

# Culture Can't Be Bought but Can It Pay?

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Corporate Culture as a Driver  
of Performance in Emerging  
Market Companies

# Introduction

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Companies which cultivate an authentic and effective culture generate superior and durable value.

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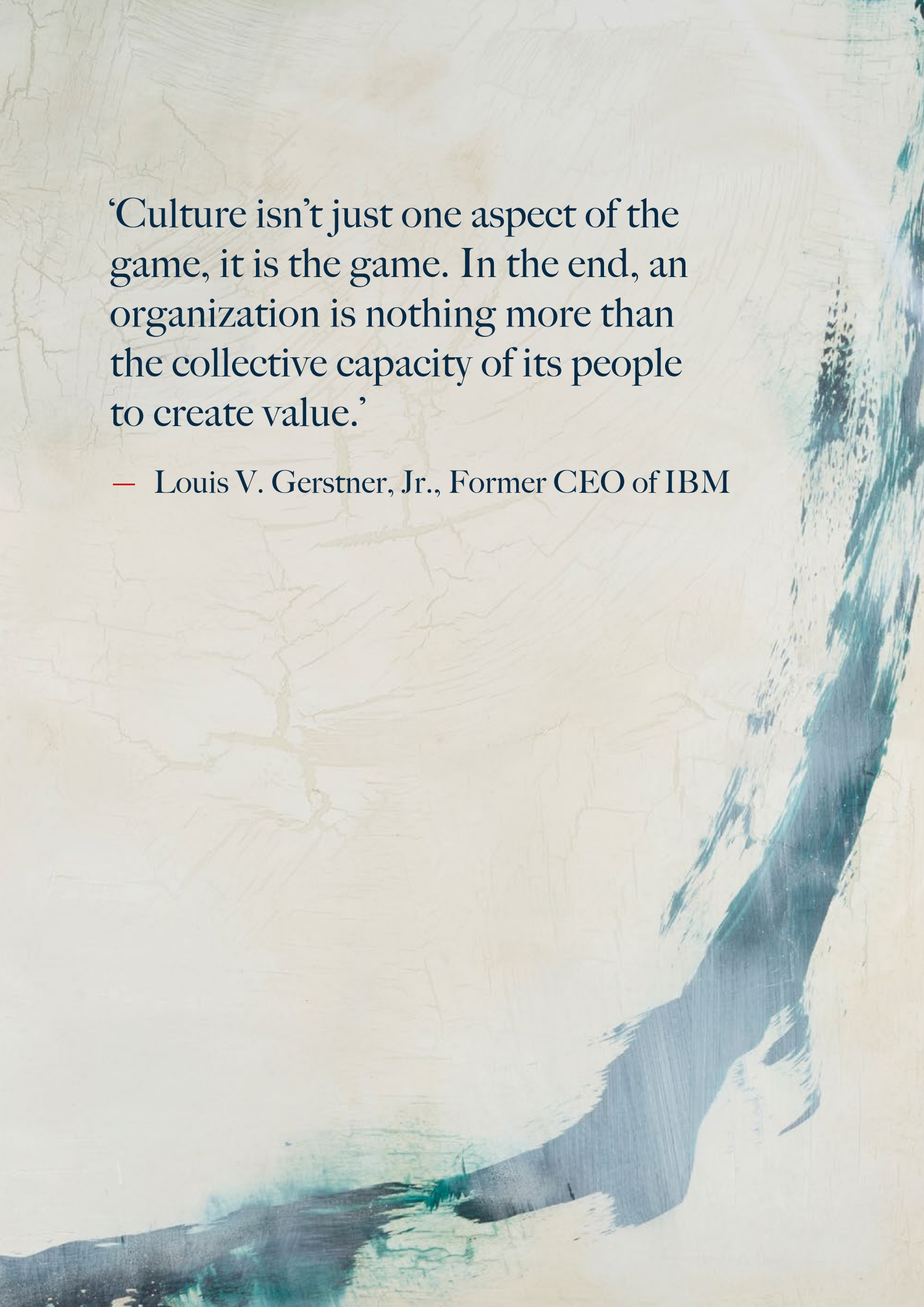
‘Our people are our greatest asset.’ Veterans of the corporate world often take a dim view of CEOs waxing lyrical about their company’s ‘culture’ or its ‘values’. When full of platitudes or impossible to verify, such speechifying may signal detachment from what is truly happening in a company and what makes it tick. But cynicism is a mistake. The trick is to know culture’s unspoken signs and ways, and whether they help or hurt.

We define corporate culture as the *ways* in which people do things, from the most routine to the strategic. This incorporates for instance, how criticism is valued, the presumption of honest dealing, which characteristics are privileged in what the company produces, such as design excellence or customer advocacy. As with society at large, corporate culture is essentially behavioural, organic by development (even where directed) and learned through doing and continual group re-enforcement.

It comes as little surprise then, that there is no generally accepted model or dataset that captures the nuanced and esoteric qualities of corporate culture, which can vary from sector to sector, company to company, country to country. At Mobius Capital Partners, our thesis is that companies which cultivate an authentic and effective culture generate superior and durable value.

In this paper we contribute to the small number of studies exploring correlations between some of the more obvious and knowable indicators of a healthy corporate culture and long-term share price outperformance, but with a focus on the lesser studied emerging markets.





‘Culture isn’t just one aspect of the game, it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value.’

— Louis V. Gerstner, Jr., Former CEO of IBM

## Summary

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Over 10 years, the EM Culture Portfolio provided a return of 490.2% against the MSCI EM return of 30.5%.

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We investigated the differences in investment performance between emerging market companies scoring highest for culture and their benchmark and constructed a portfolio of 40 companies which are recognised as outstanding places to work. The companies’ culture scores were obtained from three external ranking sources.

The performance of the portfolio was back-tested against the MSCI Emerging Markets (EM) Index over a 10-year period between 2010 and 2020. This resulted in an EM Culture Portfolio where every holding exhibited the best culture scores in its country, with a geographic diversification and country weighting by market capitalisation similar to the MSCI EM Index.

Over 10 years, the EM Culture Portfolio provided a return of 490.2% against the MSCI EM return of 30.5%. Annualised, the EM Culture Portfolio returned 19.4% against MSCI EM Index’s annualised return of 2.7%.

It would take further work to rule out other plausible explanations not within the scope of this paper. This includes whether the selected portfolio is genuinely idiosyncratic or could just as likely be selected by reason of other more conventional factors that have greater explanatory power. The other principal limitation is that diverse sources of data for corporate culture in emerging markets are too few, with the study having to rely primarily on one source (Forbes).

Nevertheless, the sheer size of these differences in returns is remarkable and cautiously good news for our thesis.

# Research

Glassdoor’s study *Does Company Culture Pay Off?* (2015) showed a strong correlation between a company’s culture and its positive stock performance. Between 2009 and 2014, a portfolio of Fortune’s ‘Best Companies to Work For’ outperformed the S&P 500 by 84.2%, while a similar portfolio of Glassdoor’s ‘Best Places to Work’ outperformed by 115.6%.

A similar link was shown in a research report by Russel Investment Group which was commissioned by Great Place to Work. It looked at the average annual stock market returns for public companies on Fortune’s ‘100 Best Companies to Work For’ list from 1997 to 2013. When the average annual results were compared to major stock market indices, the outperformance was significant: the ‘Best Companies to Work For’ portfolio returned 11.8% average annual results, compared to 6.4% for the Russell 3000 Index and 6.0% for S&P 500 Index.<sup>1</sup> Furthermore, the 13 public companies that stayed on the Fortune list every single year throughout the period scored a cumulative return of 495%, compared to 170% for the Russell 3000 and 156% for the S&P 500. The Great Place to Work research report and Glassdoor study were both limited to the US.

Additionally, a report by Forbes<sup>2</sup> in 2018 highlighted that companies with strong cultures saw a fourfold increase in revenue.

Research has shown a strong correlation between a company’s culture and its positive stock performance.

