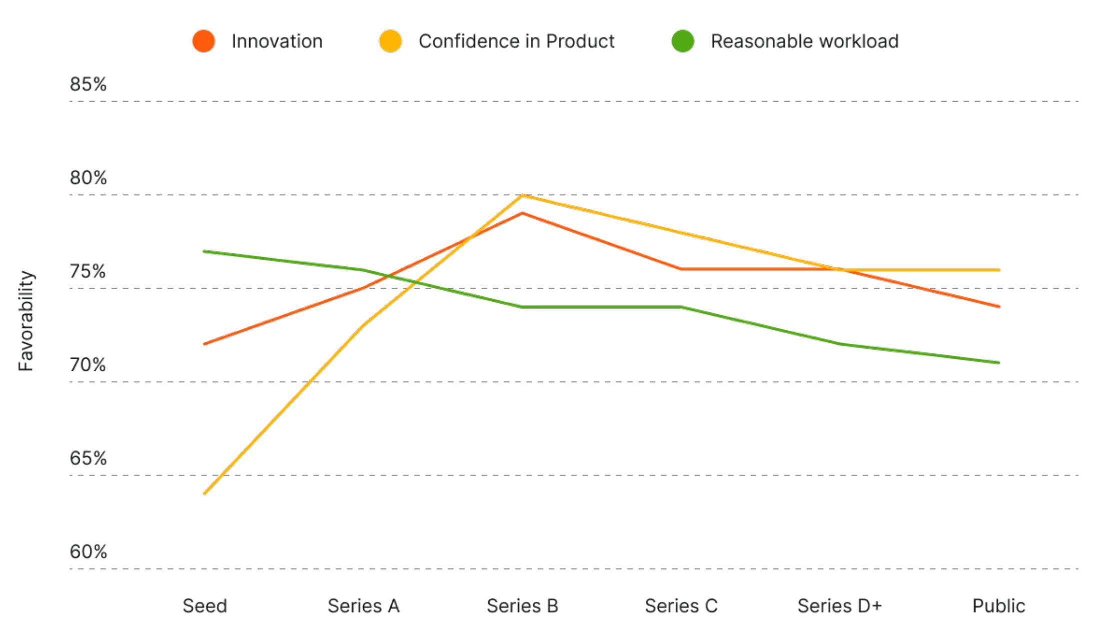
How culture changes through funding stages

By comparing how employees respond to engagement survey questions, we can see how the employee experience trends across funding stages. Here, we specifically looked at favorability and found that there were three themes with significant differences across funding stages: Reasonable workload, Confidence in product, and Innovation.

Employees in later-stage companies see their workload as less reasonable

Across funding stages, we see a gradual linear decrease in agreement with the following statement: "Generally, I believe my workload is reasonable for my role." This may come as a surprise, as many would guess that workload is heavier for employees in earlier-stage companies. However, this question isn't assessing actual workload; it's assessing whether an individual believes the workload is *reasonable*.

INNOVATION AND CONFIDENCE PEAK IN SERIES B WHILE WORKLOAD BECOMES MORE UNREASONABLE



One explanation for these findings is expectations. Employees in earlier-stage companies may expect to have a large workload, while those in later-stage companies are taken aback by it. Alternatively, productive workload may be higher in early-stage companies. In contrast, employees in later-stage companies tend to spend more time on administrative work, which is often perceived as more stifling and unreasonable.

Perceptions of innovation are highest in Series B companies

Employees' perceptions of innovation – defined as acting on new ideas and accepting failure as part of the process – follow an inverted U-shaped curve. This trend can perhaps be explained by how early-stage companies focus on establishing product-market fit and iterating on a single product. As a company gains additional funding, they are able to increase their scope and prioritize innovation to secure additional investors and customers. However, as more investors are brought into the mix, companies face more pressure from the board to hit higher targets and may play it safe to get there, which might explain the decrease in favorability towards innovation in later funding stages.

Confidence in the product is also highest in Series B

Confidence in the product, as assessed by the statement "The products and services [Company] provides are as good as, or better than, our main competitors," follows a similar, but more abrupt, inverted U-shape curve with significantly lower confidence in the earliest stage companies (Seed and Series A). One interpretation is that earlier-stage companies have a large backlog of features they would like to implement if they had the resources to do so. As more funding is secured, confidence rises as new product features are pushed out. The small decline in later-stage companies (Series C and D+) might be explained by the introduction of competitors into the market and increasing technical debt, which makes responding agilely more difficult.

INSIGHT

Overall, there are predictable changes in culture (like how acceptable failure and innovation are), employee perceptions (how much confidence employees have in the product), and employee expectations (in terms of workload) that ebb and flow along with resourcing. Being aware of these trends can help you prepare for and counteract them.

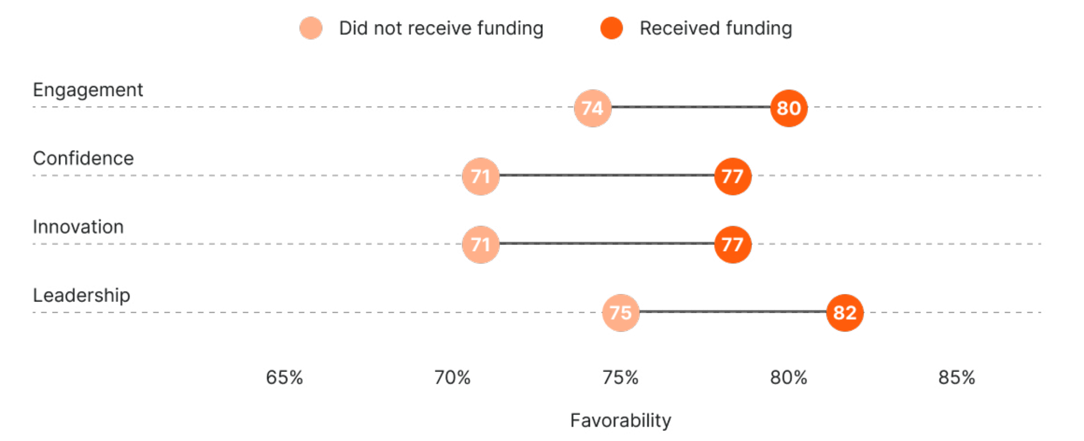
SPOTLIGHT

Does culture matter in fundraising?

The cyclical nature of funding means that executives continually face pressure to identify funding opportunities. Many tangible variables determine if a company receives funding, like how unique the product is and the company's proven track record of sales. However, intangible factors, such as a company's values, are also crucial to consider because they can have a sweeping impact on tangible variables that influence fundraising. For example, if a company values innovation, they may have a more unique product.

Leaders might be wondering, "What exactly does it take to gain an edge?" Digging into the numbers, we found that **culture** and **employee sentiment** are strongly associated with funding.

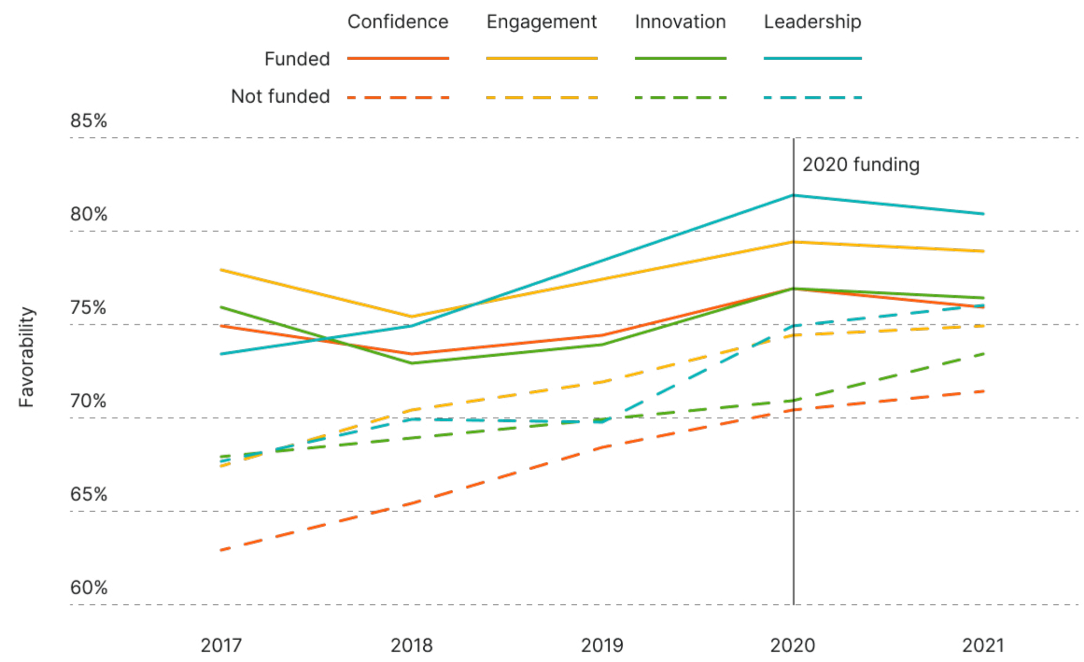
EMPLOYEE EXPERIENCE AND FUNDING



The previous chart shows companies that receive funding have employees that:

