CEO RECEPTIVENESS TO CHANGE AND EMPLOYEE SATISFACTION

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Ellen S. Scully

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Ellen S. Scully

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Abstract

Although they can be difficult to implement, employee-friendly workplaces, with generous compensation, schedule flexibility, and perks, foster more satisfied and productive employees than traditional work environments. Transforming a work environment from conventional to more liberal, and likely more satisfying, takes a certain type of leader. This study seeks to understand in what ways the "100 Best Companies to Work For" CEOs differ from traditionally successful, Fortune 500 CEOs. Using political affiliation as a proxy for openness to change, we test our hypothesis that Best Company CEOs are more open to change, and therefore, more left-leaning than Fortune 500 CEOs. We use campaign contributions of CEOs from the top 100 Fortune 500 companies and the "100 Best Companies to Work For" to discern whether executive receptiveness to change differs between these two groups. Our OLS probit model provides strong evidence that companies in Republican industries (i.e. aerospace, defense, petroleum, etc.) and companies with right-leaning CEOs are unlikely to be Best Companies. We also find that being identified as a Best Company in the short-term is best achieved through inexpensive perks, while being identified as a Best Company in the long-term requires strong compensation, sabbatical options, and vacation time.

KEYWORDS: CEO, political affiliation, organizational culture, change, management theory, employee satisfaction

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CHAPTER I

INTRODUCTION

Imagine an office space without gray cubicles, crammed lunchrooms, bureaucratic red tape, or gloomy employees uncomfortably dressed in business attire. Instead, envision an open, sunny, modern work environment with casually dressed employees enjoying autonomy in their work. Visualize employees not stressing about arriving at 8:24 a.m. instead of 8:00 a.m. when their child misses the bus. Picture employees engaging in a brainstorming session over an afternoon tennis match on company courts. Picture a cafeteria with free, healthy lunches for all employees and bosses that do not micromanage their workers. These images are not unrealistic fantasies or stories of inefficient nonprofit organizations, but real snapshots from successful for-profit American companies.

Half a century ago, in his book, *The Human Side of Enterprise*, Douglas McGregor (1960) redefined the way we view humans in the workplace. McGregor's revolutionary "Theory Y" breaks the stereotype of workers as lazy and needing to be monitored carefully. Theory Y instead describes workers as wanting to be challenged and having intrinsic desires to solve puzzle. In fact, McGregor argues that not only do humans not inherently dislike work, they are capable of enjoying it. When the American economy began shifting away from manufacturing after World War II, many companies began viewing their employees as individuals with emotions, dreams, and extra-

occupational lives rather than merely as mechanistic parts (Murray, 2010). Out of this change in perception grew a new field of research on how to best incorporate the human condition into organizational structures. Building upon this literature, this research advises leaders how to motivate, reward, and develop employees in more productive and lucrative ways.

Today, a handful of companies make employee satisfaction a top priority. Many of these companies have earned spots on *Fortune Magazine's* annual "100 Best Companies to Work For" list. The Best Companies, to which the employee-friendly companies on this list will be referred, do not simply compensate their employees well; they allow schedule flexibility, provide career development, have generous vacation and sabbatical options, and have fun perks such as free lunch or family ski trips.

Change does not happen overnight. For a company to transition from a traditional organizational structure to a more flexible, liberal one, such as those described above, is no minor feat. Thus, it is necessary for top management to be committed to the transition. Not every leader embraces organizational change for the purpose of employee satisfaction. Those leaders who do are more generally willing to foster change. Since most people are homeostatic and therefore change resistant, this first qualification is a major one (Ackoff, 1981). Annabel Beerel (2009) explains that people "fear the inevitable loss that change implies, they fear the challenge of learning, especially unlearning or learning something they cannot presently identify with, and they fear having to embrace reality in all its complexities."

Studies on the Five Factor Model of Personality have found that individuals with high scores in the category of "openness to experience" tend to be politically left-leaning

(Caprara et al., 2006). Put another way, individuals that embrace change and innovation are fundamentally predisposed to be supporting to political left. We hypothesize that organizations with satisfied employees, as epitomized by the Best Companies, have more left-leaning CEOs than traditional companies. To test our hypothesis, we compare the political affiliations of Best Company CEOs with those of Fortune 500 CEOs. We find that while there are similar numbers of left-leaning CEOs at both Best Companies and Fortune 500 companies, there are significantly fewer right-leaning CEOs at Best Companies than Fortune 500 companies.

Most Best Companies have multiple characteristics which make them attractive work environments, such as having telecommuting options or access to company vehicles. In these cases, it may be unclear which employee-friendly perk is the primary cause of satisfied employees. Thus, we analyze the Best Companies and track which companies with which characteristics remain ranked the longest. We find that in the short-term, perks are very effective in satisfying employees. However, to remain a Best Company in the long-term, we find that strong compensation and above-average sabbatical and vacation time is necessary.

This paper first reviews the relevant literature on organizational culture and management styles. Second, we explain our five hypotheses that comprise our theory. Third, we work through the data and methodology used to test our hypotheses, including our empirical probit model. Fourth, we reveal the results of our analysis and then evaluate them. Finally, we conclude by responding to our research questions, reflecting on the future of leadership and organizational change, and offering suggestions for areas of future research.

CHAPTER II

LITERATURE REVIEW

What do Google's Larry Page and Zappos' Tony Tshieh have in common aside from being young, famous executives of successful, innovative companies? Both Page and Tshieh are politically left-leaning. Caprara et al. (2006) suggest that in the twenty-first century, Western political affiliations are primarily shaped by personalities rather than by social classes. Two personality characteristics in particular shape political affiliations. Most left-leaning individuals have high levels of "openness to experiences," indicating they embrace change and are comfortable with others thinking and acting independently from one another. The opposing characteristic to "openness to experiences" is "conscientiousness," sometimes classified as "conservation." Individuals with high "conscientiousness" scores are traditional and prefer stability and predictability (Cooper, 2013). Thus, political affiliations can be used as a proxy for views on change, with left-leaning individuals being more open to change and right-leaning individuals being less open to change.

This study assesses to what extent a CEO's personality determines the type of organization he or she runs. We seek to understand if a CEO who is receptive to change builds a different work environment than a CEO who prefers stability. This chapter lays the foundation for the intersection of organizational change and executive personalities, as represented by political affiliations. First, we review the literature on management

trends in organizational culture, explaining the recent corporate movement towards employee-friendly workplaces. Second, we review the literature on the management styles of effective CEOs. Finally, this chapter reviews the brief literature to date on the impact a CEO's political affiliation has on his business decisions.

Recent Changes in Organizational Culture

The first Master of Business Administration degree, commonly referred to as an MBA, was not issued until 1908 (Our history, n.d.). Similarly, the first management consulting firm, Arthur D. Little, did not enter the industry until 1910 (Strategy, innovation, and technology, n.d.). With respect to the centuries humans have been working, management theory is a young field. Prior to our current age of management gurus and MBAs, executives generally managed as they saw fit, without consulting external sources (Drucker, 2001). This all changed in the mid-20th century when the American economy shifted from a manufacturing economy to a knowledge economy. As companies and products changed, so too did the workers and the way they were managed. Productivity and efficiency could no longer easily be measured via tangible output. Assessing performance was as complex and difficult as ever. The knowledge worker and his multifaceted work required a new type of manager; one that could motivate and guide rather than merely incite fear and micromanage.

