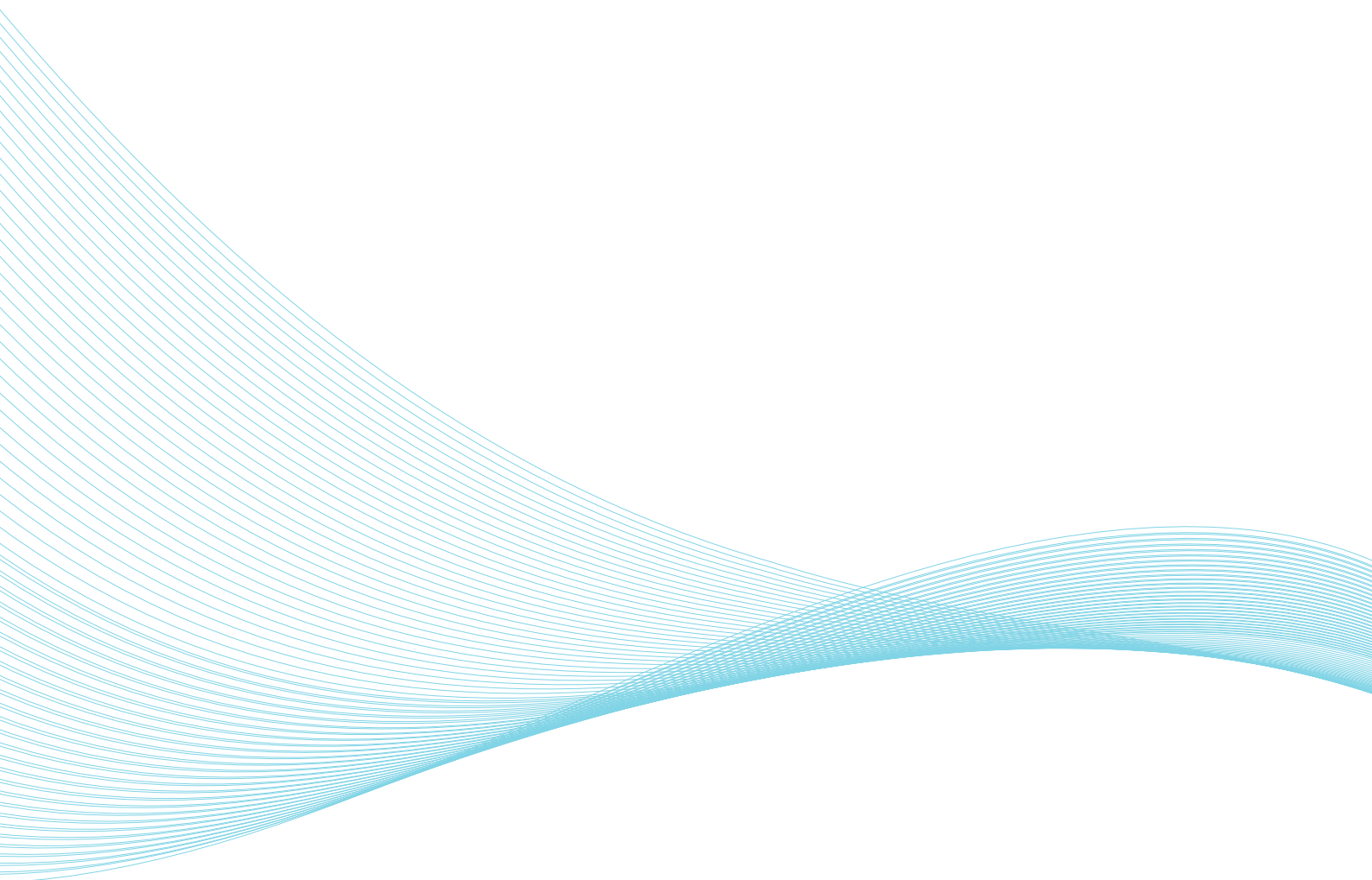


WHITEPAPER

# Cultural Fit in recruitment

2017



**CompanyMatch**<sup>®</sup>

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## 1) Introduction

The business world has experienced a considerable turnaround in recent years. The fight of competing companies for customers as well as talented personnel has become increasingly tough. Nowadays the focus is put on securing long term sustainable success for the company rather than achieving short term growth of sales. This has led to an increased focus on the importance of Employer Branding. The term describes the internal and external development and positioning of a company as a credible and attractive employer.<sup>1</sup> Tough competition in the labour market calls for an employer brand that shows its rough edges and addresses a clearly defined target group. However, such a positioning can only be developed if the corporate culture has already been clearly defined and serves as basis for the company's framework of action. Additionally, company standards and values must be fully adopted by managers and employees. A well-established corporate culture attracts the attention of employees and customers, increases commitment levels of employees and the likelihood of candidates applying for job vacancies. **Nevertheless, only 12% of employees believe that their employer deals with their culture effectively. 64% feels that their employer does not possess a distinct working culture.**<sup>2</sup> As the creation of corporate cultures is primarily driven by employees, management need to take great care in selecting the right personnel. Cultural fit plays a decisive role in the direction a corporate culture develops. The principle of cultural fit assesses the compatibility between employer brand and candidates on the basis of values, drivers and motivators. **Recent studies reveal that people will be happier and more productive when working for a company that best matches their personalities.**<sup>3</sup> This is why the cultural fit has become one of the most important factors in candidate selection. Cultural fit forms the basis for a healthy corporate culture which is crucial for an organisation's long term success.

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<sup>1</sup> DEBA (Deutsche Employer Branding Akademie), Version of 14. April 2007

<sup>2</sup> CareerArc, Employer Branding Report, 2015

<sup>3</sup> Personnel Psychology, Kristof-Brown/Zimmerman/Johnson (Real World Leadership Studie, 2015) (Allen, 2016) (Talent Trends Studie, 2016), 2005