- are more engaged,
- are more confident in the company,
- believe in the leaders, and
- feel a culture of innovation

COMPANIES THAT RECEIVED FUNDING IN 2020 HAD ELEVATED SCORES THREE YEARS PRIOR



However, skeptical readers may point out that these scores only demonstrate that employees felt more positively at the time of fundraising. To assess whether employee experiences or fundraising success comes first, we looked longitudinally at scores for companies that received funding and those who didn't. As seen in the chart above, our research indicates that companies that successfully receive funding display elevated levels of these four factors as early as 3 years prior.

THIS INDICATES...	RATHER THAN...
Having a culture that emphasizes innovation makes you more likely to receive funding	Having an injection of cash makes the company more innovative
Leaders that communicate a strong vision and instill confidence in their employees are more likely to secure funding	A fundraise increases employees' confidence in leaders
Employees are capable of recognizing companies that are going to be successful	Raising funds gives employees confidence in the company's prospects

The data also reveals a positive trend for companies that did not receive funding. This is likely because companies that have used Culture Amp for many years generally see improvements in their employee engagement scores over time.

INSIGHT

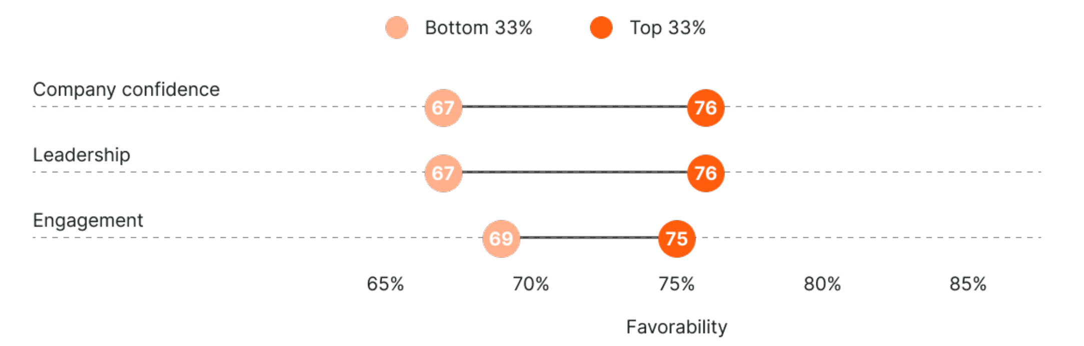
Companies that are hoping to raise funds should focus on finding and training strong leaders and creating a culture of innovation. On top of that, trust your people – if employees are not confident in the company or products, value that perspective and ask what you can do to change it. By creating a culture of receiving and acting on employee feedback, you can gradually improve culture and sentiment over time.

SPOTLIGHT

What factors drive stock price growth?

One way to measure success once a company goes public is through the stock market. For this analysis, we looked at stock price growth from July 2020 to the end of June 2021. We then separated the top third of companies in stock price growth (who outperformed the market by at least 35%) and the bottom third (who underperformed by 10% or more).

EMPLOYEE EXPERIENCE AND STOCK PRICE GROWTH
(LARGEST DIFFERENCE)



Companies that had higher stock price growth had employees who:

- Were more confident in the organization
- Believed in the leaders and felt a connection to them
- Were more engaged

COMPANIES THAT HAD HIGHER STOCK PRICE GROWTH HAD EMPLOYEES WHO:

Were more confident in the organization

When it comes to confidence, the largest difference we observed was in the statement "I believe [Company] is in a position to succeed over the next 3 years." The top third companies scored 8% higher than the bottom third.

Believed in the leaders and felt a connection to them

We assessed multiple components of leadership:

- If the employees have **confidence** in the leaders (+8%)
- If leaders demonstrate **people are important** to the company's success (+9%)
- If leaders have created a **motivating vision** (+5%)
- If leaders **keep employees informed** about what's happening (+5%)

The results suggest that if leaders are compassionate and care for their employees, employees will be more likely to go above and beyond to help their organizations thrive. Intriguingly, lower-performing companies were much less likely to ask the "confidence in leaders" question, indicating they may have been expecting a negative response.

Were more engaged

Of all the engagement questions, the largest gap (7 points) was for the statement: "[Company] motivates me to go beyond what I would in a similar role elsewhere." This indicates that providing a motivating environment for employees can translate to higher profits, which in turn drives stock price growth.

INSIGHT

Overall, these findings show that employees' perceptions are directly related to stock price. Combined with the fundraising findings (which demonstrate that culture is a leading indicator of company success), it's clear that a strong company culture can impact the bottom line of a company.

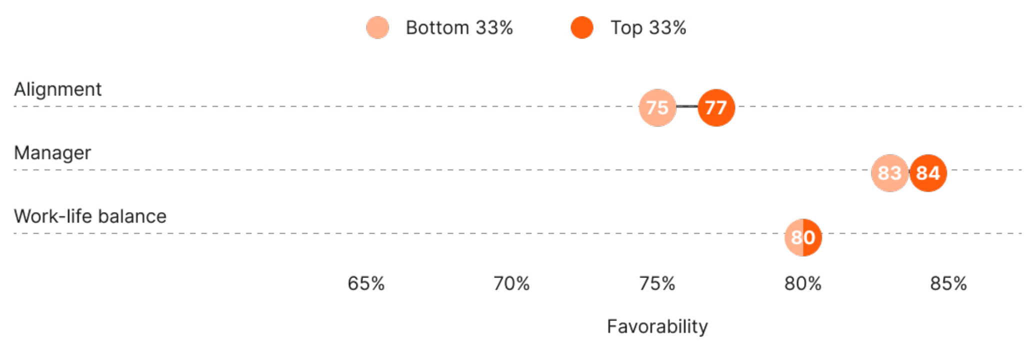
Note: While this research isn't longitudinal, we have previously found that high engagement and strong belief in the product precedes stock price growth in the following year.

SPOTLIGHT

What factors *aren't* related to stock price growth?

What's equally (if not more) interesting is where we *didn't* see a gap between the highest and lowest-performing companies. This suggests that the below factors aren't as important for stock market profitability.

EMPLOYEE EXPERIENCE AND STOCK PRICE GROWTH (SMALLEST DIFFERENCES)



Employees weren't more aligned in higher-performing companies

When assessing alignment, we include statements that measure:

- Alignment to **company goals**
- Whether employees feel **involved in decision-making** related to their work
- **Role clarity** and agreement on what success looks like
- Alignment on **compensation**

However, we found that there were no significant differences for any of these statements. The largest gap (5%) was seen in "I am happy with my current role relative to what was described to me." This indicates that an employee's satisfaction with their role is most correlated with profitability, though its impact is relatively small compared to factors like confidence in the organization and leadership.

Managers have less of an impact on stock market profitability than leaders

Overall, there were smaller differences for questions related to an employee's manager than those related to the leaders of the organization. This isn't surprising, as leaders more directly make the decisions that would impact a company's performance. Employees generally rate their managers relatively highly, while there is usually more variability in perceptions of leadership. This is perhaps because employees are further away from leaders in the company, making it easier for employees to have negative perceptions.

