
Reuben Mark Initiative for Organizational
Character and Leadership Research Series

Good Influence: The Spillover Effect of New, Culture-Fit Employees

Leadership Implications

- Employees identified and hired through culture-fit systems can help infuse company-aligned values more effectively into the organization.
- Existing organizational dynamics affect the success of a culture-fit system, but a critical mass of new hires can improve overall performance.
- Leadership needs to thoughtfully implement culture-fit systems to avoid culture clash between new and existing employees.

Employee selection systems are important tools for shaping organizational culture. Previous research has shown that identifying and hiring employees who hold company-aligned values, such as quality or adaptability, is an effective way to directly infuse those values into an organization. New research affiliated with the Reuben Mark Initiative for Organizational Character and Leadership under the auspices of the Bernstein Center for Leadership and Ethics at Columbia Business School goes a step further and finds that the cultural values of new hires can have spillover effects on existing employees and company-wide performance.

In “The Spillover Effect of Adopting a Formalized Culture-fit Measurement System in the Employee Selection Process,” Bernstein Faculty Leader Wei Cai investigates the factors that influence whether the values of new employees spread within an organization. Cai determines a critical mass of new, culture-fit employees is necessary before the performance of existing employees is influenced and that organizational roles, tenure length, and pre-existing workplace cultures all have a modulating effect.

Evaluating Real-World Data

To investigate the spillover effect on existing employees, Cai analyzed human resources (HR) data from a company that implemented a formal

culture-fit measurement system for identifying new hires with specific values. In addition to eight years of hiring records, employee performance assessments also informed conclusions about behavior changes, and a company-wide survey of organizational culture conducted before the implementation provided important baseline context. Also, the company's highly decentralized structure was ideal for the research, with nearly 20,000 employees spread across more than 200 offices.

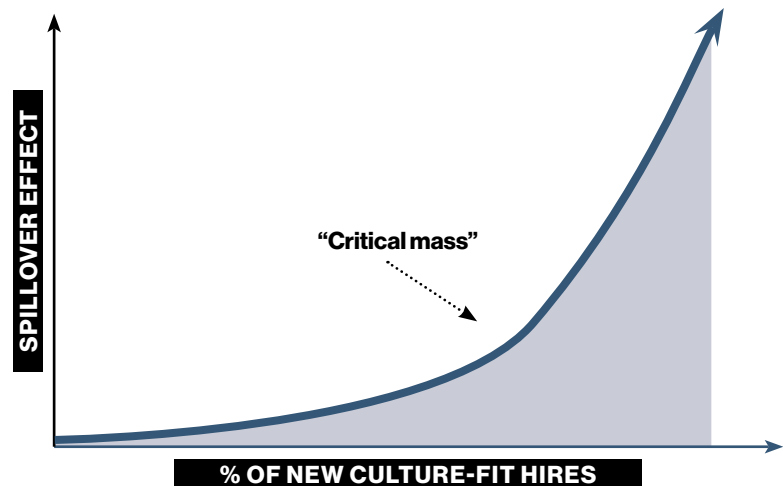
Company-wide, the implementation of the culture-fit selection system for new employees had a positive, but insignificant, impact on the performance of existing employees during the period of time studied. However, when the percentage of new employees in a particular office reached a critical mass — for the company studied this was between 20-40% —

the performance of existing employees in that office began to improve significantly. This implies that the spillover effect of the culture-fit measurement system may be cumulative and likely hinges on the degree of the implementation. In fact, when the percentage of new employees in an office grew high enough (40-60%) the spillover effect had a greater

cumulative impact on total office performance than the direct impact attributed to the new hires themselves. Cai notes the inflection points may vary in other organizational settings and will be influenced by the size of the workforce and the characteristics of the employees involved.

Using other HR variables, Cai also identified favorable conditions for spillover influence. For instance, the impact on existing employee performance was greater in offices with fewer total employees. Similarly, existing employees with shorter tenures were more likely to be

Reaching the Inflection Point



influenced by new employees, and offices that added more senior managers through the culture-fit selection system were more likely to experience performance improvements. The extent to which existing employees were already aligned with the selection values also appeared to affect how much their performance improved under the influence of the new employees.

Conclusions

When the percentage of new employees becomes large enough, their cultural contributions to performance become amplified through their influence on existing employees. This suggests the spillover effect is mainly driven by the degree of implementation of the selection system. There is potential for culture clash between new and existing employees, meaning organizations should proceed carefully with the implementation of culture-fit measurements systems in hiring. However, if an organization's espoused values are well-aligned with its core business activities, such as manufacturing, customer service, or innovation, then hiring employees who embody those values should eventually have a positive and accelerating effect on organizational change.

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Read the full working paper:

The Spillover Effect of Adopting a Formalized Culture-fit Measurement System in the Employee Selection Process

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