## 2) The importance of a well-established corporate culture

A corporate culture can be defined as the collection of traditions, values, rules, beliefs and attitudes which create the context for the daily thinking and actions in the organisation.<sup>4</sup> Corporate culture has been one of the hot topics in HR in the past year. Nevertheless, the annual HAYS HR Report confirms the business world is not paying much attention to the topic. James L. Heskett, author of “The Culture Cycle”, found that organisations with a healthy culture are more efficient and perform 20-30% better than organisations with a less developed culture. Additionally, according to Marcus K. Reif, Chief People Officer at Kienbaum Consultants, the internal culture is decisive for employee satisfaction: “If you read employer review websites, it is very rare that the negative reviews are about the cafeteria or employee benefits. In most of the cases, these reviews are individual management-related statements or monitoring tools for the corporate culture handed down by management.”

However, as the process of defining culture takes up a great deal of time, it should be taken seriously by managers. Management should lead by example. **A recent survey suggests that 87% of organisations consider defining their corporate culture a difficult challenge.**<sup>5</sup> A clearly defined corporate culture can be considered as the personality of a company. It creates values, standards and a clear framework for action that ensures stability and can withstand changes in the business environment. A healthy internal culture also guarantees more efficient communication within the organisation. This significantly increases the productivity of each individual employee and creates a competitive edge for the business. In addition, the company culture enables the organisation to communicate and express its unique characteristics and differentiate itself from its competitors. Moreover, a unique culture directly addresses a clearly defined target group (both customers and employees) that can identify with and support the employer brand attracting promising talents. **The Talent Trend Study 2016 found that 66% of respondents want to learn more about the culture and core values of an employer before considering an application.**<sup>6</sup> On the other hand a well defined culture also makes it easier to identify suitable candidates and offer them the right job.

**According to another study 91% of the companies surveyed strive to retain qualified employees making use of their corporate culture. 66% of respondents state they wish to stand out from their competition whereas 65% want to shape their own employer brand.**<sup>7</sup>

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<sup>4</sup> McLean und Marshall, 1985

<sup>5</sup> Deloitte University Press, Global Human Capital Trends Report, 2015

<sup>6</sup> LinkedIn, Talent Trends Studie, 2016

<sup>7</sup> Statista, ‘Welche Ziele verbinden Sie mit der Unternehmenskultur?’, 2014

The following functions can be attributed to a corporate culture:

**Integration:** The company's stakeholders develop a sense of togetherness and close community that strengthens loyalty of each individual.