Work-life balance isn't a priority for employees in lower-performing companies

To measure work-life balance, we ask employees questions about:

- Whether their **workload** feels reasonable
- If they're supported to **work flexibly**
- If they're able to **arrange time away from work** when needed

There were relatively small differences between the top-performing and lowest-performing companies for all of these statements. However, this is likely because lower-performing companies are less likely to ask these questions. This both suggests that work-life balance is not a priority for these companies, and introduces the possibility that those that would have scored lowest aren't captured in our sample.

INSIGHT

These findings indicate that inspiring confidence and engagement in your employees – particularly through leadership – is more likely to lead to stock price growth than rigidly aligning the company through cascading goals or micro-managing an employee's work through their managers.

Takeaways

A company goes through many changes as they go through funding rounds. At every stage, there will be employees that like or dislike their experience at the company, based on their differing expectations around workload, specialization in their role, and the amount of structure they desire. From our data, we can offer the following three takeaways:

1. The most important thing you can do is hire (or promote) good leaders.

As a company goes through funding stages, more levels of hierarchy are added and employees are promoted to higher levels. It's critical to ensure those leaders aren't only visionaries, but also demonstrate they care about employees. We found that employees' perceptions of leadership are not only related to an organization's ability to get funding, but also their stock price growth.

2. Focusing on innovation is imperative.

Not only does a culture of innovation wax and wane through funding stages, it is directly related to an organization's ability to sustain itself through raises. Creating a culture of innovation is particularly important and difficult for companies on the two ends of the funding spectrum (Seed and Public companies).

3. Success takes time.

Companies that successfully raised money had elevated scores on factors like innovation and confidence as much as three years prior. This suggests that these companies have persevered over the years by carefully crafting a thoughtful and intentional culture. To succeed, be sure to articulate your core values, instill those behaviors into the organization, and hire accordingly.

Company Size

Company size (defined by employee headcount) is another way to look at a company's lifecycle.

Not all companies are venture-backed, and even those that are tend to be smaller organizations (the late-stage companies we studied averaged 350 employees). By looking at company size specifically, we can see a broader range of experience for larger and private companies in particular. While changes in culture through funding stages can be traced back to **monetary** resources, for company size, they can be traced back to **people** resources.

In general, as a company grows in headcount, processes become more complex, roles become more specialized, and collaboration becomes more difficult. Without *intentional* people practices, culture at growing companies can take a hit.

For this analysis we looked at almost 4,000 Culture Amp customers that span different industries and regions.

IN THIS SECTION, YOU'LL LEARN:

- What becomes more difficult as a company gets larger
- Where the largest companies excel
- How employee engagement changes by company size
- How employee expectations shift as companies grow

OUR SAMPLE

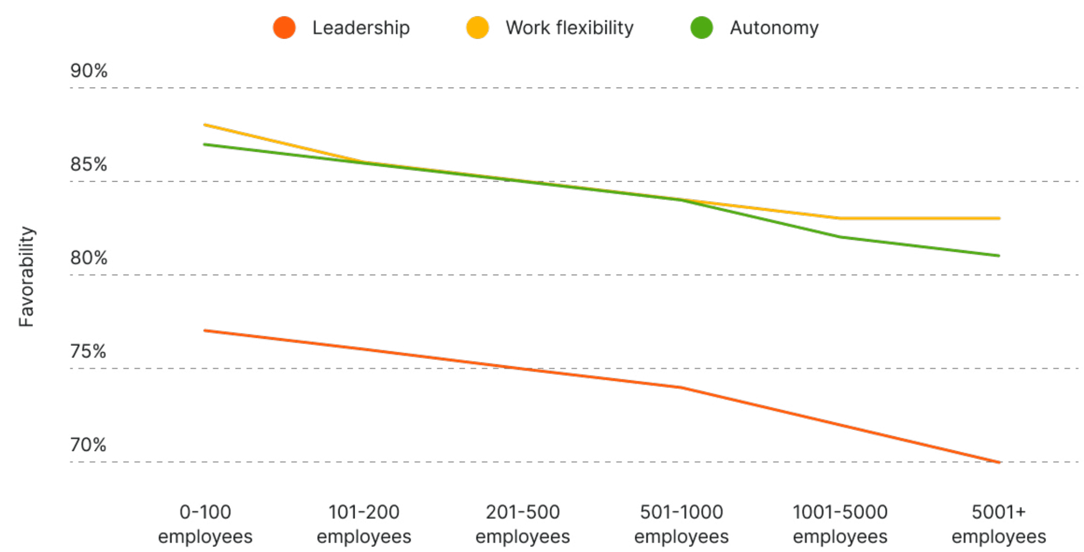
COMPANY SIZE (EMPLOYEES)	0-100	101-200	201-500	501-1000	1001-5000	5001+
# of companies	1156	867	913	485	430	116
Median size	63	142	308	699	1,799	9,345
Median tenure (in years)	2.5	2.5	2.6	2.7	3.2	3.7

MACRO TRENDS

Key challenges of large companies

By looking at how employees respond to engagement survey questions, we can see how the employee experience changes across company sizes. We found three aspects of culture that see a linear decrease in favorability (the percentage of employees that agree or strongly agree to a given statement) as a company increases in size.

SOME THINGS DECLINE LINEARLY WITH COMPANY SIZE



As leaders get further away, employees lose confidence and motivation

Employees' perceptions of leadership monotonically declines as a company grows, meaning the score for larger companies is always lower than the company size that preceded it.

The questions that relate more to an employee's feelings about the company's leaders, rather than leadership's behavior, show even larger declines. Specifically, the largest declines can be seen in whether leadership's vision motivates the employee (5001+ companies are 9% points below <100 companies) and if the employee has confidence in the leaders (-11%). This suggests it's difficult for employees to feel a close connection to leadership as the company grows. This is important, as confidence in leadership is also directly related to stock price growth.

Larger organizations provide less work flexibility

Favorability towards the statement "We are genuinely supported if we choose to make use of flexible working arrangements" declines as a company grows, demonstrating that larger companies in 2021 are more traditional in how they expect work to get done and slower to adopt "new" ways of working – a trend we expect to persist in the future.

We see a similar trend in the question "I am able to arrange time out from work when I need to," with 5001+ companies scoring 6% points below <100 companies. This is despite the fact there are more employees to cover a vacationing employee, implying this is an issue of mindset rather than resource constraints. Large organizations were also half as likely to ask these questions, indicating they might not see work flexibility and balance as an important part of their employee experience.

Employees in smaller organizations have more autonomy over how their work gets done

Autonomy, assessed by the question "We have enough autonomy to perform our jobs effectively," also sees a linear decline as a company grows. One explanation is that as roles become more specialized and there are more employees doing the same role, there are clearer but more rigid frameworks for how to get common tasks done. There may also be more bureaucracy (and on a positive note, direction) about what work gets done and what is deprioritized.

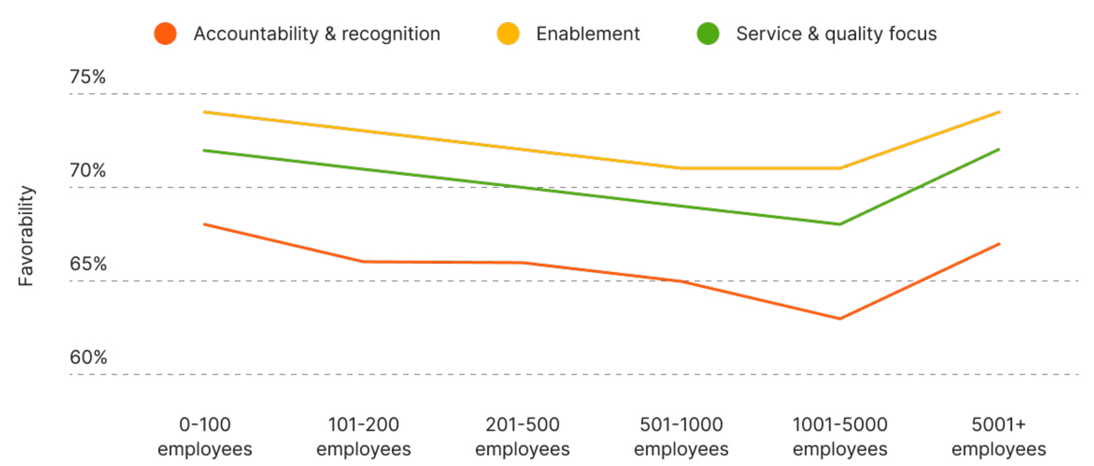
INSIGHT

There are predictable challenges that organizations face as they get larger, specifically with employees losing connection with the leaders, and feeling less autonomy and flexibility in their work. Keeping an eye on these challenges will help your organization adapt and scale culture even as headcount grows.

