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Toxic Culture Is Driving the Great Resignation

Research using employee data reveals the top five predictors of attrition and four actions managers can take in the short term to reduce attrition.

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Take-Aways

- In 2021, American employees quit their jobs at unprecedented levels.
- Five factors – top among them a toxic workplace culture – drove the Great Resignation.
- Managers can take four immediate actions to reduce employee turnover: Offer lateral opportunities, team-building activities, remote work and predictable schedules.

Recommendation

The Great Resignation has taken many by surprise. Now, a comprehensive study of 34 million employee profiles sheds light on the main reasons for the record exodus – and toxic workplace culture tops the list. Writing for *MIT Sloan Management Review*, three scholars break down the results of the survey and offer actionable advice for managers seeking to improve their office culture and boost employee retention.

Summary

In 2021, American employees quit their jobs at unprecedented levels.

Between April and September 2021, over 24 million Americans quit their jobs. The driving factors of the Great Resignation, however, are more complex than the common media narrative of white-collar workers leaving due to burnout and poor compensation. A study conducted by Revelio Labs looked at 34 million online profiles of employees at Culture 500 companies, which represent almost a quarter of the private-sector workforce in the United States. Although the Great Resignation affected blue-collar and white-collar workers equally, attrition rates were more highly concentrated in certain industries, including apparel and specialty retail, as well as fast food.

Five factors – top among them a toxic workplace culture – drove the Great Resignation.

A text analysis of 1.4 million Glassdoor reviews identified 172 topics employees discussed. Researchers then analyzed how positively people talked about each one and the topic's correlation to attrition rates. Five factors emerged as the most decisive in predicting employee turnover.

- **“Toxic corporate culture”** – Complaints about a company's lack of commitment to promoting diversity, equity and inclusion, failure to make employees feel respected and unethical practices were the most powerful predictors for high employee turnover. People were 10 times more likely to leave because of a toxic workplace culture than because of low pay.

“A toxic corporate culture is the single best predictor of which companies suffered from high attrition in the first six months of the Great Resignation.”

- **“Job insecurity and reorganization”** – Uncertainties about the future of their job or job role prompted many to look for new career opportunities. Also, employees working at companies undergoing restructuring and lay-offs are often saddled with higher workloads – another reason people resign.
- **“High levels of innovation”** – Working at a highly innovative company (for example, Tesla, Nvidia or SpaceX) may be thrilling, but it can also lead to burnout. Employees are more likely to quit a fast-paced, innovative company due to the personal toll these types of jobs take.

“In the Culture 500 sample, we found that the more positively employees talked about innovation at their company, the more likely they were to quit.”

- “**Failure to recognize performance**” – High performers, in particular, resent working at companies that tolerate underperformance and fail to recognize – both informally and financially – the extraordinary contribution they make.
- “**Poor response to COVID-19**” – Employees who felt that their company was not adequately protecting their health and well-being during the pandemic were more likely to quit.

Managers can take four immediate actions to reduce employee turnover: Offer lateral opportunities, team-building activities, remote work and predictable schedules.

No short-term action can address the underlying causes of the top four factors driving employee resignation, and it's too late to reverse a poor pandemic response. Yet managers can take four short-term actions to nudge their people to stay.

First, offer opportunities for lateral moves.

“Lateral career opportunities...[are] 12 times more predictive of employee retention than promotions.”

Multinational companies, for example, may also consider offering opportunities to work overseas. Second, managers can boost team spirit and foster personal connections among employees by organizing team-building activities or happy hours. Third, a company that does not yet offer remote work options should consider doing so. Although having remote work options in place has only a modest impact on turnover, that's likely because most companies already offer them. Fourth, make schedules more predictable for frontline workers to help reduce stress – especially workers with children – and keep blue-collar employees at their jobs.

About the Authors

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