**Coordination:** A common shared vision helps to stay focused.

**Motivation:** A culture and its core values give stakeholders a purpose with which they can identify.<sup>8</sup>

### 3) What are the characteristics of a healthy corporate culture?

A healthy corporate culture consists of values, interests and motivations that match those of its employees. Employees can identify themselves with the company and their colleagues and develop a sense of belonging. A healthy culture also promotes the creativity of each individual, regardless of position, and leaves room for innovation. The work environment is positive and characterised by harmonious cooperation between co-workers. **The University of Warwick found that satisfied employees are 12% more productive than the average employee.**<sup>9</sup> Communication within organisations in particular plays a decisive role in this. **According to the HAYS HR Report, 34% of the HR experts questioned, rate well managed communications across all hierarchy levels as extremely important to define culture and create employee satisfaction.**<sup>10</sup> This also includes a high level of transparency and open handling of critical topics. Constructive feedback is seen as a central theme and should be positively received and applied by every employee. The detailed results of the survey have been published in the HAYS HR Report with the following aspects being listed as particularly important for efficient communication: **The open handling of critical topics (81%), respectful communication between managers and employees (72%), as well as the implementation of a feedback culture (69%).**<sup>11</sup>

Within a healthy corporate culture, employees enjoy their work and their contribution is valued by receiving praise and recognition from management. **A survey done by Google found that 88% of the employees are convinced that a strong corporate culture promotes internal cooperation and exchange of information.** In short, a corporate culture forms the necessary basis for successful implementation of corporate strategy.

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<sup>8</sup> Five Topics, 'Warum ist die Berücksichtigung der Unternehmenskultur so wichtig?', 2012

<sup>9</sup> University of Warwick, Oswald/Proto/Sgroi, 'Happiness and Productivity', 2014

<sup>10</sup> HAYS HR Report 2015/2016

<sup>11</sup> HAYS HR Report 2015/2016

## 4) How can a company define its own culture?

The first step in developing a healthy corporate culture is the definition and identification of core values and standards. A company culture centres around its core values. While a vision describes the intent and purpose of an organisation, values define guidelines of acceptable behaviour that determine employee performance and thought processes. Complying with values is required to achieve the vision and a strong mission also often leads to a strong culture. All put together these aspects describe what the company really stands for and its purpose. The mission forms the basis for corporate values and also determines each decision taken by an employee. Especially during an orientation phase realistic, authentic, well-formulated and clearly communicated mission and vision statements provide support for prospective applicants, clients and other stakeholders. **This year's Talent Trends study has once again shown that job seekers are interested in more than just a good salary. The intent and purpose of a company has become increasingly important to many applicants. A study carried out by Deloitte confirms that a convincing mission strengthens confidence and motivation of employees. A weak corporate culture, on the other hand, raises the probability of a job change by 48,4%, according to Columbia University.**<sup>12</sup>

When it comes to determining the corporate culture, the company DNA is often talked about. It is about highlighting the special and unique advantages of a company and moving away from all-time popular standard phrases. One of the first steps should be analysing one's own culture. In doing so, specific questions can help uncover the unique aspects of the culture, for example: What distinguishes our culture? What are our values and beliefs? How do we work together? How do we communicate with each other? How do we deal with exceptional situations? What makes us proud? How do we select our team leaders? How do we deal with power and authority?<sup>13</sup>

It is crucial for the whole process to answer the questions truthfully and sincere. Otherwise the actual culture can not be determined correctly which increases the risk of hiring personnel that does not fit in. **Hiring a cultural mismatch can cost the company up to 50,000 pounds.** The best way to analyse a corporate culture is to involve employees from every level of the company. Depending on the corporate structure it is recommended to include employees from different locations, departments and hierarchical levels in defining the corporate culture.

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<sup>12</sup> Columbia University, Elizabeth Medina, 'Job Satisfaction and Employer Turnover Intention', 2012

<sup>13</sup> Five Topics, 'Warum ist die Berücksichtigung der Unternehmenskultur so wichtig?', 2012

## 5) „Hire for Cultural Fit“ – an opportunity to develop a culture?

Establishing a corporate culture cannot be controlled as much as you might think. “A corporate culture is something that is not fully in the hands of management.” confirms Rudolf Wimmer, professor of leadership and organisation at the University of Witten/Herdecke.<sup>14</sup> Developing a culture is a process strongly shaped by employees. According to Wimmer it is the difference between what is officially communicated versus what actually happens that shapes a culture. It is primarily about the social interaction within the organisation. It is therefore necessary that each new recruit’s personality fits the corporate culture and has a positive impact on an ever developing culture. This is because no company can develop a unified corporate culture without employees that share the same core values or have the will and the ability to accept the values of the organisation. “In my opinion Cultural Fit is one of the decisive aspects in assessing whether an applicant and company have a future together” says Marcus K. Reif in our interview. **A survey conducted by CompanyMatch also showed that one in two respondents had already quit a job because they did not share the company’s cultural values.**

The importance of the Cultural Fit, also defined as the match between an applicant’s personal value system and the employer’s corporate culture, has increased considerably. Steven Hunt from the job portal Monster found that **organisations whose staffing decisions take into account cultural fit realise a 30% reduction in employee turnover.**<sup>15</sup> It has also been scientifically proven that **employees with a strong cultural fit are more satisfied with their job and work more efficiently.**<sup>16</sup>

It is one of the reasons why the most successful companies in the world have a very stringent approach to recruitment and matching job requirements. This also explains why, according to author Charles Ellis, the biggest organisations are almost “fanatic”<sup>17</sup> when it comes to selecting the right candidate. They are not only the most promising talents in their respective fields of expertise but are also those individuals that best fit the corporate culture.