In his management classic, *The Human Side of Enterprise,* McGregor (1960) explains how unsuccessful managers continue to use outdated techniques to try to control their employees. Unlike the Church that holds the power to excommunicate, or the American military that holds the power to court-martial, organizations no longer have sufficient power over their employees to warrant using scare tactics. Americans no longer

expect, nor desire, to work for the same firm throughout their lifetime (McGregor, 1960). Modern employees hold more positions in more sectors throughout their lives than ever before (Meister, 2012). Thus, many organizations are shifting to treating their employees as volunteers who have complete mobility rather than as employees that are essentially forced to stay with the firm through the thick and thin (Drucker, 2001). With this mentality comes a focus on building strong corporate cultures where employees engage in amicable teamwork without being overwhelmed by bureaucracy and hierarchies.

Mary Kay Ash, the eminent CEO of Mary Kay Cosmetics, was often quoted saying her employees were her companies' greatest assets (Mary Kay Ash, n.d.). In a knowledge economy, where employing qualified, motivated employees entails a costly hiring process and extensive training, maintaining low turnover is imperative. Starbucks is perhaps the most well-known example of a company that provides its employees with generous compensation and benefits. In fact, Starbucks spends more on its predominantly part-time employees' health care costs than it does on its coffee. While costly, providing employees with these benefits has helped Starbucks reduce its turnover rate to less than half of its competitors (Weber, 2005).

Although providing competitive compensation plays a role in keeping turnover rates low, employee satisfaction is also, if not predominantly, influenced by additional factors: job fulfillment, relationships with coworkers, career advancement opportunities, schedule flexibility, and company loyalty (Sutton, 1985). In the next three sections we review factors that directly influence employee satisfaction and indirectly impact employee turnover rates: job fulfillment, schedule flexibility, and corporate culture.

Job Fulfillment

According to McGregor (1960), the historical view of workers known as "Theory X" believes employees inherently dislike working and will only work if the proper extrinsic rewards are provided. Contrastingly, the modern view, "Theory Y," believes employees are intrinsically motivated to work hard and solve complex problems. In the 1980s, psychologist Edward Deci performed a series of experiments to discern whether a reward was necessary to motivate individuals to solve a puzzle. Deci discovered that most individuals wanted to solve the puzzle just to solve the puzzle and did not require extrinsic financial incentives. The intrinsic motivation evidenced in Deci's research has evolved into the Self-Determination Theory (SDT) of motivation (Deci & Ryan, 2008). It explains why some people do Sudokus and crossword puzzles in their spare time and why companies can motivate their employees by providing them with more challenging, intrinsically rewarding tasks.

Harvard Business School's Teresa Amabile found that while external motivators and the threat of punishment are useful tools for controlling worker behavior in algorithmic, routine tasks, they are not useful in guiding workers through today's predominantly heuristic work (Ruscio & Amabile, 1999). Thus, if companies want to realize their full labor potential they must learn to satisfy more than just their employees' wallets; they must also satisfy their employees' creative drives. Daniel Pink (2009), author of the bestselling book, *Drive: The Surprising Truth About What Motivates Us*, explains the three elements employees desire most in the workplace: autonomy, mastery over their work, and a feeling of contributing to something great. Best Companies have taken note.

William McKnight, former President and Chairman of 3M, famously said, "Hire good people, and leave them alone (Pink, 2009)." In 1948, 3M put actions behind these words and launched an initiative, known as "15 Percent Time," to spur creativity and show employees they are trusted. This program, still in operation, allows employees to work on whatever they please 15 percent of the time (Baldwin, 2012). Aside from providing the forum for such inventions as the Post-it Note, 3M's 15 Percent Time was truly revolutionary for management theory. At the time, it was unheard of for management to take a step back from employees rather than micromanage them. Managers that did so were considered lazy for not keeping track of their employees. Today, other employers are jumping on board and enacting similar programs. Google uses a slight variation of 3M's model with its own 20 percent program (Baldwin, 2012). These programs give employees the creative outlets McGregor and Deci recommend.

Schedule Flexibility

In addition to providing intellectual freedom and generous compensation, many successful companies are giving their employees more flexibility over their schedules. When the Fair Labor Standards Act of 1938 was passed, the 40-hour, Monday to Friday workweek was normalized. At the time, the rigid work schedule was not problematic because most families had a full-time homemaker. However, seven decades later when most American families do not have a full-time homemaker, the inflexible workweek can be a major source of stress for employees, particularly for working parents (Moen, Kelly & Hill, 2011). To help reduce the stress associated with full-time employment, some employers now grant employees the option to telecommute, work from home one day a

week, or work compressed workweeks. As of 2006, 43 percent of American employees reported having some type of schedule flexibility (Kiger, 2006).

Cali Ressler and Jody Thompson, two Best Buy human resources employees, created a flexible work environment called a ROWE (Results-Only Work Environment). The theory behind a ROWE is that employees should not be judged on the number of hours they sit at their desks, but rather on the quality of work they produce. Thus, a ROWE gives employees the flexibility to get their work done when and where they want, as long as they get it done. By making employees' time their own, rather than the company's, Best Buy found employees are less apt to waste it (Ressler & Thompson, 2008). Researchers found that even after controlling for current economic conditions, in a ROWE, Best Buy's voluntary employee turnover is at an all-time low (Moen et al., 2011), home-work stress spillover has been drastically reduced, employees sleep an average of an hour longer per night, and employees have fewer unexplained absences and sick days (Casey & Grzywacz, 2008). ROWEs were so successful that Best Buy now operates a consulting subsidiary, CultureRx, that helps other firms transition to employee-friendly environments. The ROWE model and close equivalents have since been implemented by GAP Outlet, Netflix, Banana Republic Factory Stores, and Gore (the makers of Gore-Tex) (Ressler & Thompson, 2008). American workers are coming to expect more flexibility; employers that can fulfill and exceed this expectation have an advantage in employee hiring and retention.

Corporate Culture

Despite overuse of the term "culture," few people are able to define it. Edgar Schein, credited with inventing and spreading the term "corporate culture" defined

culture as "a pattern of shared basic assumptions that a group learned as it solved its problems of external adaptation and integration that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think, and feel in relation to these problems (Schein, 1986)."

Beyond paying employees above market rate, granting schedule flexibility, and creating space for intellectual freedom, some firms genuinely want their employees to enjoy their jobs. Epitomizing these firms is Zappos, an online shoe retail company that built a fun, unique culture. With a relaxed dress code, jungle themed work environment, and free food, it is understandable why Zappos employees love their jobs (Frauenheim, 2009). Similarly to Best Buy's CultureRx, the unique shoe retailer created Zappos Insights, a division designed to help other companies improve their corporate cultures. Wanting employees to love their jobs is an ambitious goal and requires effort throughout the company. However, the CEO is the most important advocate because if he is not completely dedicated to the mission, it will likely flounder (Kotter, 1996).

Management Styles

In 1926, Mary Parker Follett wrote the now famous essay "The Giving of Orders." In it, Follett observes that because governing one's life is a fundamental human desire, people will naturally resent orders, even orders to take a vacation (Natemeyer & Hersey, 2011). Yet for years bosses have bossed and managers have micromanaged. Why? Because that is the easiest thing for them to do. Stepping back and giving employees freedom can be challenging and unnatural for managers, especially for those accustomed to giving orders and watching closely over their employees. Kurt Lewin, the pioneer of organizational change and development, famously classified three

organizational management styles: authoritarian, democratic, and laissez-faire (Lewin & Lewin, 1948). The current trend in management styles is from authoritarian to democratic, where employees, not just management, has a say in the decision-making process. Our society is decades, if not centuries, away from Lewin's final stage of management, laissez-faire, which does not involve management at all.