Where large organizations succeed

However, not everything declines linearly. There are three areas where scores for the largest organizations were equally good as scores for small organizations: Accountability, Enablement, and Service & quality focus.

THOSE THAT GROW PAST 5000 FOCUS ON ACCOUNTABILITY, ENABLEMENT, SERVICE & QUALITY FOCUS



The largest organizations are more likely to hold employees accountable

We assess accountability and recognition using four questions:

- I receive appropriate recognition for good work at [Company] (+1% from 1000 employees to 5001+)
- My job performance is evaluated fairly (+1%)
- When it is clear that someone is not delivering in their role, we do something about it (+6%)
- Generally, the right people are rewarded and recognized at [Company] (+4%)

Looking at the data, it seems that the largest companies are not necessarily providing more recognition, but rather are more likely to have processes in place that identify and create consequences for low performance. While some might guess that it's easier for low performers to hide in larger organizations, employee responses indicate this isn't the case.

The largest organizations have figured out enablement at scale

Favorability for questions related to enablement increased for companies with 5001+ employees:

- Our physical workspace is enjoyable to work in (+4%)
- The information I need to do my job effectively is readily available (+3%)
- Most of the systems and processes here support us getting our work done effectively (+3%)

The results suggest that the largest organizations don't just put more resources into things like knowledge management, process management, and their physical workspace, but are being *more effective* in their approach than mid-size organizations.

The largest organizations are more likely to make decisions based on quality and recognize those that do

Employees at 5001+ companies scored 4% points higher than 1001-5000 companies on the following statements:

- Day-to-day decisions here demonstrate that quality and improvement are top priorities
- We acknowledge people who deliver outstanding service here

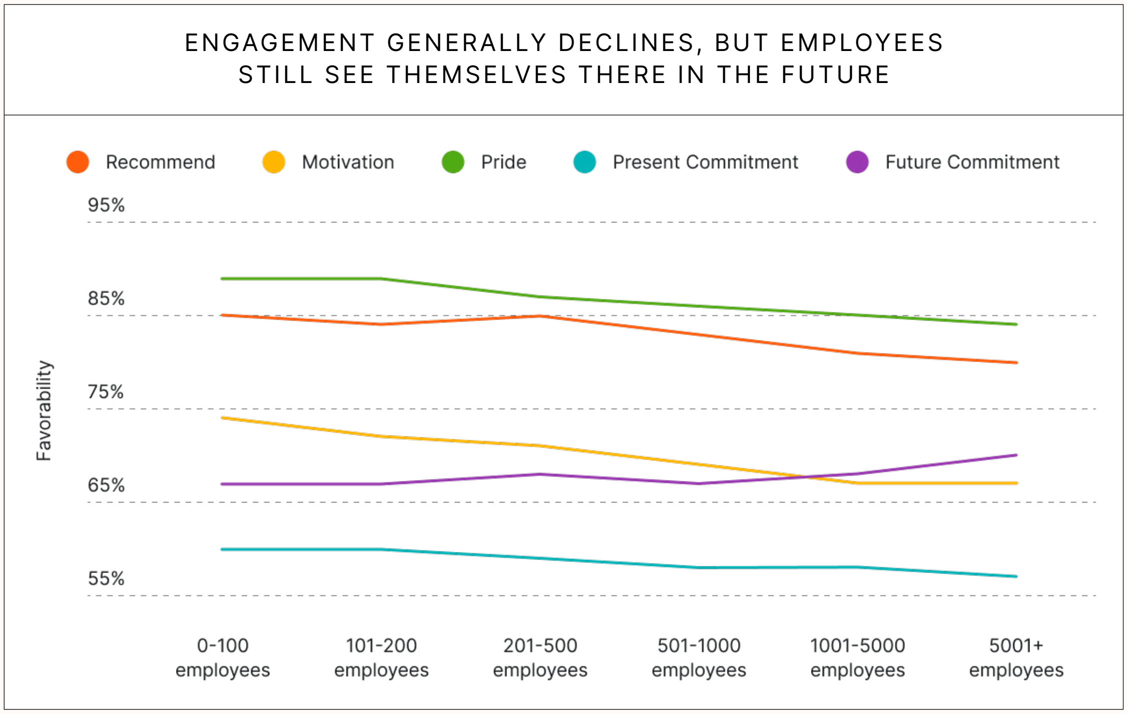
Presumably, companies do not survive to the largest size unless they keep quality at the forefront of everything they do. What gets rewarded gets repeated. Recognizing employees that focus on quality reinforces it as a key value.

INSIGHT

Companies that are able to survive and grow past 5000 employees have figured out how to scale in a way that focuses on quality through enabling employees, holding them accountable, and making decisions with quality in mind. If you have your sights set on becoming a large enterprise, you'll need to focus on these three areas as you grow.

SPOTLIGHT

Does engagement change across company sizes?



We define engagement as the level of emotional connection and commitment an employee feels towards their employer and we assess it using 5 questions:

- **Recommendation/eNPS:** I would recommend [Company] as a great place to work.
- **Motivation/discretionary effort:** [Company] motivates me to go beyond what I would in a similar role elsewhere.
- **Pride:** I am proud to work for [Company].
- **Present Commitment:** I rarely think about looking for a job at another company.
- **Future Commitment:** I see myself still working at [Company] in two years' time.

When analyzing engagement by company size, we see an interesting pattern.

The questions related to an employee's emotional connection to the organization generally decline as a company gets larger.

Employees at larger companies are less proud to work there, even though the company brand is probably more recognizable. They are also less likely to recommend the company to others, possibly because the experience varies more from team to team. Additionally, employees at larger companies are less motivated, potentially because as the company gets larger, it's more difficult to connect to the vision.

The questions related to commitment demonstrate a paradox.

While employees at larger companies are more likely to be thinking about looking for another job, they are less likely to picture themselves acting on that thought. This could be because employees have chosen to join a larger organization for the stability it provides, or perhaps that the stability makes it more difficult for employees to take big risks and switch companies.

INSIGHT

Maintaining an employee's connection to the company is difficult to do at scale, but employees don't plan on leaving because of it. However, this doesn't mean that companies should ignore employee connection. As a component of engagement, a sense of connection encourages employees to go above and beyond, and is ultimately linked to the bottom line.

SPOTLIGHT

What do employees expect based on company size?

To assess what matters most to employees, we use driver analysis to correlate questions with the outcome we are trying to achieve – in this case, engagement. We then rank the questions in order of correlation, with the highest correlated questions having a higher driver rank. In other words, the questions with the highest driver rank are the most likely to move the needle on engagement.

DRIVER RANK AND COMPANY SIZE

HERE'S WHAT WE FOUND:

Company confidence is less important for employees in the largest companies

While company confidence is in the top 5 drivers for companies under 5000 employees, it drops to the 11th spot for companies with 5001+ employees. This is likely because companies of that size are more stable by nature, so confidence is less of a concern for employees.

Autonomy becomes more important as a company grows

While autonomy generally decreases with company size, the importance of autonomy for employees increases. One interpretation is that employees at smaller companies both expect to have leeway in their role, and generally do get that autonomy. However, those in large companies may be surprised if they have autonomy since it's a scarce resource, and feel more engaged because of it.

The effectiveness of systems and processes becomes less important to employees as a company grows

The opposite trend can be seen in systems and processes, which is a higher driver in smaller organizations than in larger ones. This could be because one of the touted benefits of working at a smaller organization is the lack of "red tape" and defined processes. So if there are processes that are *ineffective* at a small company, they feel even more stifling and disengaging. Employees in large organizations likely expect to be slowed down by processes, making systems and processes one variable that doesn't strongly factor into their engagement.

