

High Morale Again Pays Off In Stock Market Gains

PURCHASE, NY – Strong employee morale once again paid off last year for employers with motivated work forces. As in 2004, the stock prices of companies with high morale outperformed similar companies in their same industries by 2½ to 1, while the stock prices of companies with medium or low morale lagged behind their industry peers by greater than 1½ to 1.

The study was compiled by David Sirota, Louis Mischkind, and Michael Meltzer, authors of *The Enthusiastic Employee: How Companies Profit By Giving Workers What They Want* (Wharton School Publishing/Pearson – www.enthusiasticemployee.com).

The study focused on 24 publicly traded companies with a total of more than 750,000 employees where morale was surveyed by the authors' firm, **Sirota Survey Intelligence**, over the last 5 years. The stock prices of these 24 companies were compared to the industry average stock prices for more than 5,500 other companies in the same industries.

Once again in 2005:

- The stock prices of the 11 high morale companies increased an average of 19.4%, while those of other companies in the same industries increased by an average of only 8% – a margin of almost 2½ to 1 (240%).
- The stock prices of the 13 medium and low-morale companies increased by only 10%, while those of others in their same industries climbed by an average of 19% – a difference of more than 1½ to 1 (188%).

<i>Type of company</i>	<i>Description</i>	<i>2005 Stock Gains</i>	<i>Ratio of Gains in Stock Performance</i>
High morale	Higher than 70% average overall employee satisfaction	+19.44%	+240%
Industry average	Other companies in same industries	+8.09%	
Medium & low morale	Lower than 70% average overall employee satisfaction	+10.13%	- 188%
Industry average	Other companies in same industries	+19.08%	
<i>Type of company</i>	<i>Description</i>	<i>2004 Stock Gains</i>	<i>Ratio of Gains in Stock Performance</i>
High morale	Higher than 70% average overall employee satisfaction	+16.31%	+267%
Industry average	Other companies in same industries	+6.1%	
Medium & low morale	Lower than 70% average overall employee satisfaction	+11.66%	- 170%
Industry average	Other companies in same industries	+19.81%	

Morale & Stock Price/ 2

In their study of 2004 stock market performance:

- The stock prices of 14 high morale companies increased an average of 16%, while those of other companies in the same industries increased by an average of only 6% – a margin of more 2½ to 1 (267%).
- The stock prices of 14 medium and low-morale companies increased by only 11.7%, while those of others in their same industries climbed by an average of 19.8% – a difference of more than 1½ to 1 (170%).

“High morale” companies are those where more than 70% of employees expressed overall satisfaction with their jobs in Sirota’s employee attitude surveys, while medium and low morale companies had overall employee satisfaction levels of 70% or lower.

Why is high employee morale so strongly related to stock prices? The book reports an analysis of survey research of more than 30 years, covering millions of employees at all levels and in all industries.

“Morale is a direct consequence of being treated well by a company, and employees return the ‘gift’ of good treatment with higher productivity and work quality, lower turnover (which reduces recruiting and training costs), a decrease in workers shirking their duties, and a superior pool of job applicants. These gains translate directly into higher company profitability,” said Dr. David Sirota, the book’s lead author.

High-morale companies provide the three main things that matter most to employees:

- Fair treatment
- A sense of achievement in their work and pride in their employer
- Good, productive relationships with fellow employees

“High-morale companies reasonably satisfy *all* three goals,” said Sirota. “Employees who work for companies where just one of these three factors is missing are **three times less enthusiastic** than workers at companies where all elements are present, and are correspondingly less productive.”

“Satisfied employees lead to satisfied customers, which results in higher sales. Satisfied customers and higher sales, in turn, result in more satisfied employees who can enjoy the sense of achievement and the material benefits that come from working for a successful company. It’s a ‘virtuous circle’ – the best of all worlds,” said Sirota.

About The Book’s Authors

The lead author, **David Sirota, Ph.D.**, an industrial psychologist, has been engaged in behavioral science research and its applications in organizations for over 40 years. Since founding Sirota Survey Intelligence in 1972, he has established an international reputation for improving the performance of individual executives, senior management teams, and total organizations.

Co-author **Louis A. Mischkind** is Senior Vice President of Sirota Survey Intelligence, and has been engaged in organizational effectiveness research and applications for over 35 years.

Co-author **Michael Irwin Meltzer** is Chief Operating Officer of Sirota Survey Intelligence, having joined the firm in 2001 on a full-time basis, after representing the company as its legal counsel for more 20 years.

Morale & Stock Price/ 3

About Sirota Survey Intelligence

Founded in 1972, Sirota Survey Intelligence (www.sirota.com) specializes in attitude research. Headquartered in Purchase, NY, Sirota has conducted thousands of attitude surveys around the world that have helped organizations build strong, productive relationships with their employees, customers, communities, opinion leaders, investors, suppliers, and other publics. The major results of their surveys have recently been summarized in *The Enthusiastic Employee: How Companies Profit by Giving Workers What They Want* (Wharton School Publishing www.enthusiasticemployee.com). Last May, Sirota Survey Intelligence changed its name from Sirota Consulting.

Compiled since 1972 and continuously updated, Sirota's multi-national, multi-industry database comprises data from millions of employees collected through the firm's employee survey research (predominantly among the Fortune 500). It is possible that the results from the companies in Sirota's database are more favorable than a national probability sample.