Change of any type is difficult. Peter Drucker (2001), commonly referred to as the father of management theory, says that because of the risk averse nature of organizations and workers, most change will be postponed until it is too late. It is the few that persist through the discomfort of change and adaptation that ultimately succeed. The companies described above were not topping Fortune's "100 Best Companies to Work for" list in their first few years. Their impressive, employee-focused cultures succeeded largely as the result of their executives' commitment, patience, and persistence over many years.

Harvard Business School's leadership guru John Kotter (1996) explains that there are two primary classifications of change: episodic and continuous. Episodic change is sporadic and has a start and end date; every company that has been in existence for more than a decade has implemented some type of episodic change. Both left and right-leaning individuals participate in episodic change. Continuous change is less common, and almost exclusively done by left-leaning individuals. The inherently evolving, less predictable nature of continuous change can be uncomfortable, as employees are constantly learning new things and never truly settle into a status quo. Episodic and continuous change organizations can be categorized into systems experts Burns and Stalker's (1961) classifications of mechanistic and organic systems, respectively. As their name implies, organic systems are constantly evolving to keep up with change in the

world. Embracing continuous change is necessary in our fast-paced age and is a differentiating factor among companies today (Beerel, 2009).

Some may wonder why more companies do not strive to have liberal work environments with satisfied employees. Above, we reviewed the change averse nature of the human condition. Another factor is that some hesitant employers incorrectly view workers as the sole beneficiaries of unconventional workplaces; they view employee perks as a type of corporate stewardship rather than a potentially profitable business decision. This perception is far from the truth. For example, Best Buy's ROWE departments saw a four percent reduction in voluntary turnovers compared with their non-ROWE departments (Marquez, 2008). With each employee turnover costing the corporation an average of $102,000, a four percent reduction is significant (Kiger, 2006). In addition, employees in flexible work environments work hard to keep their jobs because they cannot imagine returning to a non-ROWE system. This hard work has been measured by numerous researchers who indicate productivity in Best Buy's ROWE departments is up between 35 (Kiger, 2006) and 41 percent (Marquez, 2008).

Research on CEO Political Affiliations

The only major academic study to date on the intersection of CEO management styles and CEO political beliefs measured the effects of a CEO's political affiliation on corporate tax avoidance. Francis, Hasan, and Sun (2012) found that firms with Republican CEOs practiced tax avoidance significantly more than firms with Democratic CEOs. This noteworthy finding invites future research, such as ours, on the impact a CEO's political beliefs and personality has on his organization.

CHAPTER III

THEORY

Research Question I: *To what extent are Best Company CEOs more open to change and therefore more left-leaning than Fortune 500 CEOs?*

Research Question II: *What factors are most influential in satisfying employees in the short and long-term (i.e. strong compensation, flextime, perks, fun company culture)?*

Fortune Magazine's "Fortune 500" list of the largest publicly traded American companies based on revenues has long been considered the ultimate list successful Anmerican businesses. These companies are enormous, with Exxon Mobil and its $452.9 billion revenue taking the top notch in 2012 (Fortune 500, 2012). Recently, however, a portion of the focus on the largest companies has shifted to more innovative, sustainable, and employee-friendly companies. In 1998, *Fortune Magazine* began ranking emerging, dynamic companies in an annual "100 Best Companies to Work For" list. Although, unlike the Fortune 500, this list is somewhat subjective, these Best Company firms are undeniably above average places to work. Thus, there are now two contending views on what makes a business successful: on one hand is the conventional view based on size, on the other is the newer view based on employee satisfaction and corporate social responsibility. We believe these two types of successful companies are differentiated by CEOs who view the world differently.

According to new developments on the influence of the Five Factor Model of personality, shown in Table 3.1, on political affiliation, certain personality characteristics help explain individuals' political ideologies (Caprara et al., 2006). Specifically, individuals that score high in "openness to experience" are fundamentally predisposed to supporting left-leaning candidates. Contrastingly, "conscientious" individuals marked by their organization, reliability, and hesitancy tend to be more right-leaning politically (Cooper, 2013). Although these characteristics are not mutually exclusive, simply scoring higher in one of these categories has significance.

TABLE 3.1

THE FIVE FACTOR MODEL OF PERSONALITY

Personality Trait	**Representative Attributes**	
	High	**Low**
Neuroticism	Emotional, insecure, moody, anxious, depressed, angry, embarrassed, worried	Self-confident, secure, assured, hopeful, encouraging
Extraversion	Talkative, assertive, energetic, social, gregarious, active, lively	Introverted, reserved, withdrawn, silent, inactive, unsocial
Openness to Experience	Curious, imaginative, creative, original, artistic, broad-minded	Stubborn, unimaginative, uncreative, narrow-minded, unoriginal
Agreeableness	Cooperative, forgiving, modest, tolerant, trustworthy, courteous, flexible, soft-hearted, altruistic, sensitive	Aggressive, argumentative, suspicious, confrontational, impolite, inflexible, egotistic, insensitive
Conscientiousness	Organized, persistent, thorough, responsible, goal-directed, careful	Disorganized, negligent, undisciplined, irresponsible, unsystematic, careless

Source: Motzek, Kos, & Gupta, 2011

Theory & Hypotheses

To answer our two research questions listed above, we developed five hypotheses, each of which we tested separately. Below, we accompany each hypothesis with an explanation of our reasoning.

Hypothesis I

Employee-friendly workplaces, exemplified by those on Fortune Magazine's "100 Best Companies to Work For List," have more left-leaning, organic CEO's than their traditional counterparts of the Fortune 500.

Although personalities are all distinct and complex, and therefore, cannot easily be compartmentalized, we divide CEO personality types into two categories based on receptiveness to change. The first category is comprised of traditional CEOs that are reluctant to enact major changes in their organizations because they are risk averse; these CEOs typically ascribe to the "If it ain't broke, don't fix it" philosophy. Contrastingly, organic CEOs constantly seek out opportunities for change rather than settle for the status quo. Neither CEO type is definitively better than the other; each is simply more conducive to certain work environments.

Hypothesis II

There are more right-leaning CEOs in historically Republican supporting industries than in Democratic or unaffiliated industries. Additionally, there are more left-leaning CEOs in historically Democratic supporting industries than in Republican or unaffiliated industries.

Certain industries are deeply impacted by government policy. For companies in these sectors, lobbying is an essential activity. Some industries, such as the entertainment and insurance industries, have historically supported Democrats. A larger number of industries, such as the aerospace, defense, and natural resources industries, have historically supported Republicans (GoodGuide company, 2008). We believe it would be challenging for an individual to rise through the ranks of a company in a politically

affiliated industry that heavily relies on lobbying for a particular political party that that individual does not support. Therefore, we argue that companies in politically affiliated industries have CEOs that share the company's political preference.

Hypothesis III

The Fortune 500 CEOs are older than the Best Company CEOs.

Older Americans tend to be more right-leaning and younger Americans tend to be more left-leaning (Shields, 2010). Therefore, the Fortune 500 CEOs we previously predicted in Hypothesis I to be less receptive to change are more likely to be older than Best Company CEOs if they are more right-leaning.

Hypothesis IV

There are more female CEOs in the Best Companies than in the Fortune 500.

American females are more left-leaning than their male counterparts (Carroll, 2005). In the context of this study, that indicates that women are more receptive to change than men and thus more likely to embrace innovative corporate cultures. Since we hypothesize in Hypothesis I that Best Companies have more left-leaning CEOs than Fortune 500 companies, it follows that Best Companies should also have more female CEOs than Fortune 500 companies.

Hypothesis V

Schedule flexibility is the most important factor in satisfying employees and therefore in determining whether a company is a Best Company.