Appropriate recognition matters for mid-sized companies

We've found that appropriate recognition is a key driver for mid-sized companies, possibly because employees know each other well enough to feel like they know who is performing well. Meanwhile, accurate recognition matters less for large and small companies. For large companies, it could be that employees don't know the people who are being recognized, so they can't assess if the employees being recognized are deserving or not. While in small companies, it's easier to reward the right people because there are fewer employees to keep track of.

Staying informed is important for employees in larger organizations

The two questions related to keeping people informed – "The leaders at [Company] keep people informed about what is happening" and "My manager keeps me informed about what is happening at [Company]" – are both in the top 5 drivers for 5001+ companies, but are not even in the top 15 for any other sized company. This suggests that keeping employees informed is more difficult to do in large companies, but companies that focus on it will reap the benefits.

INSIGHT

What matters to employees differs depending on the size of the organization and what employees expect given that size. Companies that are able to provide the benefits of other sizes (e.g., large organizations that provide autonomy or small organizations that have effective processes) will surprise and delight their employees. That being said, you won't know what matters for your employees until you ask them.

SPOTLIGHT

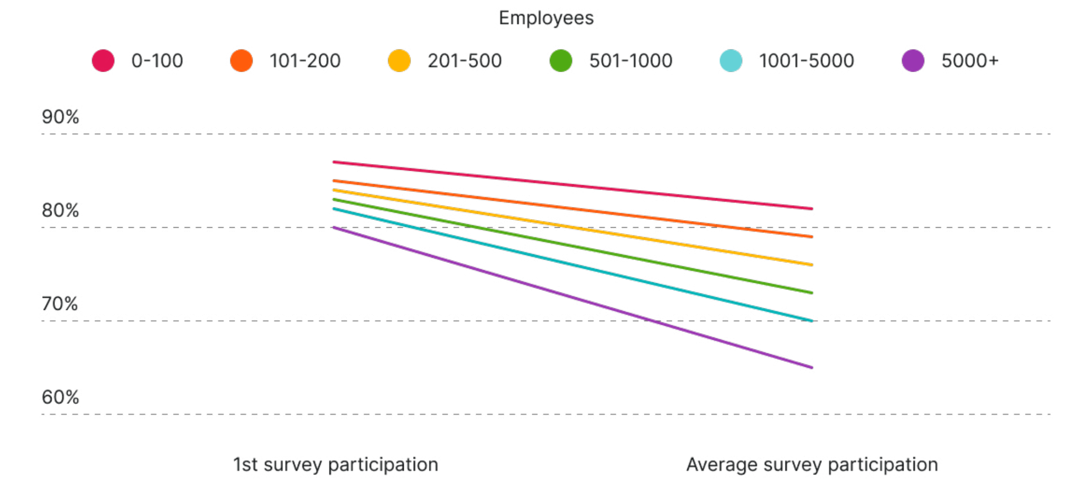
How does the employee feedback process differ by company size?

The only reason we are able to surface insights about differences in employee experience is feedback. Specifically, our data and research depend on whether companies proactively seek and collect feedback from their employees. But as you may expect, the process of collecting feedback becomes more challenging as companies grow.

Larger organizations have more difficulty getting employees to participate

On average, larger organizations see lower participation than smaller companies on their first engagement survey. In 0-100 companies, 87% of employees respond on average, while for 5001+ companies, only 80% do. One possible explanation is that it becomes more difficult to communicate the importance of the survey and how the results will be used as a company scales up in size. Another way to interpret these results is that employees in smaller organizations are more likely to trust that their voice will be heard and that their feedback matters.

COMPANIES, ESPECIALLY LARGE ONES, STRUGGLE TO MAINTAIN PARTICIPATION



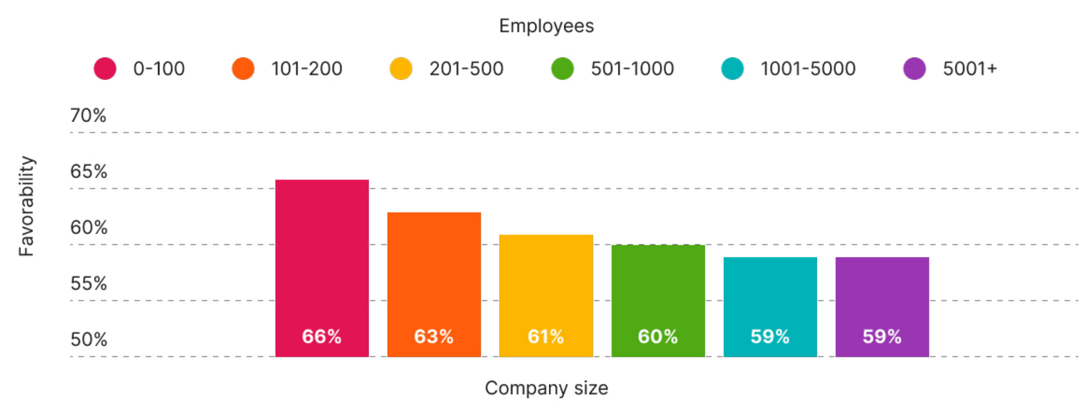
Moreover, participation problems generally get worse over time, as illustrated in the graph on the previous page. While all companies see declining participation when comparing their first survey to the average (across multiple survey cycles), larger companies see much greater declines. We found that the participation rates decrease by 5% for the smallest organizations, but by 15% for the largest organizations.

Our data also found that larger companies are *less* likely to:

- **Share results widely.** On average, companies with 0-100 employees create reports with all of their employee results included, while companies with 5001+ employees create reports with only 52% of results included.
- **Ask their employees for feedback on the action-taking process.** Large organizations were half as likely to ask for employee feedback on their actions. For example, asking questions about whether employees have been given the opportunity to discuss results, if the company has communicated clear actions, and if employees have seen positive changes take place due to the survey.

The low rate of feedback sought and shared in large organizations could also explain why employees in large organizations are less likely to agree with the statement "I believe action will take place as a result of this survey."

EMPLOYEE BELIEF IN "ACTION TAKING PLACE" DECREASES WHILE COMPANY SIZE INCREASES



INSIGHT

In order to maintain participation in employee feedback processes, employees need to feel like their participation will lead to action. The first step is sharing results and enabling employees to have discussions. Then, follow up to see if those discussions took place and hold leaders accountable for taking action.

Takeaways

There are many changes a company goes through as they increase in size, but you can get ahead of those changes.

Below are some general key findings you should keep in mind:

- Employees experience less autonomy as a company grows, but those who are lucky enough to have autonomy in larger organizations are more engaged because of it.
- As organizations get larger, employees feel less connected to the organization and the leaders. Simultaneously, it becomes more important that employees stay informed about what is happening at the company.
- The largest organizations have figured out how to hold employees accountable by putting processes in place that identify and create consequences for low performers and recognize high performers. However, processes and recognition are more important to employees in mid-sized companies.
- The largest organizations are better at enabling their employees with the information and processes they need to get their work done efficiently. However, this doesn't result in higher engagement, which suggests that employees expect effective enablement in large organizations.

Here's what you can do as a small company:

- When you must add systems and processes, ensure they're lightweight and effective.
- Enjoy the high levels of employee engagement you're currently experiencing, but know what you're up against. As you grow, your goal should be to maintain levels of employee engagement, rather than improve it.

Here's what you should focus on as a mid-sized company:

- There will always be growing pains, but as much as possible, focus on scaling your enablement and making quality decisions (as this is what separates the largest organizations).
- Put additional thought into who you reward and recognize as this is an important driver of engagement, as well as a demonstration of what you value as a company.

How to stay ahead as a large organization:

Focus on the factors that generally decline like:

- Leadership, by ensuring leaders are consistently communicating the vision and keeping employees informed
- Autonomy, by designing independent roles

You'll need to put additional effort into your employee feedback practices, as it's essential for encouraging employees to continue to participate. However, what ultimately matters is that employees see that real changes are being made as a result of their feedback.

Growth trajectories

Another differentiating factor in a company's lifecycle is whether they are growing, stable, or shrinking (as defined by changes in employee headcount over the year)

Each of these different growth trajectories (growing, stable, shrinking) requires a different set of strategies when it comes to maintaining the employee experience. For example, while shrinking companies are making tough decisions regarding which budgets to cut, growing companies are making tough decisions on who to hire to fulfill key roles.