# Methodology

## Summary

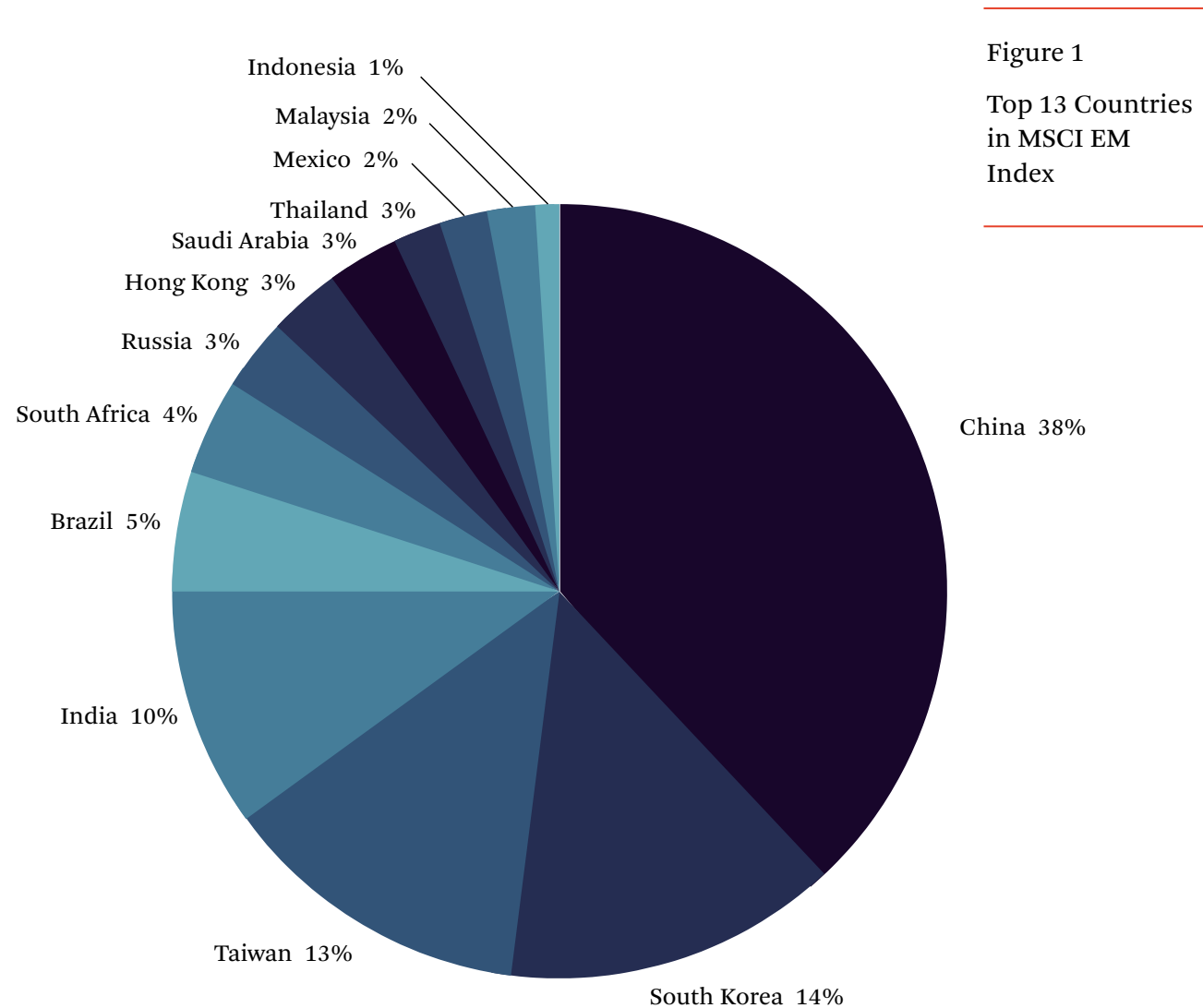
A 40-stock portfolio was the ideal size for covering the geographical diversification we sought in the EM Culture Portfolio to replicate the MSCI EM Index, while focusing on countries where data on best places to work was available. Out of 32 countries represented in the MSCI EM Index, we selected 11. These represented the top countries in the MSCI EM Index by weight, with China and HK aggregated and Saudi Arabia excluded.

We constructed an equally-weighted portfolio. Each company had a weight of 2.5% of the NAV of the portfolio. We did not assign higher weightings to companies with higher culture scores. This portfolio weights the top-ranking company the same as the last-ranking company.

## Selection Methodology:

To build the EM Culture Portfolio, we designed a selection methodology with four critical steps:

1. selection of countries from the MSCI EM Index,
2. aggregation of robust lists of the best places to work across each selected country,
3. filtration of the lists down to 40 companies to construct the EM Culture Portfolio, and
4. back testing of the results on a sector level to exclude any potential skews.



### Selection of Countries

The MSCI EM index includes 32 countries, with the top 13 accounting for 95% of the total Index as of December 2020.<sup>3</sup>

We decided to aggregate China and Hong Kong as representative of the same region and to exclude Saudi Arabia, which only joined the Index in 2019. The resulting 40-stock portfolio breakdown per country is represented in Table 1.

**Table 1**  
EM Culture  
Portfolio Country  
Weights

Country	Weighting in the Portfolio	Number of Companies in 40-stock Portfolio
China	40%	16
Taiwan	14%	6
South Korea	13%	6
India	10%	4
Brazil	5%	2
South Africa	3%	1
Russia	3%	1
Mexico	3%	1
Thailand	3%	1
Malaysia	3%	1
Indonesia	3%	1

Aggregation of Lists

Timeframe

Compared to developed markets such as the US, where data has been published annually since the mid-2000s, lists for emerging market countries have only been produced in recent years. Therefore, for the portfolio, we used lists from 2019, 2020 and 2021. These years were chosen as they captured the data of a range of companies before and during the Covid-19 pandemic.

Sources

We used lists and rankings from three sources: Forbes’s ‘World’s Best Employers’, LinkedIn’s ‘Top Companies’ and Great Place to Work’s ‘Best Workplaces’. These we consider the most robust in terms of data collection, as well as reliability. The lists are all vetted independently for each company, which we consider a critical factor evidencing the objectivity of the scoring. The details of each list’s criteria and research methods are summarised in the appendix. Of note is that for 30 of the 40 companies only the Forbes score was available.

Size and Longevity

As we decided to use an observation period for stock price performance over 10 years, we selected companies which were publicly listed prior to 1 January 2010. To narrow the universe, we applied a minimum market capitalisation for countries with a larger set of companies. As of June 2021, the market capitalisations (in USD) of China, India, South Korea and Taiwan were all more than \$1trillion, with China the largest with a market cap of \$7trillion.<sup>4</sup> These countries have larger and more liquid companies compared to smaller emerging markets such as Malaysia, which has a total market cap of approximately \$118bn.

Thus, the minimum market cap differed for each country in the portfolio. For Chinese companies, the minimum was set at \$5bn, whereas for India, South Korea and Taiwan it was set at \$2.5bn. For the rest, we adopted a minimum market cap of \$1bn. The market cap requirement ensures that companies chosen are not disproportionately small relative to the country’s total market cap.

Filtration of Lists to Construct the Final Portfolio

After creating a list of companies for each country, we applied a quantitative approach to create our 40-stock portfolio with weightings as indicated above. We followed a two-step process to select companies.

Firstly, we looked at a company’s score in each list. If the company belonged to two or all three lists, we used the following calculation to allocate a final score to ensure that we could compare a company’s position in one list to its position on another list. Appearing third on a list with 25 companies is vastly different to appearing third on a list of 250 companies. Therefore, we created a ratio to measure the lists against each other as below.

$$List-Specific Company Score = \frac{(Number\ of\ Listed\ Companies + 1) - List\ Place}{Number\ of\ Listed\ Companies + 1}$$

For example, Infosys was third on Forbes’s 2019 list out of 250 companies, and fifth on LinkedIn India’s 2021 list out of 25 companies. The score for Forbes would be (251-3)/251= 0.988 and for LinkedIn (26-5)/26 = 0.807.

Then, we aggregated the scores over the three-year period 2019–2021 as below.