Many experts in the HR industry are convinced that professional or industry knowledge can be taught and acquired over time. Cultural fit or compatibility on the other hand is a prerequisite that must be present from the outset. If an employee’s values don’t match those of the employer brand it will prove to be very difficult to fully utilise the individual’s competencies and qualities. Nevertheless the majority of

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<sup>14</sup> Die Presse, Michael Köttritsch, ‘Unternehmenskultur: die Kugel über die Bande spielen’, April 2016

<sup>15</sup> Monster, Steven Hunt, 2008

<sup>16</sup> Personnel Psychology, Kristof-Brown/Zimmerman/Johnson, ‘Consequences of Individuals’ Fit at Work, 2005

<sup>17</sup> Harvard Business Review, John Coleman, ‘Six Components of a Great Corporate Culture’, May 2013

applicants are still selected based on their problem-solving skills and expertise rather than their social competencies and values.

A lacking Cultural Fit often leads to failure to fully integrate with teams, affecting teamwork which will result in dissatisfaction and a demotivated workforce. According to a study from the Society for Human Resource Management (SHRM), **a missing Cultural Fit triggering high levels of staff turnover can cost between 50 and 60% of an employee's annual salary**<sup>18</sup>. Another reason why to carefully consider Cultural Fit, next to professional expertise, when assessing candidates and minimise unnecessary costs.

Employees and managers responsible for recruitment should have a good understanding of the company culture to ensure the cultural fit of applicants can be assessed accordingly. Developing a standardised selection process is required to guarantee an objective and true assessment of each applicant. **A survey conducted by CompanyMatch shows that 90% of the respondents consider determining the Cultural Fit to be valuable.** Personality tests can help determine the cultural fit of an applicant in an unbiased manner. However, the disadvantage of some of these tests is that they are time consuming and implementation is costly. Asking the right questions is the key to success when it comes to the actual job interview. Giving the applicant plenty of opportunity and room to answer open questions freely to be able to establish their preferences in the workplace in detail.

## 6) Diversity in Cultural Fit?

Putting the candidate's personality at the centre of the candidate selection process can, however, also be misinterpreted. Often the Cultural Fit approach is not understood properly leading to incorrect implementation. A large number of HR managers still solely rely on their gut feeling when it comes to assessing the applicant's character and personality fit. This, however, results in selected candidates being very similar in character and the workforce lacking diversity. Not bias but a rather objective approach should be developed that focuses on both "Supplementary Fit" and "Complementary Fit". These describe the character traits and attributes that reflect the existing culture and as well as those characteristics that further develop the culture and steer it in the right direction.<sup>19</sup> At best the values of all employees match those of the organisation and still form a diverse and rich culture. Subcultures often develop in large companies, employees and leaders of those subcultures should be involved in the recruitment process.

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<sup>18</sup> Society of Human Resource Management, David G. Allen, 'Retaining Talent'

<sup>19</sup> Talentsoft, Jana Höhn, 'Cultural Fit: Unternehmens-DNA oder Neue Form der Voreingenommenheit?', Januar 2016



## 7) Culture and Employer Branding

When skilled labour is in short supply it is crucial for companies to communicate their unique corporate culture effectively to stand out from the competition and reach their target groups. Marcus K. Reif, Chief People Officer at Kienbaum Consultants, explains: “Nothing is more exciting than being responsible for HR management at the moment. Agenda items such as the corporate culture, the attractiveness of the employer brand and the employability of candidates with all their abilities and potential must be managed in line with the digitalisation and transformation of the market which ultimately enables the company’s strategy to succeed.” Effective Employer Branding should simplify the talent search and improve staff retention levels. According to CareerArc’s Employer Branding Report 2015 **75% of the applicants take a closer look at the employer brand before applying for a job with the organisation.**<sup>20</sup> First and foremost an employer should be very conscious of its own corporate culture. A clear, authentic understanding of the own corporate culture is important to be able to create the employer brand and communicate it effectively.