IN THIS SECTION, YOU'LL LEARN:

- What improves with growth and what doesn't
- What comes first? Growth or positive employee sentiment
- How different growth phases change what employees look for from the company

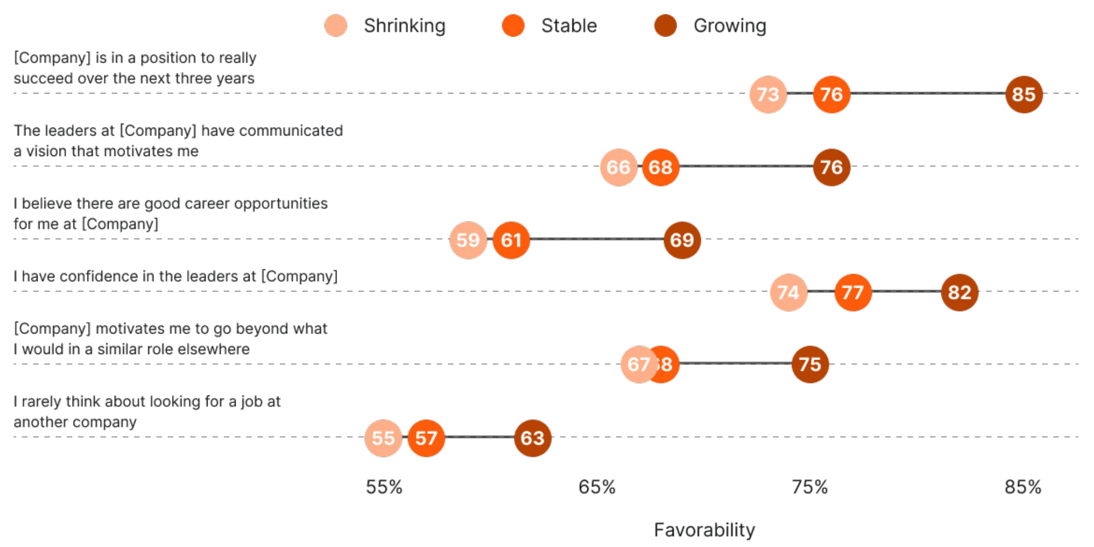
OUR SAMPLE

COMPANY CHANGE	GROWING	STABLE	SHRINKING
Defined as	Increased headcount >15% in one year	-5% < Headcount change < 15%	Decreased headcount >5% in one year
# of companies	1381	1665	973
Median size	236	190	154
Median relative size change	27%	0%	-8%
Median tenure (in years)	1.6	2.8	2.8

How culture changes by growth trajectory

By looking at how the employees respond to engagement survey questions, we can see how employee experience differs for companies on a given growth trajectory. Specifically, we look at favorability, which is the percentage of employees that agree or strongly agree to a given statement.

EMPLOYEE EXPERIENCE BY GROWTH TRAJECTORY
(LARGEST DIFFERENCES)



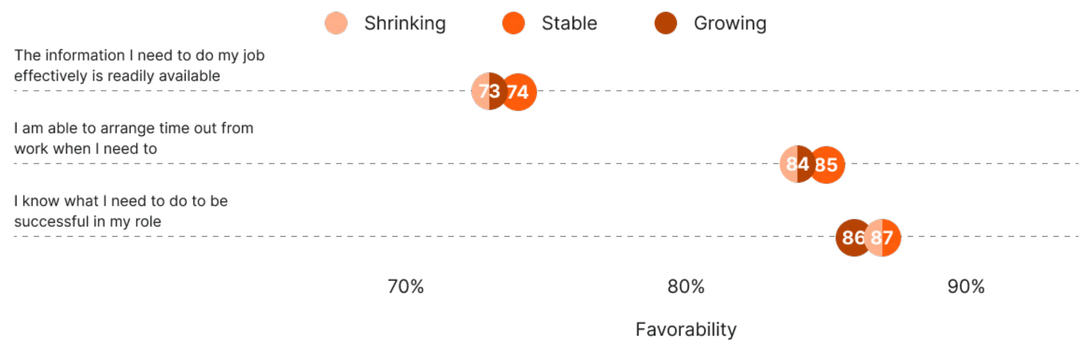
In general, employees at growing companies are more positive

This result is probably not a surprise, with employees at growing companies scoring:

- 12% points higher in believing the **company will succeed**
- 10% points higher on the leaders communicating a **motivating vision**
- 10% higher on **career opportunities** in the company
- 8% higher on having **confidence in the leaders**

Generally, this optimism results in measurable improvements in engagement. Our data shows that employees at growing companies also score 8% points higher in motivation, and are 8% less likely to be looking for another job than those at shrinking companies.

EMPLOYEE EXPERIENCE BY GROWTH TRAJECTORY (SMALLEST DIFFERENCES)



However, not everything improves with growth

Across over 50 questions, growing companies score much higher on all but three questions. For the below three questions, stable companies score one point higher than growing organizations. While this is a small difference, it's noteworthy because it defies the trend and signifies certain growing pains you should expect:

- **Enablement:** "The information I need to do my job effectively is readily available." This suggests that scaling knowledge management and keeping information up-to-date is difficult when a company is growing quickly.
- **Work-life balance:** "I am able to arrange time out from work when I need to." In growing companies, it's likely difficult to take time off to recharge, perhaps because the workload requires all hands on deck.
- **Role clarity:** "I know what I need to do to be successful in my role." When a company is in hypergrowth, roles can change rapidly, making it more complicated for employees to clearly understand what success looks like.

INSIGHT

There is a glow that comes from growth that generally makes employees feel more positively about the culture and their experience. However, growing companies should still be careful, as high levels of growth can make role clarity, role enablement, and work-life balance more difficult.

SPOTLIGHT

What comes first, growth or employee perceptions?

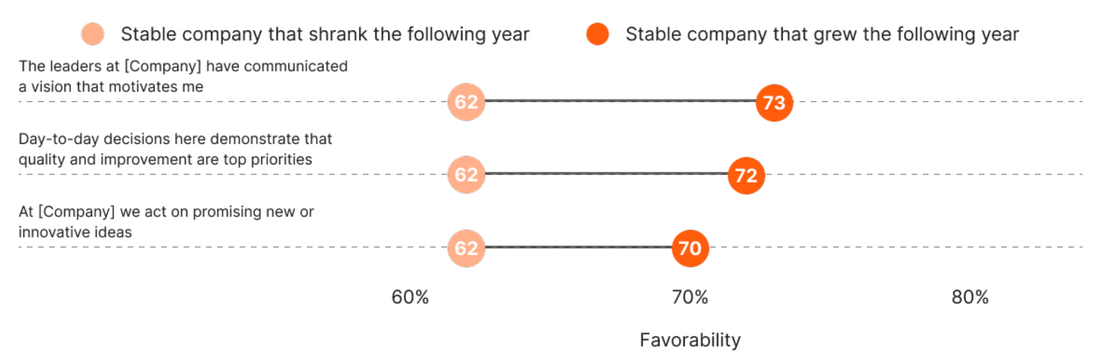
Unconvinced readers may point out that just because growing companies score higher on things like confidence and engagement doesn't mean that those factors drive company growth, which is a reasonable objection. It's possible that company growth increases levels of confidence, rather than levels of confidence driving growth. So to see which comes first, growth or employee perceptions, **we isolated companies that were stable in 2019 and segmented them into two groups – those that went on to grow in 2020 and those that went on to shrink in 2020.**

HERE'S WHAT WE FOUND:

There are several leading indicators of growth

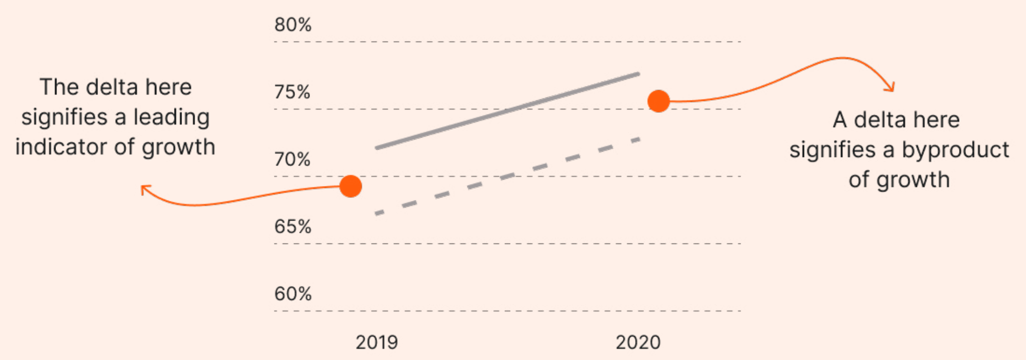
Stable companies that then went on to grow in the following year (during COVID-19) scored much higher on innovation, confidence, and a focus on quality than those that went on to shrink. The largest differences were in the following statements, which are depicted in the graph below:

LEADING INDICATORS OF GROWTH



These results indicate that creating a motivating vision, keeping quality top of mind, and acting on innovative ideas *precede* growth.