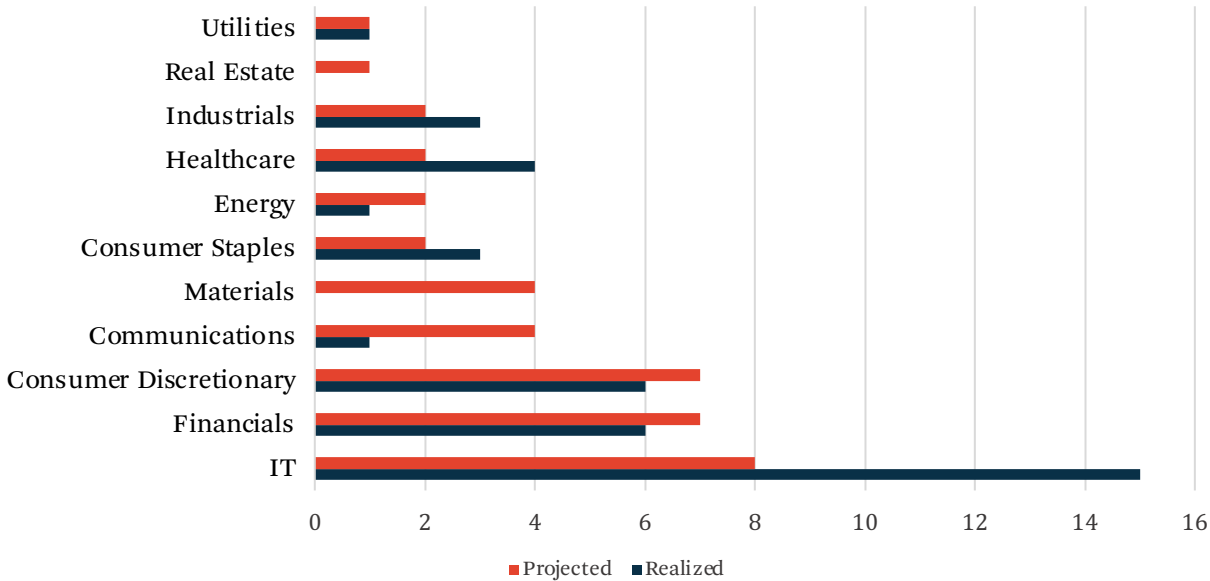


$$\text{Aggregate Company Score} = \sum_{2019}^{2021} \text{LinkedIn Score} + \text{Best Places to Work Score} + \text{Forbes Score}$$

After all companies had been scored with this methodology, the top companies for each country went into the portfolio, respecting the country weighting assigned to mirror the MSCI EM index as explained above. For example, we took the top six companies in South Korea in our 40-company portfolio, South Korea’s weighting allowing us to have a maximum of six companies.

This resulted in a 40-company EM Culture Portfolio where every holding exhibited the best culture scores in its country, with a geographic diversification and country weighting by market capitalisation similar to the MSCI EM Index.

Figure 2  
Industry Weights



Resolution of Potential Skews

After compiling the final portfolio, we investigated the weightings of the sectors represented by the companies selected. In Figure 2, the ‘projected’ percentage represents what the MSCI EM Index portfolio would consist of as a 40-stock portfolio. The ‘realised’ amount was the result of our bottom-up portfolio construction.

We used a market classification<sup>5</sup> system which MSCI also utilises for their indices. Choosing the best companies resulted in an IT-leaning portfolio. Additionally, no companies from the ‘Materials’ sector made our list.

To determine if the three main sectors in the EM Culture Portfolio (IT, Financials and Consumer Discretionary) skewed the final results, we separately compared each to its MSCI EM Sector Index respectively (e.g., MSCI EM Information Technology Index). The results would indicate if the best places to work in each industries outperformed their respective industry peers. If this was the case, we believed that sectoral bias would not be an issue and we would maintain a different sector weighting compared to the MSCI EM Index.

List of EM Culture Portfolio Companies

Our 40-stock portfolio came from 11 countries and spanned 10 industries. Although the portfolio was relatively diversified, Taiwan, South Korea and India led the IT-bias and therefore represented 12 of the 15 IT companies.

Table 2

Portfolio  
Companies

Company	Country	Industry	List Sources
Baidu	China	IT	LinkedIn, Forbes
Fosun International	China	Health Care	LinkedIn
Gree Electric Appliances	China	Consumer Discretionary	Forbes
Kweichow Moutai	China	Consumer Discretionary	Forbes
AAC Technologies	China	IT	Forbes
Anta Sports Products	China	Consumer Discretionary	Forbes
Haier Smart Home	China	Consumer Discretionary	Forbes
China State Construction Engineering	China	Industrials	Forbes
Bank of China	China	Financials	Forbes
BOE Technology Group	China	IT	Forbes
China International Capital Corporation	China	Financials	Forbes
China Communications Construction Company	China	Industrials	Forbes
ICBC	China	Financials	Forbes
Guangzhou Baiyunshan Pharmaceutical Holdings	China	Health Care	Forbes
Ping An Insurance Group	China	Health Care	Forbes
Inner Mongolia Yili	China	Consumer Staples	Forbes
Acer Inc.	Taiwan	IT	Forbes
AU Optronics	Taiwan	IT	Forbes
ASE Technology Holding	Taiwan	IT	Forbes
ASUSTek Computer	Taiwan	IT	Forbes

Company	Country	Industry	List Sources
Accton Technology	Taiwan	IT	Forbes
Taiwan Semiconductor	Taiwan	IT	Forbes
Samsung Electronics	South Korea	IT	Forbes
LG	South Korea	IT	Forbes
Naver	South Korea	IT	Forbes
Amorepacific	South Korea	Consumer Discretionary	Forbes
Celltrion	South Korea	Health Care	Forbes
Hyundai Motor	South Korea	Consumer Discretionary	Forbes
HCL Technologies	India	IT	LinkedIn, Forbes
Tata Consultancy Services	India	IT	LinkedIn, Forbes
Infosys	India	IT	LinkedIn, Forbes
Reliance Industries Limited	India	Energy	LinkedIn, Forbes
Itaú Unibanco	Brazil	Financials	LinkedIn, Forbes, Best Workplaces
Banco Bradesco	Brazil	Financials	LinkedIn, Forbes
MTN Group	South Africa	Communications	Forbes
Rosseti	Russia	Utilities	Forbes
FEMSA	Mexico	Consumer Staples	LinkedIn, Forbes
Gamuda Berhad	Malaysia	Industrials	Forbes
Charoen Pokphand Foods	Thailand	Consumer Staples	Forbes
Bank Central Asia	Indonesia	Financials	Forbes



‘An organization’s ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage.’

— Jack Welch, former CEO of  
General Electric





‘A company’s culture is the foundation for future innovation. An entrepreneur’s job is to build the foundation.’

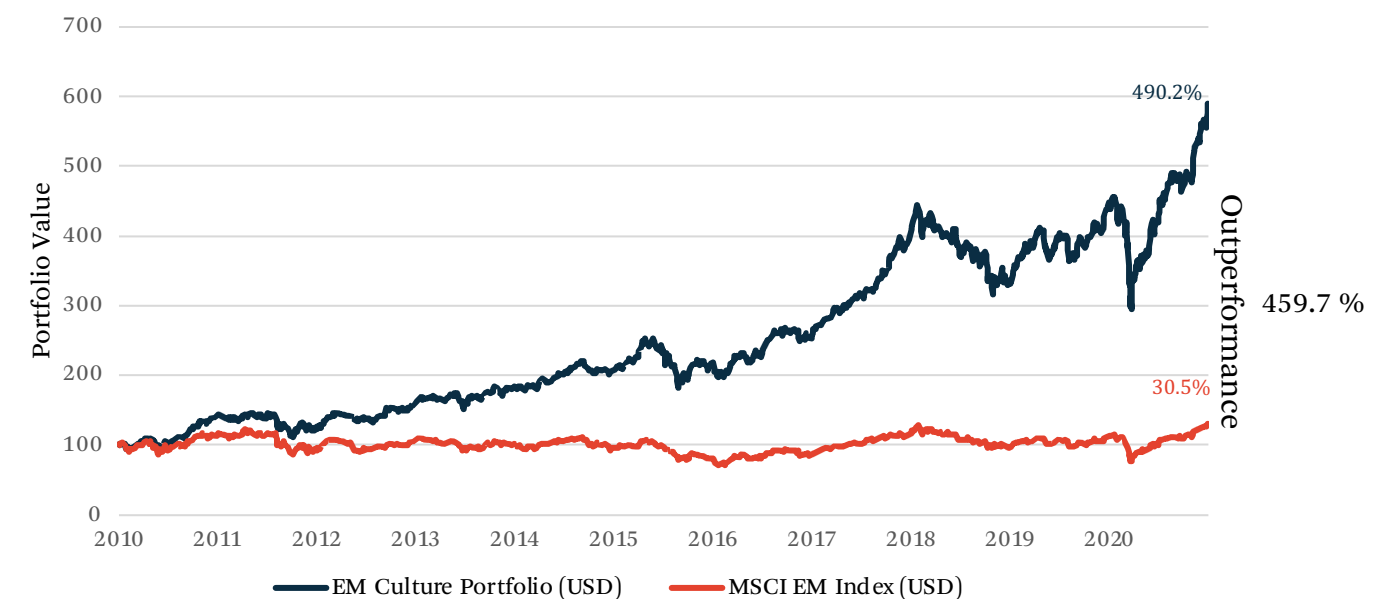
— Brian Chesky, co-founder and CEO of Airbnb

## Results

Figure 3

EM Culture Portfolio vs. MSCI EM Index

Using Bloomberg PORT, the equally weighted portfolio was measured against the MSCI EM Index from 1 January 2010 to 31 December 2020. Rebasing the portfolio to 100, the results are as follows:



Over 10 years, the EM Culture Portfolio generated a return of **490.2%** against the MSCI EM return of **30.5%**. Annualised the EM Culture Portfolio returned 19.4% against MSCI EM Index’s annualised return of 2.7%. This significant difference suggests an *a priori* correlation between companies that are ranked high in terms of their company culture and their performance. Figure 4 shows that the EM Culture Portfolio performed strongly

compared to the MSCI EM Index over every calendar year. It even provided positive returns when the MSCI EM Index had negative returns in 2013, 2014 and 2015. For our portfolio, the worst performing year was 2018 with -16.4%, while 2017 was the year with the highest return of 56.6%.