Managers act as role models living the company values and influencing the behaviour of the entire workforce which ultimately shapes the culture. In our interview Reif explains: “the main ingredient for a good employer brand is a verifiable and modern company culture, which naturally includes good leadership and agile working opportunities. Nothing is currently more important to employees than a modern style of leadership and flexibility.” Statistics published in 2014 confirm that an **overwhelming majority of respondents (93%) are convinced that the importance of employer branding and corporate culture will increase in the future.**<sup>21</sup> Every company should therefore communicate their employer brand not only to the outside world but also internally. **A survey conducted by Gallup confirms that only 41% of the respondents actually know what their organisation stands for.** It really is important that the company values, expected standards and vision are made clear to employees. Employers should define what they represent, what is important to them and what sets them aside from other companies.

The employer’s online presence has become increasingly in resourcing. In this digital age employer branding in online communication channels is indispensable. Studies confirm **that the online presence determines the first impression applicants have of a potential future employer.**<sup>22</sup>

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<sup>20</sup> CareerArc, Employer Branding Report, 2015

<sup>21</sup> Statista, “Wie wichtig ist eine klar definierte Unternehmenskultur für das Employer Branding und Recruiting von Absolventen”, 2014

<sup>22</sup> CareerArc, Employer Branding Report, 2015

Nevertheless employee satisfaction should not be neglected: a satisfied and happy workforce is a prerequisite for creating employee loyalty and long-term working relationships which will have a very positive impact on the company's reputation. Various job boards enable (former) employees to openly grade employers. Most job seekers use these platforms to orientate themselves on the job market, assessing future employers and gather more information. Obviously this means positive feedback from employees about the work environment is crucial. The 2015 Employer Branding study by CareerAct also revealed that **only 57% of the companies surveyed had an employer branding strategy in place.**<sup>23</sup> This number shows that nearly one in two companies are yet to make employer branding a central topic in their overall branding and resourcing strategy.

## 8) Corporate culture and leadership

Generally speaking high level management plays a key role in developing the corporate culture. According to the recent Korn Ferry Institute's "Real World Leadership" study most of the 7500 HR executives and managers surveyed consider **"driving entrepreneurial change" as one of their top three management priorities.** In contrast and quite surprisingly **only 16% of companies involved have cultural development as one of their management objectives.**<sup>24</sup> Additionally, a study conducted by Harvard Business School revealed that **21% of the respondents think that managers fail to set the right example and neglect to incorporate culture into the work environment.** Above all it is important to invest a lot of time and energy in developing and sustaining a company culture. A dedicated project team will certainly help in achieving this long term goal.

A strong corporate culture is often distinguished by the ability of senior management to have a clearly defined, honest reflection of of the company's mission and vision. A strong character, sincerity and emotional maturity are essential characteristics to be able to manage a healthy culture effectively. Aligning senior management's passion with the mission as well as the corporate culture is the basis for successful leadership. The best leaders are those who build their authority on the basis of their inspiring devotion to the company. In other words they must be fully committed to the organisation rather than "solely" leading the firm. This dedication to the company should also be communicated clearly and frequently. The culture-promoting leader exudes passion and motivation with regard to work accomplishments and brings this across to employees. This management style should be adopted across all levels of the organisation. A successful leader in a strong corporate culture must be the co-author and supporter of the company's mission. Although the corporate culture is evolving steadily, with or without the influence of a leader, for it to remain healthy a corporate culture requires a lot of attention and

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<sup>23</sup> CareerArc, Employer Branding Report, 2015

<sup>24</sup> Korn Ferry Institute, Real World Leadership Studie, 2015

active commitment. Therefore management should try to guide the process of culture shaping to keep moving it in the right direction. The best way to achieve this is by selecting the right personnel. Of course management could select them from the existing staff pool however it may prove to be easier to make these selections during the recruitment process. Most importantly, for these selections to be successful is being able to assess correctly whether a candidate's values, drivers and motivators match those of the company's culture achieving the Cultural Fit. It would give you the best possible chance of keeping the candidates happy and turn them into motivated and efficient employees.

Changes within the company can have a great impact on the corporate culture, especially if established values no longer exist as a result of the change. It will give management the opportunity to exert a greater influence on the direction the culture takes. "It requires an island on which the new can emerge without being crushed by the old" explains Rudolf Wimmer, professor for leadership and organisation at the University of Witten/Herdecke.<sup>25</sup>

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<sup>25</sup> Kuhlmann, A., "Culture-driven leadership", 2010

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