As described in Chapter II, many working Americans are stressed by the inflexible workweek. Rush hour traffic, a sick child, and an upset stomach can be enormous stressors on employees required to be at their desks Monday to Friday, eight to

five. Loosening work schedules makes employees significantly less stressed (Moen et al., 2011). We predict that schedule flexibility makes a greater difference in employee satisfaction than other factors, including pay, perks, training, vacation time, and work freedom, because its benefit are realized everyday, not a select number of days a year.

These five hypotheses seek to uncover what makes a work environment conducive to satisfied employees and what types of CEOs are most successful in transitioning, and maintaining, great work environments in their companies. In the next section, we explain where we found our data and how we test our hypotheses.

CHAPTER IV

DATA AND METHODOLOGY

This study compares the corporate cultures and CEOs of innovative companies with those of their traditional counterparts. We test our five hypotheses with a variety of analytical tools, including an OLS probit regression. In the following section, we explain the origin and significance of each variable in our data set and then outline how each hypothesis is tested.

Variables

We use the following variables as controls for each of our sample CEOs: company type (Best Company, Fortune 500, or Both), gender (Female or Male), age, political affiliation (Left CEO, Right CEO, or Unknown), and industry political affiliation (Democratic Industry, Republican Industry, or Neither). With the exception of age, all variables are categorical, meaning they are coded as zero or one. Below, we explain the relevance of each variable and cite where the respective data was retrieved.

Company

This study hinges on two types of organizations: traditionally successful companies and less conventional, employee-friendly companies. In this study, companies ranked one to 100 on *Fortune Magazine's* 2012 "Fortune 500" list represent the traditionally successful firms, as they are the largest American publically traded companies by revenue. *Fortune Magazine's* 2012 "100 Best Companies to Work For" list

represents the top employee-friendly firms. While the ranking criterion for the Fortune 500 is simply revenue, the Best Companies criteria are more complicated. *Fortune Magazine* requires companies that apply to be a Best Company to be at least five years old and have at least 1,000 employees (100 best companies, 2012). Rankings are determined by employee survey responses to questions on workplace culture, employee trust and engagement, employee development, work-life balance, and recognition (Lovering & Moskowitz, 1998). In total, there are 195 companies in our sample: the top 100 Fortune 500 companies and the 100 Best Companies, five of which appear on both lists and are only counted once. A data analysis challenge associated with the Best Companies is that, unlike Fortune 500 companies, these firms are not all American, for-profit, nor publically traded, so data, such as CEO political affiliation, is not as readily accessible.

CEO Name, Gender, and Age

Each company's website lists its current CEO and most websites also provide a brief CEO biography. From these biographies, gender and age data points were collected. Gender and age variables were necessary because they may have predictive value for determining political affiliations. In the 2012 American presidential election, 10 percent more females than males voted for the Democratic candidate (Abdullah, 2012). During the same election, 60 percent of 18 to 29 year-olds voted for the Democratic candidate (Suarez, 2012) while those aged 65 and over were 10 percent more likely than the rest of Americans to vote for the Republican candidate (The generation gap, 2012). These statistics indicate that females and young people are more likely to support left-leaning candidates while males and the elderly are more likely to support right-leaning

candidates. Thus, controlling for age and gender is necessary to avoid merely recreating a study on voting trends in different demographics. In the event a CEO is interim and a permanent replacement has not been named, the prior CEO is used instead. Our data set includes name and gender information for all CEOs, and age information for 183 of the 196 CEOs.

CEO Political Affiliation

Due to time constraints, this study collected data on CEO political affiliations as a proxy for CEO scores on openness to experience, because the data was more accessible. Following countless academics, this study used campaign donations from the Federal Elections Committee's website (www.fec.gov) to determine CEO political affiliations. This study has three political affiliation classifications: Left, Right, and Unknown. For the simplicity of collecting campaign contribution data, Left and Right in this study translate to the Democratic and Republican parties, respectively. To qualify as belonging to a political party, individuals had to make at least two campaign contributions to the same party amounting to at least $1,000 since the 2004 election cycle.

Though particular, these specifications still left some ambiguity in deciphering CEO political affiliations. A potential cause of this ambiguity is that some individuals donate to candidates of both political parties. Most academics only classify an individual's political affiliation if all of their political donations were to one party. However, this would eliminate over half of our sample. Therefore, we instead use the benchmark of 75 percent of a CEO's total political donations from 2004 onward had to be for one party to qualify as belonging to one party or another. A CEO's political

affiliation is classified as Unknown if the CEO is not an American citizen, did not make any political contributions, or if his contributions did not pass the 75 percent benchmark.

CEO political affiliation data challenges. Using campaign contributions as a proxy for political affiliation poses numerous challenges. First, CEOs realize they have customers in all parts of the political spectrum. Therefore, to avoid alienating customers, many CEOs try to keep their political views private, particularly if their views do not align with the majority of their customer base. For example, in 2010, Target CEO Gregg Steinhafel was met with a storm of unhappy customers after he and Target openly donated to an anti-gay Minnesota politician (Moylan, 2010). Largely as a result of Target's boycotts and negative media attention, other CEOs have tried to avoid such a fate for themselves and their companies by keeping their political opinions private.

Second, Political Action Committees, or PACs, are convenient non-partisan vehicles for CEOs to make political donations in an anonymous fashion. It can be difficult to discern which political party, if any, a CEO belongs to when he strategically only donates to PACs. PAC donations explain why some of our sample CEO's political affiliations were categorized as Unknown.

The final challenge in determining accurate CEO political affiliations is that hundreds of CEOs have simply stopped donating to political causes altogether. In 2011, over 150 CEOs, led by Starbucks' Howard Schultz, halted campaign donations to show politicians how displeased they were with the status quo (Camia, 2011). Since our guidelines stipulate that CEO donations are only looked at from 2004 onwards, these recent movements to abstain from political donations likely led to more CEO political affiliations categorized as Unknown in our sample.

Despite these complications, we classified the political affiliations of 138 of the 195 CEOs in our sample. This was a sufficient sample on which to test our hypotheses.

Industry Political Affiliations

As discussed in Chapter III, certain industries have historically supported particular political parties. We gather industry political affiliation data from the Center for Responsive Politics. We err on the conservative side, only labeling industry political affiliations if at least 75 percent of campaign contributions from a given industry were to one political party. A total of 46 of the196 companies in our sample are in a historically Democratic or Republican industry.

Testing Hypotheses

Hypothesis I

Our first and primary hypothesis believes Best Companies have more left-leaning CEOs that are receptive to change than Fortune 500 companies. Our model uses Ordinary Least Squares (OLS), the best linear unbiased estimator. OLS minimizes the sum of squared vertical distances between observed data points and the model's predicted points. In this section, we explain our probit model and review the five major econometric conditions our model must meet to be accurate.

Probit model. We use a probit model because our dependent variable is categorical, meaning it can only take two forms: a Best Company or not a Best Company. We use four independent variables: Left CEO, Right CEO, Republican Industry, and Democratic Industry. These variables are all also categorical. Equation 4.1 shows our empirical probit model.

$$P(\text{Best Company}=1) = \beta_0 + \beta_1(\text{Democratic Industry}) + \beta_2(\text{Republican Industry}) + \beta_3(\text{Left CEO}) + \beta_4(\text{Right CEO}) + e \quad (4.1)$$

Where the probability of being a Best Company equals a constant term, a coefficient term associated with being a company in a Democratic industry, a coefficient term associated with being a company in a Republican industry, a coefficient term associated with being a company with a left-leaning CEO, a coefficient term associated with being a company with a right-leaning CEO, and an error term.