Considering the gap in returns between our portfolio and the MSCI EM Index, we went back to the industry weightings as the primary contributor to the disparity.

Figure 4  
Graphed Calendar  
Year Returns of  
EM Culture  
Portfolio vs.  
MSCI EM Index

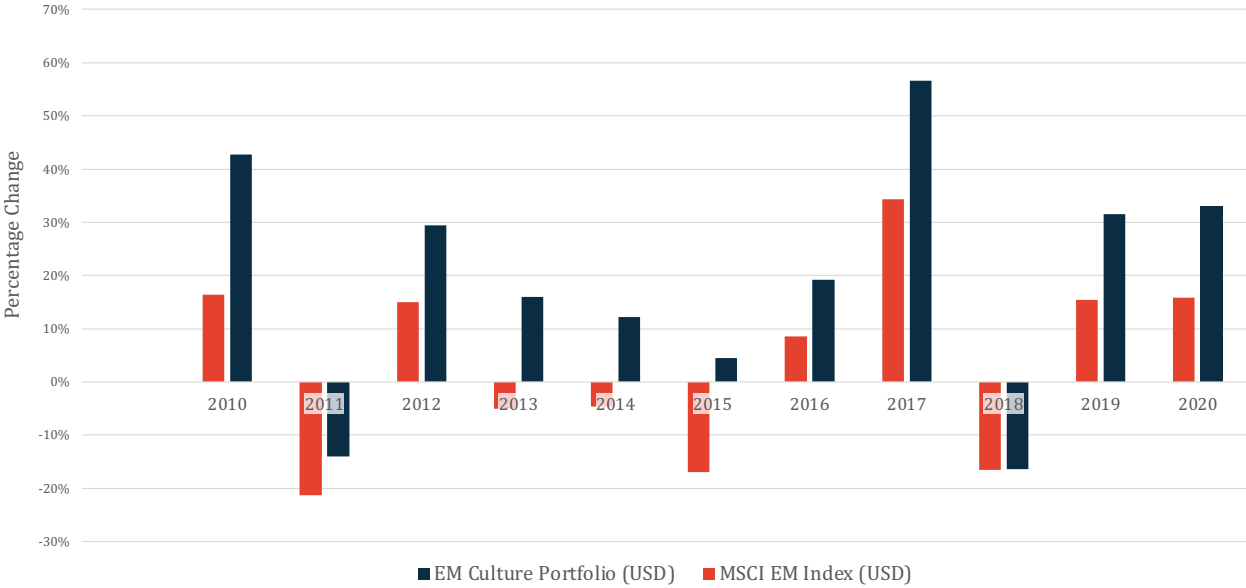


Table 3  
Calendar Year  
Returns of EM  
Culture Portfolio  
vs. MSCI EM Index

Date	EM Culture Portfolio (USD)	MSCI EM Index (USD)
2010	42.8 %	16.4 %
2011	-13.9 %	-21.2 %
2012	29.4 %	15.1 %
2013	15.9 %	-5.0 %
2014	12.3 %	-4.6 %
2015	4.5 %	- 17.0 %
2016	19.2 %	8.6 %
2017	56.6 %	34.4 %
2018	-16.4 %	-16.6 %
2019	31.6 %	15.4 %
2020	33.0 %	15.8 %



Performance Not Solely a Function of Sector Norms

With our portfolio's high IT weighting, we decided to measure against the respective MSCI EM equivalents to provide more information on the performance. We measured the top three industries—IT, Financials and Consumer Discretionary—against their respective MSCI Indices (Figure 5–7).

Over 10 years, the EM Culture Portfolio IT Subset provided a return of 482.6% against the MSCI's return of 406.7%.

Over 10 years, the EM Culture Portfolio Financials Subset provided a return of 177.7% against the MSCI's return of 29.8%.

Over 10 years, the EM Culture Portfolio Consumer Discretionary Subset provided a return of 1003.1% against the MSCI's return of 126.2%.

In the three industries, the respective subset of the EM Culture Portfolio delivered higher returns than its MSCI EM Index equivalent.

Therefore, we could conclude that, even within industries, the EM Culture Portfolio outperformed the MSCI EM Index.

Figure 5  
EM Culture Portfolio IT Subset vs. MSCI EM IT Index



Figure 6  
EM Culture Portfolio Financials Subset vs. MSCI EM Financials Index

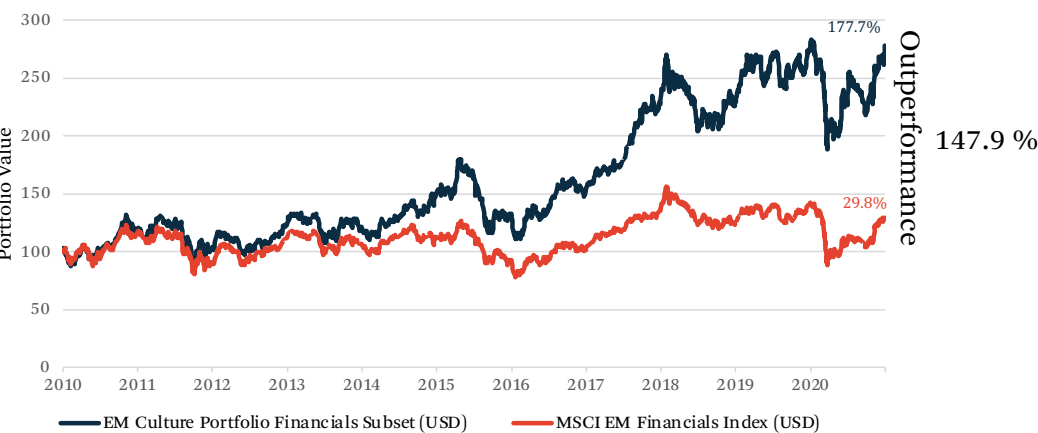
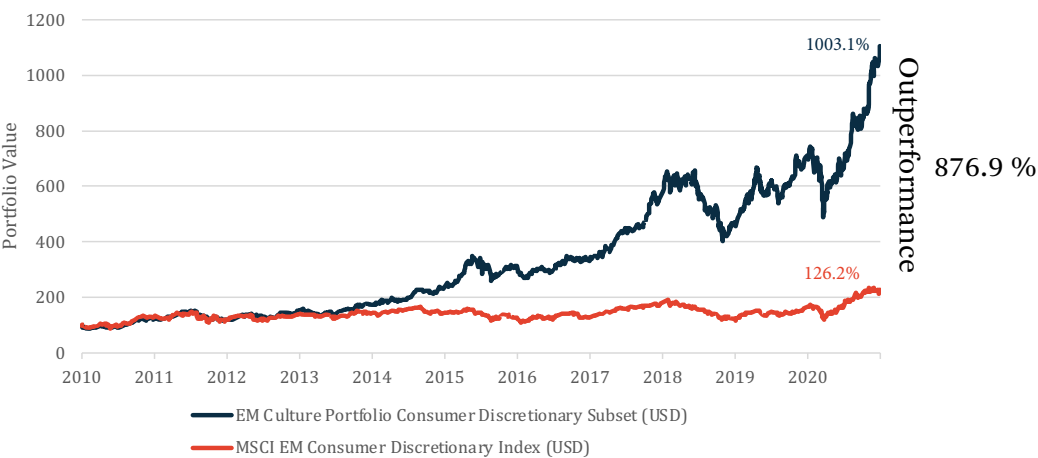


Figure 7  
EM Culture Portfolio Consumer Discretionary Subset vs. MSCI EM Consumer Discretionary Index



‘Good leadership requires you to surround yourself with people of diverse perspectives who can disagree with you without fear of retaliation.’