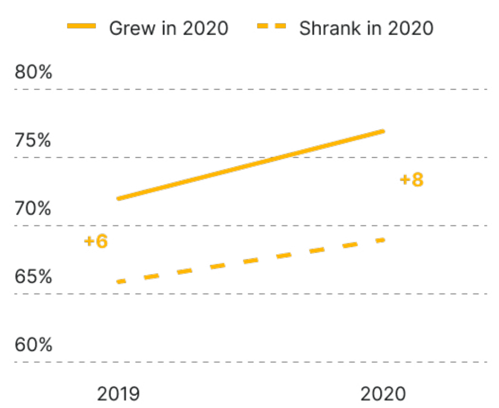
HOW TO READ THE LINE GRAPHS BELOW



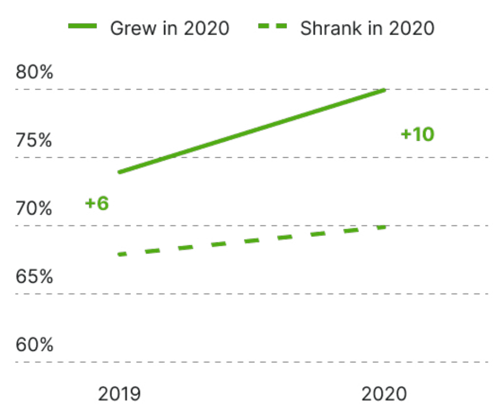
Growth can be a positive feedback loop

A positive feedback loop is when an output of the system amplifies the system. While innovation and confidence precede growth, they are also fed by growth. Growing companies saw larger increases in innovation and confidence the following year than shrinking companies. This suggests that innovation can create growth, but growth can also create innovation.

CONFIDENCE

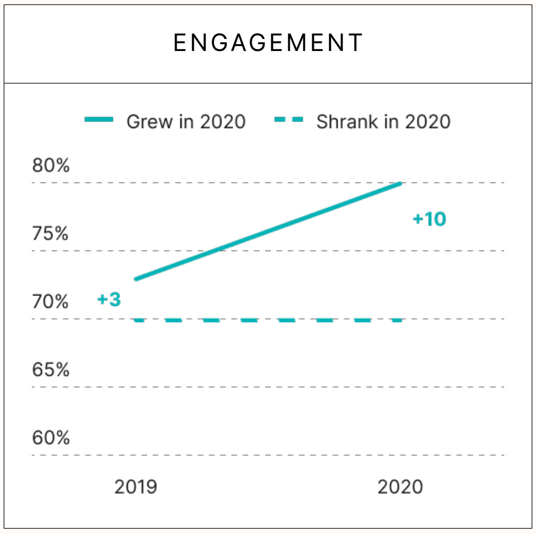


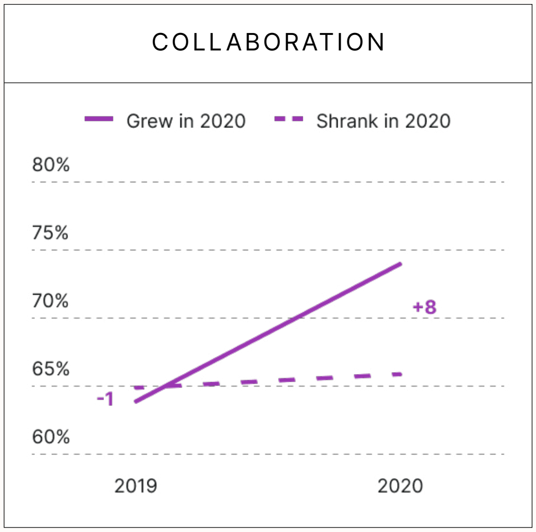
INNOVATION



Engagement and collaboration are byproducts of growth

Not every variable we tested preceded growth. There was a relatively small difference (3%) in engagement between all the companies we isolated as stable in 2019. However, that gap grew in 2020, signifying that when a company is growing, employees become more engaged. We see a similar trend in collaboration – scores aren't different before companies start growing, but as a company grows, collaboration increases 9% points.





INSIGHT

The relationship between growth and employee perception is complicated. Some variables are leading indicators of growth, some are byproducts, and some are both. If you're hoping to grow in the future, focus on creating a motivating vision, making decisions based on quality, and acting on the innovative ideas that come to you.

It's also important to note that this research was conducted during an exceptional time period – COVID-19 – and various industries and regions were affected in different ways. However, the differences we see above are much larger than what we typically see between regions or industries, suggesting that these differences are related to growth itself rather than the impacts of COVID-19.

SPOTLIGHT

What engages employees in different growth trajectories?

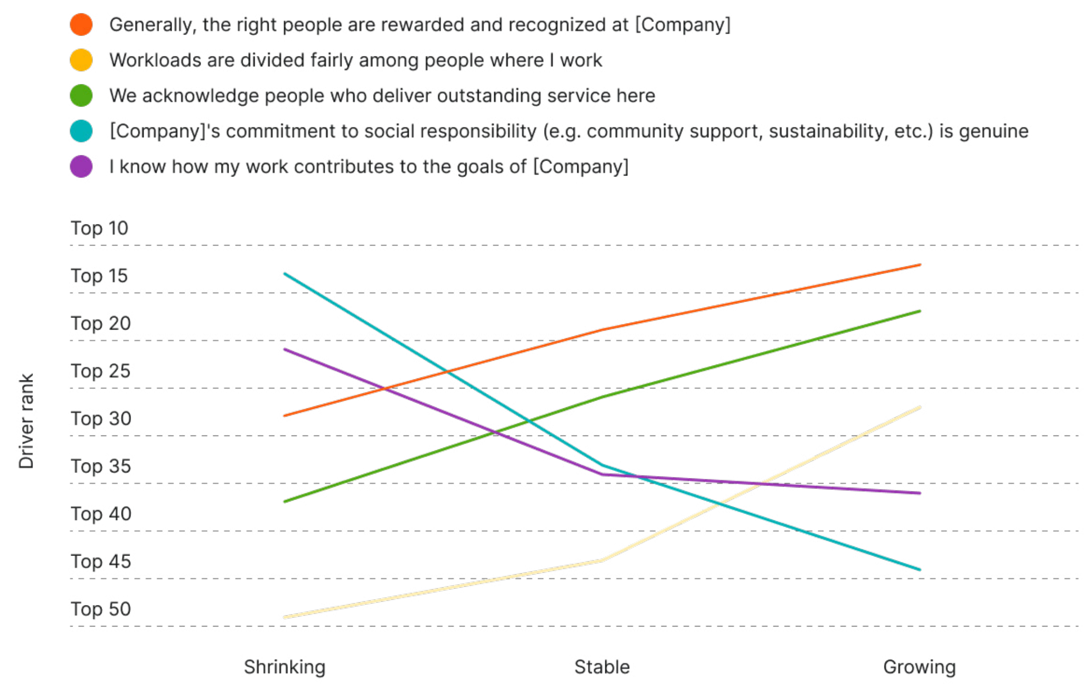
What matters to employees can change depending on if a company is growing, stable, or shrinking. To assess what matters most, we use driver analysis to correlate questions with the outcome we are trying to achieve – engagement. We then rank them in order of correlation, with the highest correlated questions having a higher driver rank. In other words, the questions with the highest driver ranks are the most likely to move the needle on engagement.