Testing for common econometric problems. The five requirements to avoid the most common econometric problems are: the error terms must have constant variance, be normally distributed, and sequentially independent, the independent variables must be independent of one another, and all relevant variables must be included in the model.

Heteroskedasticity is the failure to meet the first condition of constant error variance. If heteroskedasticity is detected, correcting it gives more accurate t-statistics. Since testing for heteroskedasticity using the White test is impossible with a probit model, we take preemptive measures and make our model robust. Robustness provides a type of cross-examination known as triangulation that shows that a result is reliable because multiple different routes lead to the same conclusion (Kuorikoski, Lehtinen, & Marchionni, 2007).

The second condition is having normally distributed error terms. We visually inspect our error terms and discern that we do not have a normal distribution of errors. The primary solution to addressing non-normal error distributions is to gather more data. Unfortunately, while there are 400 additional Fortune 500 companies we did not include in our sample, we used all 100 ranked Best Companies in our sample. Therefore, getting

more Best Company data is not possible. We simply take note that our errors are not normally distributed and move forward.

Having sequentially independent error terms is the third condition of accurate econometric modeling. If errors are not random, they are sequentially predictable and a problem of serial or autocorrelation may exist. Since our data is not time series, it is impossible to have an issue of autocorrelation.

Multicollinearity is the failure to meet the fourth condition of uncorrelated, independent variables. To test for multicollinearity, we ran a correlation test on Stata between the four independent variables. The correlations between each of the variables should be below 0.3 to avoid significant concerns of multicollinearity. All the independent variables passed this test with the exception of Left CEO and Right CEO. Since these categories of CEO political affiliation were mutually exclusive, this was expected. However, the model's accuracy is preserved because we included the category Unknown in addition to the categories of Left CEO and Right CEO.

The final OLS condition is omitted variable bias. Due to time and resource constraints, this study intentionally did not look at all possible predictors of a company being a Best Company. We only focused on CEO receptiveness to change and industry political affiliations. Our decision to leave out such variables is evidenced in our low pseudo r-squared statistic.

Hypotheses II, III, & IV

Testing our second, third, and fourth hypotheses was simple once the necessary data set was compiled. Each of these hypotheses required a basic quantitative comparison of the industry political affiliations, ages, and genders of Fortune 500 CEOs and Best

Company CEOs, respectively. To test our second hypothesis on CEO and industry political affiliations we quantitatively compared the number of right-leaning and left-leaning CEOs in Republican industries with those in Democratic industries. Finding more right-leaning CEOs than left-leaning CEOs in Republican industries and more left-leaning CEOs that right-leaning CEOs in Democratic industries would provide evidence to support our hypothesis.

Our third hypothesis required calculating basic descriptive statistics for the ages of CEOs in our sample. We are interested in comparing the mean and standard deviations of Fortune 500 and Best Company CEO ages. Testing the fourth hypothesis regarding the number of female CEOs in each company type simply required counting the number of females in each group.

Hypothesis V

Our fifth hypothesis analyzes the specific factors that make a company a Best Company. Along with ranking the 100 Best Companies, *Fortune Magazine* briefly explains the primary reasons each company was selected as a Best Company. To test our final hypothesis, we categorized these employee-friendly characteristics into seven categories to see which was most prevalent: pay, flextime, vacation and sabbatical, perks, company loyalty and culture, training and career development, and work freedom. In addition, we reviewed previous Best Company lists dating back 15 years to see which factors veteran Best Companies have that keep them ranked year after year. Long-term Best Companies are defined as those that were on the Best Company list in 1998 and remain on it in 2012. Short-term Best Companies are all of the 2012 Best Companies that

were not ranked in 1998. Each of the seven employee-friendly characteristics is described in more detail below.

Pay. This category includes salary, bonuses, and health benefits. Employee compensation is typically the first thing that comes to peoples' minds when they consider job satisfaction. At Goldman Sachs, the average employee takes home $300,000 annually. At Quicken Loans, the average mortgage broker makes over twice the industry average (100 best companies, 2012). It is easy to see how these employees are satisfied. However, Frederick Winslow Taylor was wrong in thinking that workers only care about money (McGregor, 1960). Alan Murray of the *Wall Street Journal* said that while pay is certainly a factor in employee satisfaction, it is not as important as most people think (Murray, 2010). Fair pay is a prerequisite for satisfied employees, but it is not a guarantee. Hence the six other employee-satisfaction factors listed below.

Flextime. Flextime comes in many forms, but at its most basic level, it indicates that employees are not confined to Monday to Friday, nine to five workweeks in the office. Rather, employees may have the option to work from home, or work compressed, four-day workweeks. At companies such as Booz Allen Hamilton and Intel, flextime is widespread; two thirds of the former's employees and 95 percent of the latter's employees utilize flexible working options (100 best companies, 2012).

Vacation and sabbatical. Vacation and sabbatical time occur when employees receive paid time off. It differs from flextime in that it is a set number of days off a year, or every few years, rather than flexibility for working days. Companies can appease employees by providing vacation time above and beyond the industry standard. Companies such as Deloitte have innovative employee sabbatical programs where

employees can continue to receive Deloitte benefits while working at a non-profit for several months. Similarly, Intel offers employees an eight-week sabbatical every seven years. In 2012, 4,067 Intel employees utilized this sabbatical option (Finding your passion, 2012).

Perks. Perks are employee benefits beyond salary, bonuses, and vacation time that come in many shapes and sizes. Examples of perks include free food at work, access to company equipment, and frequent company outings. While perks do not typically have significant monetary value, they go a long way in satisfying employees. DPR Construction is one of the best examples of how relatively inexpensive, unconventional perks can have a large, positive impact on employees. At DPR, employees enjoy family ski trips at the company cabin, bagel breakfasts, and bring-your-dog-to-work days. Additionally, Recreational Equipment (REI) allows hourly employees to borrow company equipment on their days off (100 best companies, 2012).

Company loyalty and culture. Organizational culture expert Edgar Schein defined culture as "a pattern of shared basic assumptions that a group learned as it solved its problems of external adaptation and integration that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (Bolman & Deal, 2003). Some companies have especially strong employee camaraderie, where employees are proud to work for their company, enjoy working with one another, and cannot imagine working anywhere else. You can tell these companies when you see them: Zappos, Starbucks, Southwest Airlines.

Although corporate culture is crucial to employee satisfaction, it is difficult to quantify. Turnover rates are one way to quantify culture, as low turnover rates are a testament to strong corporate cultures and company loyalty. At American Fidelity Assurance, 18 percent of employees have worked there for over 20 years (100 best companies, 2012). If American Fidelity Assurance did not have such a strong culture and sense of company loyalty, these numbers would likely be halved.

Training and career development. Most employees want opportunities to take on more responsibility and move up the corporate hierarchy. Some companies are better than others at training their employees and making a conscientious effort to promote from within. Seeing a future for oneself at one's place of employment is important for employee satisfaction (McGregor, 1960). Mercedes-Benz USA offers employees extensive career training that allows the company to promote almost exclusively from within (Training program DCAA, 2012).

Work freedom. Alan Murray (2010) said, "Employees who harness self-direction and self-control in pursuit of common objectives…are far more productive and effective than those working under a system of controls designed to force them to meet objectives they don't understand or share." As discussed in Chapter II, most employees desire a certain level of intellectual freedom; they do not want to be micromanaged. We previously mentioned Google and 3M's 15-20 percent programs allowing employees to work on any task they want. At Nordstrom, salespeople are given autonomy by being told to use their good judgment rather than follow a tedious rulebook (Our culture, 2013).