— Doris Kearns Goodwin, American biographer, historian, and political commentator

## CASE STUDY

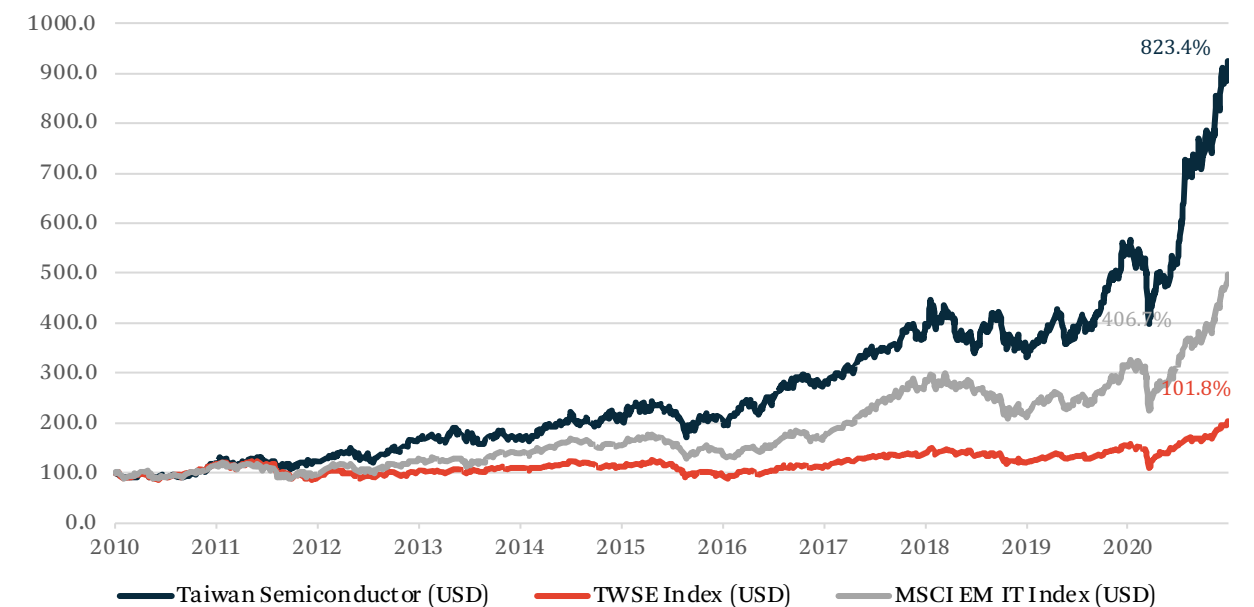
# Taiwan Semiconductor (TSMC)

Founded in 1987 by Morris Chang, Taiwan Semiconductor is one of the leading semiconductor manufacturers in the world. The company went public in 1994 and currently employs just under 57,000 people. Taiwan Semiconductor has released corporate social responsibility reports annually since 2007. We analysed the reports from 2010–2020 to gauge their cultural edge over competitors.

Taiwan Semiconductor has performed very strongly over the 10-year period from 2010 to 2020 against the Taiwan Stock Exchange (TWSE) Index and the MSCI EM IT Index.

Taiwan Semiconductor outperformed the TWSE Index, as well as the MSCI EM IT Index. It was one of the best performers in our portfolio, returning 823.4% in comparison to the TWSE Index's 101.8% and the MSCI EM IT Index's 406.7%.

Figure 8  
Taiwan Semiconductor vs. TWSE Index vs. MSCI EM IT Index



To understand the reasons for the tremendous share price performance of Taiwan Semiconductor and its connection with company culture, we investigated areas such as recruitment, talent retention and turnover rate. We also analysed a recent speech by Chang<sup>6</sup> to the Taiwanese government and business leaders to provide context for these findings. Chang emphasised two key ideas in his speech: Taiwan's talent localisation and technical talent.

Technical talent was important for jumpstarting the company, as well as subsequent growth. When creating Taiwan Semiconductor, Chang recruited a group of senior managers from the US who were of Taiwanese descent. He attributed a large part of the company's success to the dedication and drive of the Taiwanese people.

Taiwan Semiconductor offers competitive compensation. According to the Labor Market Research Report in 2020, the total compensation of employees was above the 75th percentile<sup>7</sup>. In its 2016 report, Taiwan Semiconductor reported that the 'annual compensation of a newly graduated engineer in Taiwan with a master's degree was equal to 33 months' salary, outperforming [their] industry peers'.<sup>8</sup> This included a year-end bonus and a cash reward. As of 2020, among all of the company's employees, over 80% of managers and professionals held a master's degree or higher. The technical talent of Taiwan Semiconductor is evident and makes up a significant portion of the innovative and successful culture.

Their employee development and promotion systems resulted in a staff turnover rate of only 5.3% in 2020, at the low end of the healthy range for peer companies of 5%–10%. Their turnover rate has been consistently low over the past 10 years. TSMC also offers extensive benefits for employees.

According to their 2020 report, 'TSMC believes that long-term shareholding by corporate officers can strengthen the link between corporate officers and shareholders... [and] throughout their time at TSMC, corporate officers must maintain a certain

value of shares.' An employee stock ownership plan (ESOP) incentivises employees and corporate leaders to drive high financial performance and leads to a motivated executive team and workforce. As of 31 December 2020, employees were the largest shareholder in the company holding 20.5%, at a value of \$100.4bn—one of the highest levels of workforce share ownership in the world.

Retaining above 95% of its talent, with a structured, clear and rewarding career system, and offering compensation and benefits above industry peers, Taiwan Semiconductor is a prime example of a best place to work.

TSMC is the world's largest contract manufacturer of semiconductor chips, but culture also matters in smaller companies. From our own experience, investing in a medium-sized Taiwanese IC design company reiterated the importance of analysing a company's culture in great depth no matter the size of the company. For over two decades, the company has been able to attract, retain and nurture world-class engineers. Despite not being the highest-paying IC design house in Taiwan, the company has been able to cultivate a strong R&D culture where patent innovation is encouraged and is rewarded accordingly. The company has created a highly innovative culture which is meritocratic.

Engineers are given sufficient freedom to work on research and development projects and are supported professionally through internal and external training. Engineers who want a career change are able to switch to a management position. Today, the company remains at the vanguard of their field and has performed strongly—both operationally as well as in share price terms. This is a pattern we have consistently witnessed in the decades that we have been investing in emerging markets. Companies with outstanding corporate cultures will outperform no matter what their size is.