The top 5 drivers were consistent across growth trajectories

While for company size we saw large differences, the top 5 drivers for company growth were consistently dominated by questions around leadership, development, and confidence. These questions were in the top 5 for all categories (shrinking, stable, and growing companies):

- I have confidence in the leaders at [Company]
- The leaders at [Company] demonstrate that people are important to the company's success
- [Company] is a great company for me to make a contribution to my development
- [Company] effectively directs resources (funding, people, and effort) towards company goals

DRIVER RANK BY COMPANY GROWTH TRAJECTORY



In growing companies, recognition is especially important

There are several questions related to recognition and workload that are higher drivers for growing companies:

- Workloads are divided fairly among people where I work
- We acknowledge people who deliver outstanding service here
- Generally, the right people are rewarded and recognized at [Company]

One interpretation is that growing companies generally have more work that “needs to be done” at any given time. As a result, employees need that work to be fairly divided and to feel recognized in order to feel engaged.

In shrinking companies, alignment is particularly important

When companies are losing employees or revenue, it’s crucial to focus on creating alignment among those that choose to stay. These employees want to feel like they play a valuable part in helping the company pick itself back up. That's why it's crucial to clearly establish how their work contributes to company goals, and that there's a clear strategy in place for moving forward.

Employees at shrinking companies also want to see alignment in what a company says and does. The question “[Company]'s commitment to social responsibility (e.g., community support, sustainability, etc.) is genuine” very rarely comes up as a driver. For shrinking companies, however, this statement is ranked 13. Compare this rank to stable (#33) and growing companies (#44), and it becomes rather likely that if a company is shrinking, the desire for genuine value alignment between the company and its people grows in importance.

INSIGHT

No matter your growth trajectory, employees’ perceptions of leadership, development, and company confidence have a strong correlation with overall engagement. For companies that are growing, remember that your employees want to be recognized for the large workload they’re carrying. Meanwhile, employees in shrinking companies want to know how they can play a part in forging a new path forward.

Takeaways

The employee experience differs depending on if a company is growing rapidly, stable, or shrinking. From our data, we can offer the following takeaways:

For those that are growing

- Enjoy the positive feedback loop of growth – you can expect things like employee engagement and collaboration to improve.
- But keep an eye on enablement and recognition to ensure your employees don't burn out. As roles change rapidly, employees need updated enablement materials and clarity on what success looks like for their role. They also need to know the work will be divided fairly and they'll be recognized for going the extra mile.

For those that are shrinking

- Focus on creating a motivating vision for how you plan to get back to a stable place, and share it widely.
- Then, turn your eye towards alignment. Make sure each employee understands how their role contributes to the vision, and how their contributions can help make this vision a reality.

For those that are stable

- Keep doing what you're doing, as there aren't many pitfalls for stable companies. Instead, focus on the drivers that are important for all employees – instilling confidence in the company's direction and leaders and providing an avenue for employee growth.

Conclusion

In this report, we've illustrated the unique ways different company phases can impact the employee experience.

By looking at the company lifecycle in terms of funding stage, company size, and growth trajectory, we were able to surface specific data points that reveal how employee experience trends as a company changes, and what a company might focus on given their current stage.

These aggregate trends can help you as a leader know what to expect and take steps to prepare for the future. But ultimately, just like humans are complex and rarely fit into any single identity category, no company fits squarely into only one of these phases. For example, you may be a Series B company that is shrinking. Every company has a unique culture and set of challenges, and only by listening to your employees can you identify the high-impact actions that will successfully take your company and people to the next phase of the journey.

JUMP TO TOP

Glossary

How we define our factors

FACTOR DEFINITION	QUESTIONS
Alignment Represents employees feeling worthwhile, connected, and appropriately involved in the organization's operations, and their abilities being well-matched to their role.	• I am appropriately involved in decisions that affect my work • I am happy with my current role relative to what was described to me • I believe my total compensation (base salary+any bonuses+benefits+equity) is fair, relative to similar roles at other companies • I know how my work contributes to the goals of [Company] • I know what I need to do to be successful in my role
Collaboration Represents the ability of employees to work productively with other groups and levels within the organization. It also measures whether they feel they are being informed of relevant information from other groups.	• At [Company] there is open and honest two-way communication • Most people here make a good effort to consult other staff where appropriate • Other departments at [Company] collaborate well with us to get the job done
Company confidence Represents how well employees believe the company is performing currently and how well they believe the company will perform in the future.	• The products and services [Company] provides are as good as, or better than, our main competitors • [Company] effectively directs resources (funding, people and effort) towards company goals • [Company] is in a position to really succeed over the next three years
Enablement Represents having access to the right resources, tools, and environment to get work done, and having the freedom to make decisions where appropriate.	• I have access to the things I need to do my job well • Our physical workspace is enjoyable to work in • The information I need to do my job effectively is readily available • We have enough autonomy to perform our jobs effectively • Most of the systems and processes here support us getting our work done effectively

JUMP TO TOP

FACTOR DEFINITION	QUESTIONS
Engagement Represents the level of enthusiasm and connection employees have with their organization. It is also a measure of how motivated employees are to take positive action to further the organization, and a sign of how committed they are to staying.	• I would recommend [Company] as a great place to work • [Company] motivates me to go beyond what I would in a similar role elsewhere • I am proud to work for [Company] • I rarely think about looking for a job at another company • I see myself still working at [Company] in two years' time
Innovation Represents the organization's attitude about new ideas and how much they encourage employees to contribute to changing the status quo.	• At [Company] we act on promising new or innovative ideas • We are encouraged to be innovative even though some of our initiatives may not succeed
Leadership Represents employees' confidence that the organization has effective and inspiring leaders who communicate well and recognize the importance of people in the journey.	• I have confidence in the leaders at [Company] • The leaders at [Company] demonstrate that people are important to the company's success • The leaders at [Company] have communicated a vision that motivates me • The leaders at [Company] keep people informed about what is happening
Manager Represents an employee's connection with and confidence about their immediate manager.	• My manager genuinely cares about my wellbeing • My manager gives me useful feedback on how well I am performing • My manager is a great role model for employees • My manager keeps me informed about what is happening at [Company]
Quality focus Represents the organization's attitude about their product quality and services, internally and externally.	• Day-to-day decisions here demonstrate that quality and improvement are top priorities • We acknowledge people who deliver outstanding service here

FACTOR DEFINITION	QUESTIONS
Recognition Represents that people are being evaluated fairly, and the appropriate recognition or action is being taken.	• I receive appropriate recognition for good work at [Company] • My job performance is evaluated fairly • When it is clear that someone is not delivering in their role we do something about it • Generally, the right people are rewarded and recognized at [Company]
Work-life Represents how well employees feel they can manage their workload, and have flexibility to manage work with their personal life.	• Generally, I believe my workload is reasonable for my role • We are genuinely supported if we choose to make use of flexible working arrangements • I am able to arrange time out from work when I need to

Driver analysis

Engagement can't be directly improved, meaning you can't simply ask someone to be more committed and connected to the organization. The other questions we ask, often called drivers, are the topics and actions that you can directly impact. We correlate the driver questions to the engagement questions to see which topics have the strongest relationship. A high correlation means those that agreed with the driver question were more likely to be engaged, and vice versa (those that disagreed are more likely to be disengaged). The questions are then ranked by correlation. The questions that are highly correlated (and have a high driver rank) are more likely to move the needle on engagement.

Favorability

Favorability is the percentage of employees that agree or strongly agree to a given statement. "Factor favorability" averages the favorability for the individual questions in the given factor.

When referring to the % difference, we are referring to the % point difference. For example, growing companies score 8% points higher on motivating employees than shrinking companies. This can be interpreted as: the favorability for growing companies is 75% and shrinking is 67%.

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Culture Amp's **Culture Crunch: Top Trends throughout the company lifecycle** report is brought to you by our cross-functional team.

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To uncover what's on the horizon for your unique organization and what you can do to prepare, connect with Culture Amp – the market-leading employee experience platform.

Contact us