CHAPTER V

RESULTS AND ANALYSIS

In this section, we give an overview of our research findings, delve into more detail about the results of each of our hypothesis tests, and discuss what our findings collectively mean for the fields of management theory and organizational culture.

Summary

We find evidence to support a variation of our first hypothesis, that there are more organic, left-leaning CEOs at Best Companies than in the Fortune 500. Our empirical model shows that being in a Republican industry, or having a right-leaning CEO, is statistically significant in reducing a company's chances of being a Best Company. We find evidence to support our second hypothesis, that companies in Republican industries are more likely to have right-leaning CEOs than left-leaning CEOs. Additionally, we find that companies in Democratic industries are more likely than companies not in Democratic industries to have left-leaning CEOs. In relation to our third hypothesis, we find that Fortune 500 CEOs are an average of a year older than Best Company CEOs. We were surprised to not find evidence to support our fourth hypothesis predicting more female CEOs in Best Companies than Fortune 500 companies. In our sample, there are no more female CEOs in Best Companies than there are in Fortune 500 companies. Lastly, we find that what satisfies employees in the short-term and long-term is different:

generous pay is always important, and perks are powerful in the short-term. We discuss these findings in more detail below.

Analysis of Hypothesis I

Employee-friendly workplaces, exemplified by those on Fortune Magazine's "100 Best Companies to Work For List," have more left-leaning, organic CEO's than their traditional counterparts of the Fortune 500.

We find evidence to support a variation of this hypothesis. Table 5.1 shows that Best Companies have 34 percent right-leaning, change resistant CEOs, and 24 percent left-leaning, change receptive CEOs. Comparatively, companies that are in the Fortune 500 but are not Best Companies have 53 percent right-leaning, change resistant CEOs and 25 percent left-leaning, change receptive CEOs. Thus, as a percentage of CEOs with known political affiliations, Best Companies have nine percent more left-leaning, change embracing CEOs than Fortune 500 companies (41 percent compared with 32 percent, respectively). Although the total portion of Best Company CEOs that are left leaning, or open to change, is lower than we anticipated, this nine percent gap is still noteworthy because it indicates there are fewer right-leaning CEOs in the Best Companies.

TABLE 5.1

CEO POLITICAL AFFILIATION STATISTICS

CEO Category	N	Left-leaning		Right-leaning		Unknown	
		n	%	n	%	n	%
All CEOs	195	48	25	84	43	63	32
All Fortune 500	100	26	26	53	53	21	21
All Best Companies	100	24	24	34	34	42	42
Crossover CEOs	5	2	40	3	60	0	0
Fortune 500 Only	95	24	25	50	53	21	22
Best Companies Only	95	22	23	31	33	42	44

Analyzing the Probit Results

The coefficient of determination, r-squared, explains what fraction of the total variation in the dependent variable is explained by our model. Since we have a probit model, we are provided with a pseudo r-squared figure: 0.1021. This statistic indicates that 10.21 percent of the variation in the dependent variable, whether a company is a Best Company, is explained by our independent variables. As Table 5.2 shows, we have two statistically significant variables in our model.

TABLE 5.2

PROBIT RESULTS FOR PREDICTORS OF BEST COMPANIES

Variable	Coefficient		Standard Error	Marginal Effects	95% Conf. Interval
Industry:					
Democratic	-0.50		0.12	-0.19	[-0.44, 0.05]
Republican	-1.40	***	0.08	-0.46	[-0.62, -0.30]
CEO Affiliation:					
Left-leaning	-0.35		0.10	-0.14	[-0.33, 0.05]
Right-leaning	0.52	**	0.08	-0.21	[-0.37, -0.04]

Note: The marginal effects are shown because our dependent variable is a dummy variable with a value between zero and one. ***$p<0.01$, **$p<0.05$

The variable Republican Industry is statistically significant at the 99 percent significance level. Being in a Republican industry reduces a company's probability of being a Best Company by 46 percent. In addition, the variable Right CEO is statistically significant at the 95 percent significance level. Having a right-leaning CEO reduces a company's chances of being a Best Company by 21 percent. This finding implies that right-leaning CEOs who have a tendency to resist change are unlikely to lead a Best Company. These findings are consistent with our hypotheses that Best Companies have unconventional work environments and are typically run by progressive individuals willing to alter the status quo. It also follows the conclusions we drew from table 5.1.

Our empirical model is not without flaws. Since our data set consisted exclusively of Fortune 500 and Best Company CEOs, we excluded from our sample non-Fortune 500, non-Best Company CEOs, and average people. Typically, the Heckman two-step correction method can remedy non-random sampling issues. However, this is not possible since we used a probit model with non-normally distributed error terms.

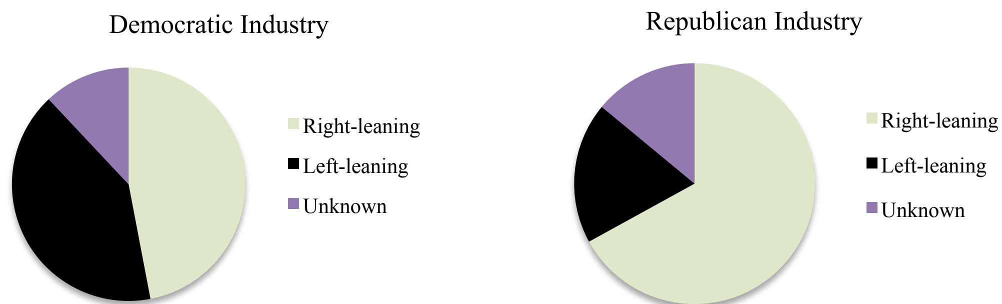
Analysis of Hypothesis II

There are more right-leaning CEOs in historically Republican supporting industries than in Democratic or unaffiliated industries. Additionally, there are more left-leaning CEOs in historically Democratic supporting industries than in Republican or unaffiliated industries.

We find strong evidence to support this hypothesis. Figure 5.1 visually depicts how, in Republican industries, CEOs are over three times as likely to be right-leaning, or change resistant, as they are to be left-leaning, or open to change. In Democratic industries, there are only five percent more right-leaning CEOs than left-leaning CEOs.

FIGURE 5.1

CEO POLITICAL AFFILIATIONS IN AFFILIATED INDUSTRIES



The mere five percent gap between left-leaning and right-leaning CEOs in Democratic industries is striking when compared with the nearly 50 percent equivalent gap in

Republican industries and nearly 20 percent equivalent gap in unaffiliated industries. Table 5.3 details these findings.

TABLE 5.3

INDUSTRY AND CEO POLITICAL AFFILIATIONS

CEO Affiliation	R-Industry		D-Industry		Neither	
	n	%	n	%	n	%
Right-leaning	14	67	8	47	64	42
Left-leaning	4	19	7	41	39	25
Unknown	3	14	2	12	54	34
Total N	21		17		157	

Interestingly, only two of the 100 Best Companies were in Republican industries. Comparatively, 19 of the top 100 Fortune 500 companies were in Republican industries. This suggests that being in a Republican industry may hurt a company's chances of being a Best Company, as CEOs in these industries are more likely to be right-leaning and therefore change averse. Exploring this theory further is one of the opportunities for future research discussed in Chapter VI.

Analysis of Hypothesis III

The Fortune 500 CEOs are older than the Best Company CEOs.

We find evidence to support this hypothesis. As Table 5.4 displays, Fortune 500 CEOs are an average of one year older than Best Company CEOs, with birth years of 1955 and 1956, respectively. However, this gap of one year is less than we anticipated and not particularly significant considering our CEO sample age range was 43 years. While the mean ages of Best Company and Fortune 500 CEOs were comparable, other descriptive statistics yielded more variation. Table 5.4 shows the third quartile of Best Company CEOs is nearly four years younger than that of Fortune 500 CEOs.