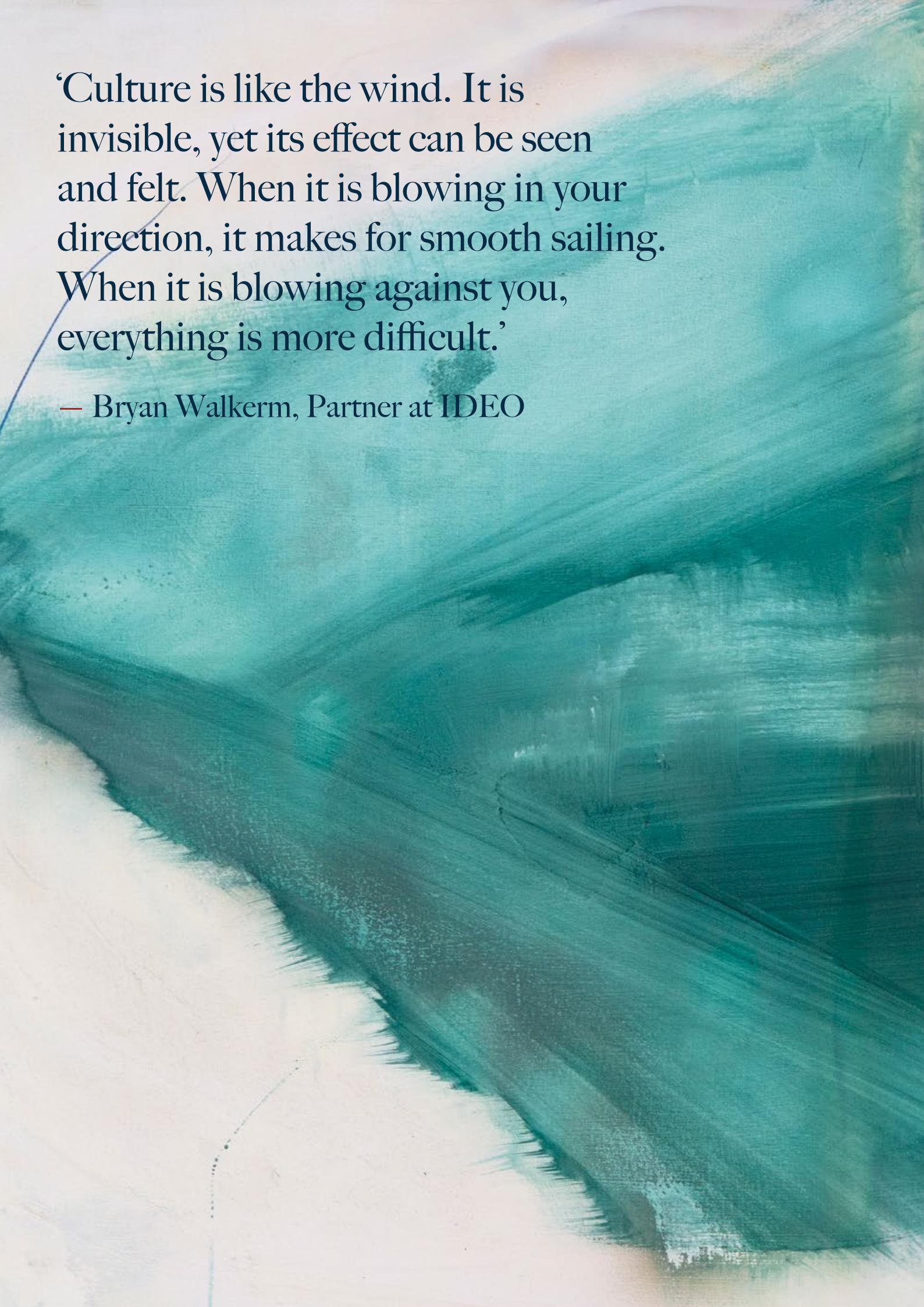




‘Corporate culture matters.  
How management chooses  
to treat its people impacts  
everything - for better or for  
worse.’

— Simon Sinek, Author





‘Culture is like the wind. It is invisible, yet its effect can be seen and felt. When it is blowing in your direction, it makes for smooth sailing. When it is blowing against you, everything is more difficult.’

— Bryan Walkerm, Partner at IDEO

## A Framework for Capturing Corporate Culture

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Developing countries are highly differentiated and value different aspects of culture.

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The challenge emerging market investors like ourselves are facing when it comes to corporate culture is that developing countries are highly differentiated and value different aspects of culture when it comes to a good workplace. We found that Erin Meyer’s framework from her book *The Culture Map*<sup>11</sup> is nevertheless sufficiently broad and insightful to be of use for all markets and brings coherence to what is often a slippery discourse.

### Meyer’s Culture Map

In *The Culture Map*, Meyer breaks down corporate culture into eight different categories. We elucidate these with examples we have encountered through our company engagements and those of others:

#### *Communicating*

In what Meyer defines as low-context communication, messages are expressed with clear and precise intentions. Conversely, high-context communication involves implied meaning and tends to be layered and nuanced. Meyer gives this example from Chinese culture: *pang qiao ce ji* (beating around the bush) is a style that nurtures an implicit understanding. In Chinese culture, children are taught not to just hear the explicit words but also to focus on how something is said, and on what is not said.<sup>12</sup>

### *Evaluating*

Direct negative feedback tends to be more honest and may be delivered in front of a group. Indirect negative feedback given in a private setting is more diplomatic and may be sandwiched between positive feedback to soften the impact. For some countries in Asia, this can take place in social settings such as gatherings for food and drinks outside the workplace.

### *Persuading*

Persuasion focused on ‘principles first’ is rooted in beginning a message with a theoretical stance before leading up to the main point, making principles a focal point of every situation. ‘Application first’ is the opposite—facts are concise and grounded, and rarely contain theoretical or philosophical discussions. ‘Application first’ persuasion is confined to a select few countries and, in our geographical sample, evidence for this could only be found for China and Russia.

### *Leading*

Meyer uses Geert Hofstede’s definition of a power distance: ‘the extent to which the less powerful members of organisations accept and expect that power is distributed unequally.’<sup>13</sup> In egalitarian leading, there is a comparatively small distance from boss to subordinate and often a flat organisational structure. Conversely, in hierarchical leading this distance is larger, typically with a multilayered, complex organisational structure.

Meyer suggests that ‘East Asian societies, from China to South Korea to Japan, have a paternalistic view of leadership [where] the patriarch sitting at the top of the pyramid rarely has his views or ideas challenged.’ Additionally, in most South Korean workplaces, colleagues tend to address each other using hierarchical job titles. This is very different from the ‘flat’ style of leadership that has come to be the norm in recent decades in the West.

### *Deciding*

The power of decision making in top-down structures tends to lean towards the individual, whereas decisions made in consensual leading structures include opinions from a number of angles. In South Korea, the rigidity of hierarchy dictates who makes decisions, with leaders often not asking for input from those under them. This is vastly different from the situation in Brazil, where decisions are made with more of a collective mindset.

### *Trusting*

Task-based trust (‘trusting through delivering’) is built through practical and meritocratic means, therefore work relationships can be created and dropped based on the situation. Relationship-based trust is focused on external factors, independent of the workplace, where conversations at the water cooler or evening drinks contribute to levels of trust.

In China, trust is built on relationships and specifically through *guanxi*. This concept alludes to the idea that colleagues should ‘take the time, energy, and effort to build a personal connection’<sup>14</sup> with one another to understand each other fully.

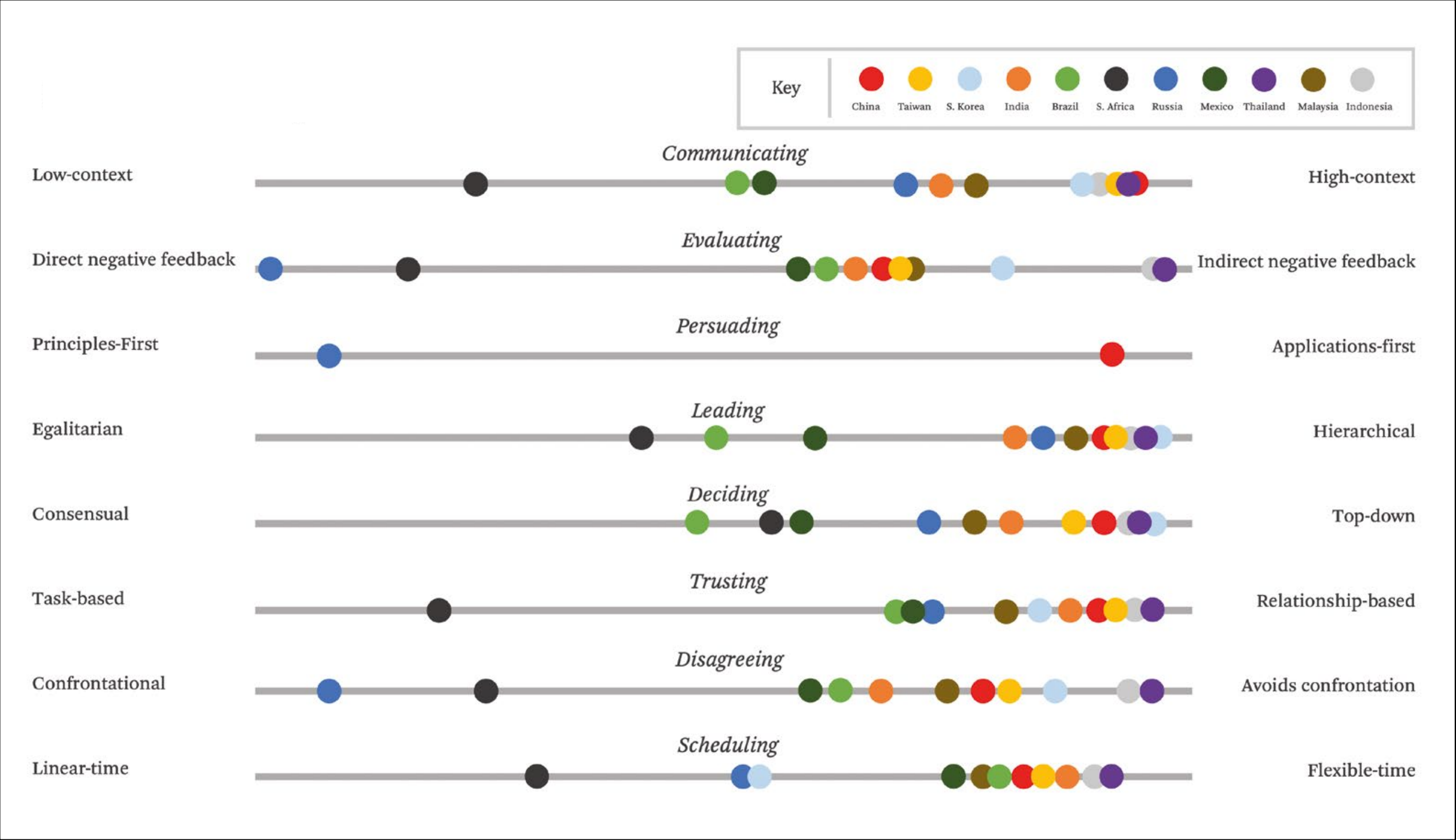
### *Disagreeing*

Confrontational disagreement involves open discourse and debate. Countries that favour this style see it as positive for the team. Some cultures are uncomfortable with confrontation and prefer the group harmony that comes from homogeneity, where having (or appearing to have) similar ideas avoids conflict in the company.