TABLE 5.4

DESCRIPTIVE STATISTICS OF CEO BIRTH YEARS

	Fortune 500	Best Companies
Minimum	1930	1937
Maximum	1973	1973
Range	43	36
N	94	88
Mean	1955	1956
Standard Deviation	6.38	7.06
Variance	40.6	49.8
Quartiles:		
Q1	1951	1951
Q2	1954	1955
Q3	1957	1961

Analysis of Hypothesis IV

There are more female CEOs in the Best Companies than in the Fortune 500.

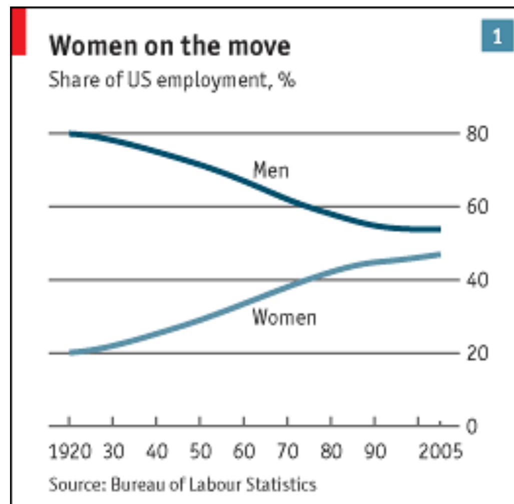
We did not find evidence to support this hypothesis. Our sample of 195 CEOs was comprised of 182 men and 13 women. Of these 13 women, six were Best Company CEOs and seven were Fortune 500 CEOs. While we expected low female representation in the Fortune 500 based on preliminary research on women in business, we did not expect such low female representation in the Best Companies.

We compared and contrasted the descriptive statistics for CEO gender in each company type. While the mean ages of male and female CEOs in our sample were virtually identical, with the former having a mean age of 57.8 years and the latter 57.5 years, the standard deviations and ranges in ages between the two groups were noteworthy. Female CEOs had an 18-year age range, with the oldest CEO born in 1949 and the youngest CEO born in 1967. Contrastingly, male CEOs had a 43-year age range, over twice that of female CEOs, with the oldest CEO born in 1930 and the youngest CEO born in 1973. Female CEOs had a standard deviation of 4.82 years, while male CEOs had

a standard deviation of 6.83 years. These vast differences in age ranges and standard deviations were likely due to past gender inequalities in the workplace. Figure 5.2 shows that prior to World War II, less than 30 percent of employed Americans were female. Today, that same statistic is approximately 50 percent.

FIGURE 5.2

HISTORY OF WOMEN IN THE WORKPLACE



Source: *The Economist,* 2006

If women entered the management ranks of corporate American later in history than men and currently require more time than men to prove themselves as leaders, it is understandable their age range would be smaller. This is another area for future research.

Another noteworthy gender observation is in male versus female CEO political affiliations. Of the seven female CEOs in our sample with known political affiliations, 71 percent were left-leaning and 29 percent were right-leaning. This breakdown stands in stark contrast with the 125 male CEOs with known political affiliations: 34 percent were left-leaning and 66 percent were right-leaning. These findings align with studies we referenced in Chapter III regarding the propensity for females to be left-leaning and

males to be right-leaning (Abdullah, 2012). Given these findings, however, we were surprised to find so few female CEOs working at Best Companies. Since our sample only includes 13 female CEOs, it is possible our results to this hypothesis were skewed by a small sample size. Repeating this analysis with more data may yield different results.

Analysis of Hypothesis V

Schedule flexibility is the most important factor in satisfying employees and therefore in determining whether a company is a Best Company.

Table 5.5 shows what differentiates decade-long veteran Best Companies and newly ranked Best Companies. We see that in the short-term, perks had a stronger impact on employee satisfaction than all other factors, including compensation. In the long-term, however, this reverses. In addition, flextime, vacation time, and sabbaticals became important factors in the long-term.

TABLE 5.5

BEST COMPANY CRITERIA IN SHORT AND LONG-TERM

Company	Pay	Flex-time	Vacation/ Sabbatical	Perks	Company Loyalty/ Culture	Training/ Career Development	Work Freedom
All 2012 Best Companies	25	4	8	31	18	7	4
Percentage (N=100)	25%	4%	8%	**31%**	18%	7%	4%
Long-term Best Comps.	7	4	5	5	4	1	1
Percentage (N=21)	**33%**	19%	24%	24%	19%	5%	5%
Short-term Best Comps.	18	0	3	26	14	6	3
Percentage (N=79)	23%	0%	4%	**33%**	18%	8%	4%

Note: The bolded numbers represent the largest percentage per category, and therefore the factor having the greatest impact on employee satisfaction.

These findings are logical because, although bagel breakfasts and walking paths are welcome, unexpected treats in the short-term, they do not overpower a strong salary, time off to spend with family, and reliable health insurance. This data suggests that

companies that truly want satisfied employees should aim to have both strong compensation and perks. Additionally, future research may replicate the analysis represented in Table 5.5 using the 2013 Best Companies to see how consistent the findings are from year to year.

A Look at Long-Term Best Companies

Thirty-four of our 195 sample companies were voted Best Companies for *Fortune Magazine's* inaugural list in 1998. Twenty-five of those firms remain Best Companies in 2012. In Table 5.6, we list *Fortune Magazine's* explanation of why each company is great. Reading the explanations in Table 5.6 provides insight into the creative and varied ways companies work to make their employees happy.

TABLE 5.6

LONG-TERM BEST COMPANIES RANKED IN 1998 AND 2012

Company	"Why are they great?"
American Fidelity Assurance	18 percent of employees have worked here for more than 20 years.
Booz Allen Hamilton	Two thirds of employees utilize flexible work options such as compressed workweeks.
Boston Consulting Group	Encourages work-life balance by having employees monitor one another for working too many long weeks.
Cisco Systems	95 percent of employees utilize flexible work options.
Deloitte	Sabbatical program allows employees to work at a nonprofit while earning 40 percent of pay and retaining all benefits.
DPR Construction	Unconventional perks such as family ski trips, bagel breakfasts, and bring-your-dog-to work days.
Ernst & Young	Flexible scheduling even during the busy season allows employees to leave by six pm once a week.
Goldman Sachs	The average employee earns $300,000.
Hasbro	Unmatched vacation time.
Hitachi Data Systems	Performance-based bonuses issued every quarter are up to two thirds of base salary.
Intel	Eight-week sabbatical option every seven years that 4,067 employees used in 2012. In addition, Intel offers $50,000 in tuition reimbursement.
Mercedes-Benz USA	Extensive career development and training opportunities allow for internal promotions.
Microsoft	Excellent employee health benefits.
Morningstar	Strong employee culture.
Nordstrom	Employees are given the freedom to use their good judgment rather than be forced to follow a rulebook.
PricewaterhouseCoopers	Employees can get paid to go on international service trips.
Quicken Loans	Employees earn over twice that of the average regional mortgage banker.
Rackspace Hosting	Fun employee events such as annual ski trips.
Recreational Equipment (REI)	Employees get to use equipment for free and get more vacation time than industry average.
SRC	Company adds 10 percent of salary to mandated employee retirement accounts.
World Wide Technology	100 percent 401(k) matching up to six percent of salary.