In countries such as Korea and China, ‘behaviour toward those with in-group status may be very different from behavior toward those with out-group status’.<sup>15</sup> A Korean employee who feels affinity with his co-worker might talk to an outsourced supplier in a completely different way.



Figure 9  
Culture Mapping  
of the Countries



Source: Meyer, *The Culture Map*, 2014.

### *Scheduling*

Scheduling is a critical part of a company's pace and is dictated by company management. Linear-time scheduling requires that projects are sequential, making scheduling rigid and focused on organisation. Flexible-time scheduling approaches projects in a more fluid way and focuses on adaptability.

As an example, Meyer suggests, 'if you are from a flexible-time culture such as the Middle East, Africa, India, or South America, time may have an altogether different level of elasticity in your mind... 9.15 differs very little from 9.45, and everybody accepts that.'<sup>16</sup>

### Application of the Culture Map

In Meyer's Culture Map, although no country's corporate culture is the same, some geographical regions show similar cultural patterns, especially the greater Asia-Pacific and South American regions. Meyer's work does not attempt to measure efficacy, not least in investing terms.

The countries in Figure 9 are those represented in the portfolio of the Mobius Emerging Markets Fund. Applying the Culture Map's findings to our portfolio countries allows us to examine the differences between China's and Russia's work culture.

China's corporate culture is vastly different from the Western concept of work. There is a larger emphasis on 'Confucian-based work values such as hard work, endurance, collectivism, and personal networks (*guanxi*)... [this means] those Chinese employees are expected to devote themselves to and take full responsibility for the job.'<sup>17</sup> Additionally, hierarchy and titles are extremely important, as well as thinking of the company as a collectivised organisation. This manifests itself especially in team building.

In Russia, communication is direct, blunt and often confrontational, with people tending to speak their minds. Igor

Kachalov, a specialist in Russian management, has said that 'if the minimum required level of professionalism [what we might re-phrase as *politesse*] in the European, Eastern or American market is 100%, the Russian managers will have the level of 35–45%'.<sup>18</sup>

### Conclusion

The intangible nature of corporate culture results in it being overlooked by most investors when analysing companies. Research has highlighted that companies thrive when corporate culture creates a healthy environment, with the right balance between risk and rewarding long-term growth. Such growth must support innovation and constant adaptation to market changes. A corporate culture drives a company forward—affecting employees' productivity, the way employees interact with one another, how they implement the company's strategy and what ultimately guides a company to success. When employees feel trusted and supported in their daily work and long-term career goals, they tend to perform better and work more efficiently.

Our model EM Culture Portfolio returned a total of 490.2% over 10 years and had an annualised return of 19.4% in comparison to the MSCI EM Index's 10-year return of 30.5% and annualised return of 2.7%. Even its three largest subsets—IT, Financials and Consumer Discretionary—outperformed the wider MSCI EM Index and the respective sector indices. This is an exceptional difference in performance among companies who rate highly on corporate culture. While it is too early to declare definitive attribution, there are good grounds to believe there is a strong correlation between a positive corporate culture and stock price performance over the long term.

When a CEO says that their people, their culture, their values are their most important asset, sometimes that statement will

be true. Our aim is to find the evidence that confirms it and use that to our clients' and companies' advantage.

At Mobius Capital Partners, we have coined the term ESG+C® in recognition of the fact that culture is neglected by investors at their cost and that conventional ESG metrics do not suffice. We have developed a proprietary culture framework which is applied throughout our 360-degree research process, which we are committed to enriching and refining over time.

This enables the investment team to look at companies through an additional lens and to identify highly innovative, quality businesses with outstanding cultures to hold for the long term.

## Appendix

### Methodologies Used by Forbes, Great Place to Work and LinkedIn Surveys

#### *Forbes's 'World's Best Employers'*

Forbes's 'World's Best Employers' was created through anonymous surveys of more than 160,000 full-time and part-time workers from 58 countries. The respondents were asked to rate how likely they were to recommend their company to family and friends, evaluate how other employers stood out in their field (positively and negatively), and assess various other factors like image, economic footprint, talent development, gender equality and social responsibility. Other ratings included salary, working conditions, benefits packages, in-house training, job creation, investment in infrastructure, concern for the environment and charity support. The parameters (categorised into four groups) and weights were:

1. Employees (20%)
2. Society (35%)
3. Ecology (35%)
4. Independent Expert Rating (10%)

The 250 companies for 2019 and 750 companies for 2020 receiving the highest scores made the final list. The countries covered by Forbes include China, Taiwan, South Korea, India, Brazil, South Africa, Russia, Mexico, Malaysia and Indonesia.

#### *Great Place to Work's 'Best Workplaces'*

Great Place to Work releases annual lists, labelling their top companies 'Best Workplaces™'. Their annual research covers over 12m employees from thousands of organisations of varying



sizes, industries, maturity and corporate structures in over 90 countries, including some emerging markets.

Their analysis utilises a scoring process which they call ‘For All Methodology’ built on the Trust Model.<sup>9</sup>

The Trust Model serves as backing for their Trust Index and consists of five main factors:

1. **Credibility**—employees see management as credible (believable, trustworthy); assesses employees’ perceptions of management’s communication practices, competence and integrity
2. **Respect**—employees feel respected by management; assesses employees’ perceptions of professional support, collaboration and involvement in decisions, and the level of care management shows for employees as people
3. **Fairness**—employees believe management practices and policies are fair; assesses the equity, impartiality and justice employees experience in the workplace
4. **Pride**—measures how employees feel about their own individual impact through their work, their pride in the work of their team and their pride in the company overall
5. **Camaraderie**—measures whether employees believe their company is a strong community where colleagues are friendly, supportive and welcoming

They use the ‘For All Methodology’ to evaluate all their Best Workplace lists. The process follows two steps:

1. A two-week research-backed employee survey
2. Provision of details about the company’s programmes and practices through a culture brief

The countries covered by Great Place to Work include China, Taiwan, South Korea, India, Brazil and Mexico.

#### *LinkedIn’s ‘Top Companies’*

Out of the three sources, LinkedIn has the most transparent ranking methodology<sup>10</sup> for measuring what causes a corporation to be called a ‘top company’. This methodology is based on seven factors:

1. **Ability to advance**—tracks how employees are promoted both within the company and when they obtain a new position externally (based on standardised job titles)
2. **Skills growth**—assesses how employees are gaining skills at the company using standardised LinkedIn skills
3. **Company stability**—tracks attrition over the past year as well as the percentage of employees staying at the company for at least three years
4. **External opportunity**—looks at outreach on LinkedIn Recruiter across a company’s workforce as signaling demand for workers coming from these companies
5. **Company affinity**—tracks the number of connections among employees (controlling for company size), seeking to measure how supportive company culture is
6. **Gender diversity**—measures gender parity within a company and its subsidiaries
7. **Educational background**—looks at the spread of educational attainment among employees, from no college degree to PhD, and captures the commitment to recruiting from a range of backgrounds

The lists for each country ranged from 15 to 25 companies, depending on the respective list. However, they all followed the same methodology. In emerging markets, the countries covered by LinkedIn included China, India, Brazil, Mexico and Malaysia.

# Notes

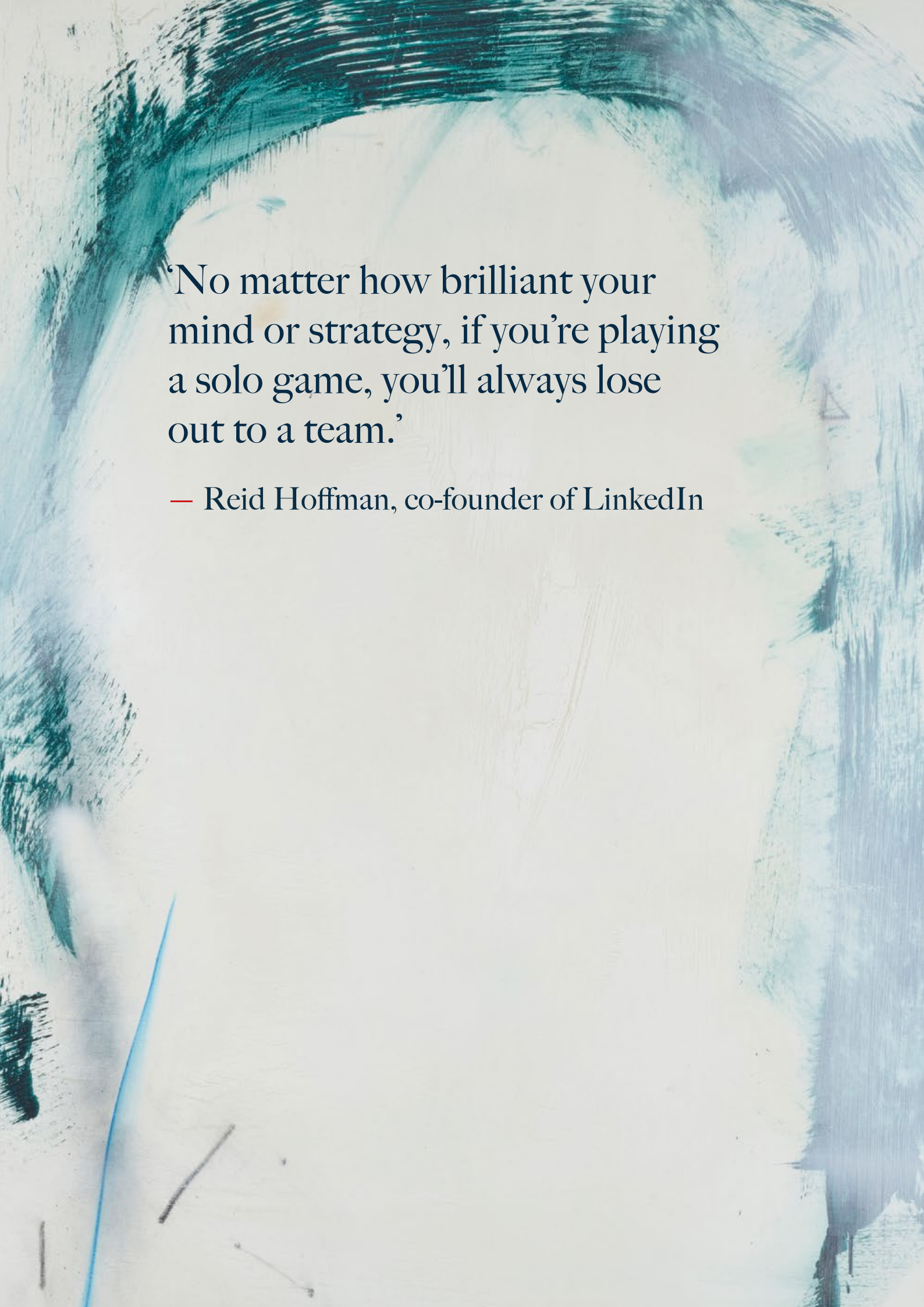
## Company Statistics

Company size, both in terms of number of employees and market cap (as of 31 December 2020), are important comparative statistics.

In 2020 the company with the largest number of employees in our EM Culture Portfolio was ICBC with 450,000, whereas the smallest was Celltrion with 2,500. The mean for the portfolio was 57,000 employees and the median was 70,000 employees.

The largest market cap was Samsung at \$499.98bn and the smallest was Acer at \$2.43bn. The numbers for the mean and median were \$78.89bn and \$38.03bn respectively.

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- 2 Benjamin Laker, Culture Is A Company’s Single Most Powerful Advantage. Here’s Why, Forbes, 2021.
- 3 MSCI Emerging Markets Index, December 2020.
- 4 We used Capital IQ’s screening system.
- 5 Vanguard, Market Classifications.
- 6 Interconnected Blog, Morris Chang, Global Semiconductor Competition, Make ‘Making Stuff’ Cool, 2021.
- 7 Ibid, 130.
- 8 Ibid, 87.
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- 10 Michael Lombard and Laura Lorenzetti, How we built the all-new LinkedIn Top Companies methodology, LinkedIn, 2021.
- 11 Erin Meyers, *The Culture Map*, 2014.
- 12 Ibid, 51.
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‘No matter how brilliant your mind or strategy, if you’re playing a solo game, you’ll always lose out to a team.’

— Reid Hoffman, co-founder of LinkedIn

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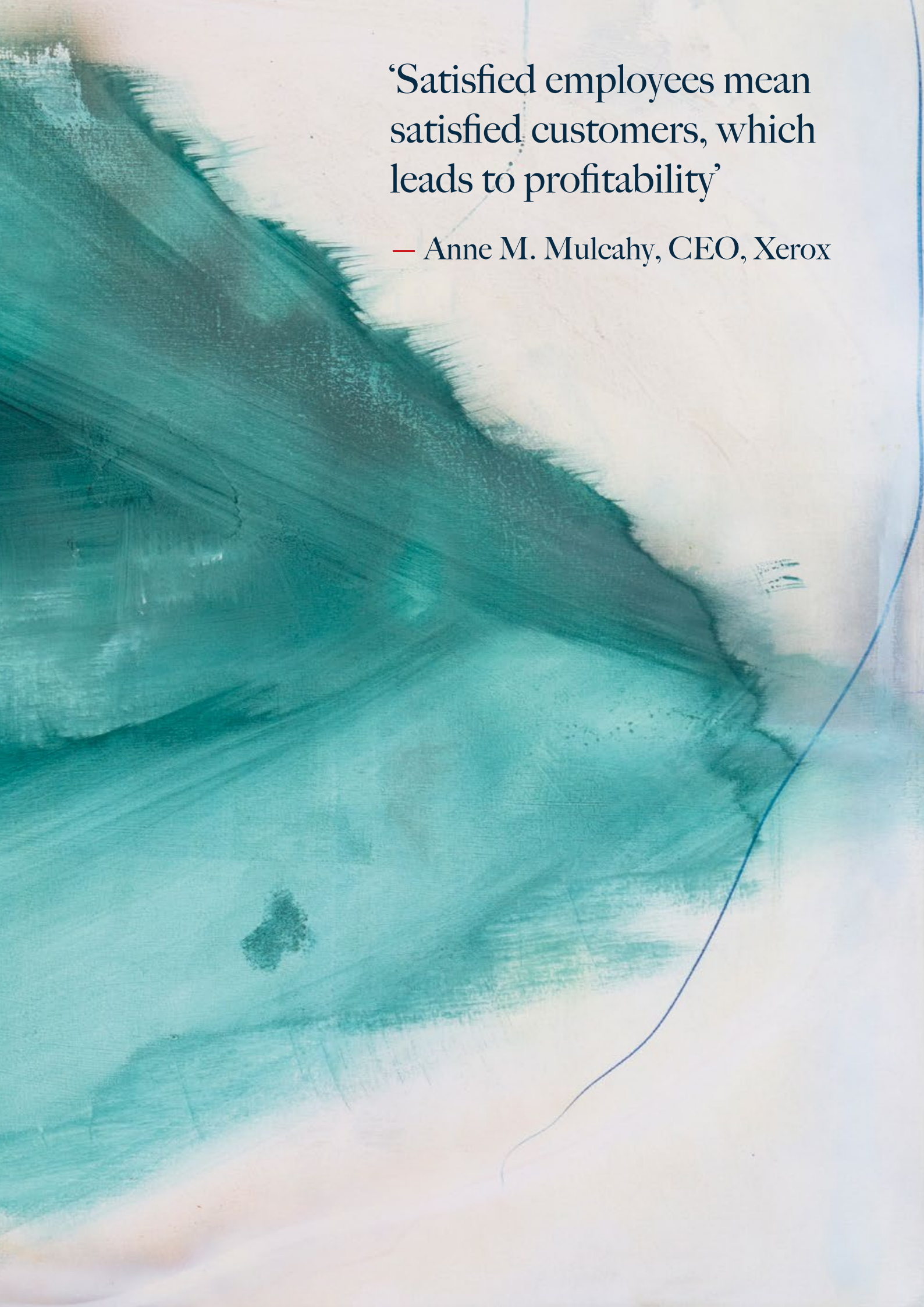
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‘Satisfied employees mean  
satisfied customers, which  
leads to profitability’

— Anne M. Mulcahy, CEO, Xerox

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*Blue Strikes Through*, 2021

mixed media on canvas

150cm x 120cm (59" x 47")

pp 2, 16

*From All Sides*, 2021

mixed media on canvas

150cm x 120cm (59" x 47")

pp 28, 46

*Presence I*, 2021

mixed media on canvas

120cm x 100cm (47" x 39")

p.15

*Presence III*, 2021

mixed media on canvas

120cm x 100cm (47" x 39")

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