Note: The five crossover Best Company and Fortune 500 companies are excluded from the above list because they are discussed in more detail in Table 5.6

Source: www.cnnmoney.org

A Look at Super Companies

In Chapter III, we introduce two distinct views of what makes a company successful: the first is by being an enormous Fortune 500 firm and the second is by having being a Best Company with satisfied employees. Five companies in our sample

are successful through both of these lenses. Google was founded in 1998 and therefore was not eligible to be an inaugural Best Company. The other four companies, which we will call Super Companies, existed and were voted Best Companies in 1998 (Lovering & Moskowitz, 1998). Super Companies are proof that being financially successful and having satisfied employees are not mutually exclusive. Table 5.7 shows the reasons each Super Company was selected as a Best Company at three different periods in time.

TABLE 5.7

SUPER COMPANIES' SELECTION REASONING THROUGH THE YEARS

Company	1998	2004	2012
Cisco Systems	• Lucrative stock options ($10,000 put into Cisco stock in 1993 is now worth around $80,000) • Pumped-up atmosphere. Every day begins with one hour of calisthenics at seven a.m.	• John Chambers, Cisco CEO, hosts breakfasts for employees celebrating birthdays each month • Tough questions are encouraged	• Benefits are generous and intact
Goldman Sachs	• Employees love the excitement of working with people they consider the best and the brightest of Wall Street • Strong teamwork	• Encourages internal job changes • Offers career mentoring • 16 weeks paid maternity leave • On-site gym • Seminars on managing stress	• Employees are proud to work for Goldman, despite negative headlines
Intel	• Challenges employees' ideas • Egalitarian environment: CEO Andy Grove works in a cubicle • Great stock option plan has turned more than 1,000 employees into millionaires	• No one gets corner offices • 10 percent of employees shift jobs internally each year • 75% of employees telecommute • After working for seven years, employees get an eight-week paid sabbatical	• Employees move positions every 18 to 24 months to encourage them to explore new fields
Microsoft	• Remarkably challenging atmosphere for the brainy • Everybody gets stock options, and most professionals hired before 1992 have thus become millionaires; six became billionaires • All-company picnics with a rodeo and five bands • CEO Bill (never Mr. Gates) personally answers all E-mail from employees	• Offers every benefit in the book: gym, no-deductible health coverage, etc. • Matches charity donations up to $12,000	• Software engineers are paid an average of $118,000, with a $13,800 bonus • Has a variety of perks, including an organic spa

Source: www.cnnmoney.org

Several interesting observations can be made from Table 5.7. First, no company was ever chosen as a Best Company solely because of its generous compensation. Although stock options, bonuses, and salaries were certainly important and were cited frequently, they were never sufficient on their own; they were always accompanied by another employee satisfaction factor such as an organic spa or exercise course.

McGregor (1960) famously explains that workers want to be mentally stimulated. Employees at all the Super Companies cited a stimulating work environment as one reason they were satisfied. One way to create a challenging atmosphere is to vary employees' tasks. Both Intel and Goldman Sachs do this by encouraging frequent internal job changes.

Another theme that unites the Super Companies is their leaders. At Cisco, the CEO hosts breakfasts for employees on their birthdays. At Intel, the CEO chooses to walk the talk of an egalitarian work environment by working in a cubicle. At Microsoft, the CEO takes the time to personally respond to all e-mails from employees. These tasks are neither easy nor necessary, but show how each of these Super Company CEOs is deeply committed to healthy work environments.

CHAPTER VI

CONCLUSIONS

In this section, we give an overview of our most significant findings. We then seek to answer our two research questions by discussing the implications of our empirical results. Finally, we offer suggestions for future research. This study found that Best Company CEOs are less likely to be right-leaning than Fortune 500 CEOs. In addition, companies in Republican industries are unlikely to be Best Companies. We were not surprised to find that women comprised a small fraction of Fortune 500 CEOs; however, we were surprised that women comprised an equally small portion of Best Company CEOs, because women are more left-leaning than men and we found that left-leaning CEOs are more likely to work at Best Companies. Further research with a larger female CEO sample may yield different results.

This study also investigated what makes employee-friendly firms such great places to work. We found that a prerequisite for satisfied employees is fair pay. If a company compensates below the market wage, it is unlikely their employees will ever be satisfied. Compensating employees fairly, however, is not a guarantee for satisfied employees; other employee satisfaction factors are necessary as well. We found that a little bit can go a long way in improving employee satisfaction, whether it be free food once a week, a card on an employee's birthday, or a nicely decorated employee lounge. Our Super Companies set an example of how committed CEOs can create truly

remarkable work environments. The Super Companies also showed that Best Companies and Fortune 500 companies are not mutually exclusive.

Research Questions

This paper sought to shed insight on two research questions: one on employee-friendly companies and the other on the type of CEO that best supports these companies. Below, we provide commentary on our previously stated research questions.

Research Question I: *To what extent are Best Company CEOs more open to change and therefore more left-leaning than Fortune 500 CEOs?*

To directly respond to this question, we found that Best Company CEOs are not necessarily more left-leaning than Fortune 500 CEOs, but rather they are less right-leaning. As the plethora of leadership books indicate, concisely defining what makes a great leader is very difficult. Similarly, stereotyping a Best Company CEO is challenging, if not impossible, as they vary in age, gender, management style, and race. Defining what a good leader, or in this case, a good Best Company CEO, is not, is much easier. Our research indicates that a Best Company CEO is not change averse. Creating Best Company worthy work environments with flexible schedules and unconventional programs requires an open mind. Thus, those CEOs fixated on tradition and perpetuating rigid organizational structures are unlikely to foster Best Companies. Taking a lesson from Super Companies, those that are ranked on both the Fortune 500 and Best Company lists, CEOs wanting to foster Best Companies should try to be approachable, egalitarian, and compassionate.

Research Question II: *What factors are most influential in satisfying employees in the short and long-term (i.e. strong compensation, flextime, perks, fun company culture)?*

Money is not everything when it comes to employee satisfaction. In fact, money may not even be the most important factor in employee satisfaction, particularly in the short-term. We find that the factors that most satisfy employees in the short and long-term differ. In the short-term, perks are the most impactful, followed by pay and then company loyalty and culture. In the long-term, pay becomes the most important factor, followed by perks and vacation and sabbatical time. As previously mentioned, these results are logical because, although bagel breakfasts and walking paths are unexpected treats, they do not overpower a strong salary, time off to spend with family, and reliable health insurance.

Opportunities for Future Research

American employees should be excited to hear that competition for Best Company rankings is growing, as it is likely an indication that more companies are developing healthy work environments with satisfied employees. For leaders who remain hesitant to transition to liberal work environments, additional research on new management styles and organizational structures and cultures may be useful. Since cost is a major source of right-leaning CEO reluctance, future research might explore what each Best Company spends on their satisfied employees. For example, a study could calculate the return on investment for various employee satisfaction programs to see which are most cost effective: we predict perks will be because of their low cost and high impact on employee satisfaction.

As mentioned in Chapter V, this study only included 13 female CEOs; a number too low to constitute a legitimate sample. Future research may focus on the gender differences of management, exploring whether male or female managers have more satisfied employees.

Another potential area for research is at the intersection of industry affiliations and employee satisfaction. In Chapter V we noted that only two of the 100 Best Companies were in Republican industries compared with 19 of the 100 Fortune 500 companies. Future research may explore why certain industries have so few Best Companies and which barriers, if any, can be removed to change this.

This paper used an array of research tools to shed light on the future of American workplaces and the creative leaders that will guide us there. While we arrived at multiple original findings, some in support, and some against our hypotheses, there remains much opportunity for future research in this realm.

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