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Why Online Reviews Matter for Employer Brand: Evidence from Glassdoor

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Executive Summary

- How do reviews affect job seekers' opinions of an employer? This brief summarizes a new academic study that examined the effect of online reviews on workers' perceptions of a company and their desire to apply to work there.
- For our study, we conducted an experiment in which participants read a company review from Glassdoor and then shared their opinion of the company. They rated their willingness to apply for a job with the company or to recommend it to other job seekers. They also stated the salary increase they would want if they were offered a job by that employer.
- Participants who saw a positive review formed a better opinion of the company, were more eager to apply and to recommend it, and said they would ask for smaller salary increases than participants who saw a negative or neutral review.
- Regardless of the type of review they saw, participants considered reviews by employees and former employees to be more reliable sources of information than awards the company had received for excellent human resource practices.
- The findings suggest that employers should actively monitor reviews, improve their workplaces in response to feedback in reviews, and reply directly to reviews on social media sites. Effectively responding to reviews by employees can help companies maintain a positive employer brand.

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I. Introduction

Can online reviews by employees improve or damage an employer brand? Employers need to know whether reviews are giving potential hires a good or bad opinion of their brand. They also need to know if reviews make people more or less likely to apply for jobs and if reviews cause applicants to ask for higher or lower salaries. Once they have the answers to these questions, they can figure out how closely to pay attention to online reviews and how to respond to reviews.

In our recently published study,¹ we conducted an experiment to learn how reviews affected employer brand and how that in turn influenced job seekers. We showed participants real reviews and ratings from different companies from Glassdoor. Each participant was randomly selected to read a positive, neutral, or negative review. We then asked the participants about their view of the company, their willingness to apply for a job there, and the salary they would ask for if they accepted a job. We also asked them to compare the information they just saw with other kinds of information about employers, such as published rankings of the best workplaces, and to choose which source they believed to be more reliable.

Our results show that employee “word of mouth” reviews matter for employer brand and that they shape job seekers’ opinions of companies. Employers no longer have to wonder how reviews are influencing workers they’d like to hire. Now, they can have a better idea of what to expect when they recruit workers, and they can be prepared to respond to reviews in ways that can help build their employer brand.

Below we describe the study and some of the organizational theory behind it. We then look at some key findings from our experiment and explore what they mean for employers.

¹ Melián-González, S., & Bulchand-Gidumal, J. (2016). “Worker word of mouth on the internet. Influence on human resource image, job seekers and employees.” *International Journal of Manpower*, Vol. 37, No. 4, 709-723.

II. How We Designed the Study

From recruitment research, we know the importance of employer brand for job seekers' behavior and decisions (Cable & Yu, 2006). But there is very little research about the importance of online reviews written by employees for employer brand and for job seekers' attitudes and intentions. Our study focuses on online reviews specifically to see if they matter as much as other measures of employer brand, such as corporate websites and outside awards the employer may have earned.

For the study, we conducted a web-based experiment using three examples of reviews from Glassdoor. First, we chose a company with a positive average rating on Glassdoor, a company with an intermediate average rating, and a company with a negative average rating. We say that companies have a positive average rating if their average rating was between 3.5 and 5.0, an intermediate average rating if it is between 2.5 and 3.4, and a negative average rating if it is between 1.0 and 2.4.

For each of these companies, we selected one review in the same ballpark as the company's average rating. We chose a positive review for the company with a positive average rating, an intermediate review for the company with an intermediate rating, and a negative review for the company with a negative rating.

Participants in the experiment were assigned randomly to view information about one of the three companies. They were shown a page with the company's average rating, number of ratings, CEO approval rating, detailed ratings of its human resource practices, and the rating and full review that we chose. They were not shown the name of the company.

We then asked participants if they thought the company was a good place to work and how interested they would be in applying to a job opening there. We asked if they would recommend the company to other job seekers. We also asked how large of a salary increase they would request to accept a job there, and how they thought the company's employees would feel about the review. Finally, we asked if they considered employee reviews more reliable or less reliable than awards for human resource practices. In total, we collected responses from 238 participants for the study.

Using this experimental design, our study allows us to isolate the effects of online reviews, in a way that we wouldn't be able to do if we simply surveyed people about their prior opinions about employer reputation.

III. What We Expected to Find: Theory

A company's brand is its reputation or the perception people form of it. Companies interact with groups of people, such as customers, suppliers, and employees, and their reputations may be different for their interactions with those various groups. A company's reputation for the way it treats its employees is known as employer brand. If a company has a positive employer brand, employees and job seekers view it as a good place to work.

Theory about employer brand states that it is formed from particular cues. Some examples are news stories, personal experiences, companies' marketing, and word of mouth. Based on previous research, we expected participants in our study to take employer reviews seriously because they value information that comes from people like them—that is, from other workers. Thus, in theory we would expect to see that showing participants a positive employer review would cause them to form a positive opinion of a company, and conversely showing them a negative employer review would cause them to form a more negative opinion, all else equal.

IV. What We Found: Results

Figure 1 shows the results from three key questions we asked participants to answer after showing them positive, neutral or negative employer reviews:

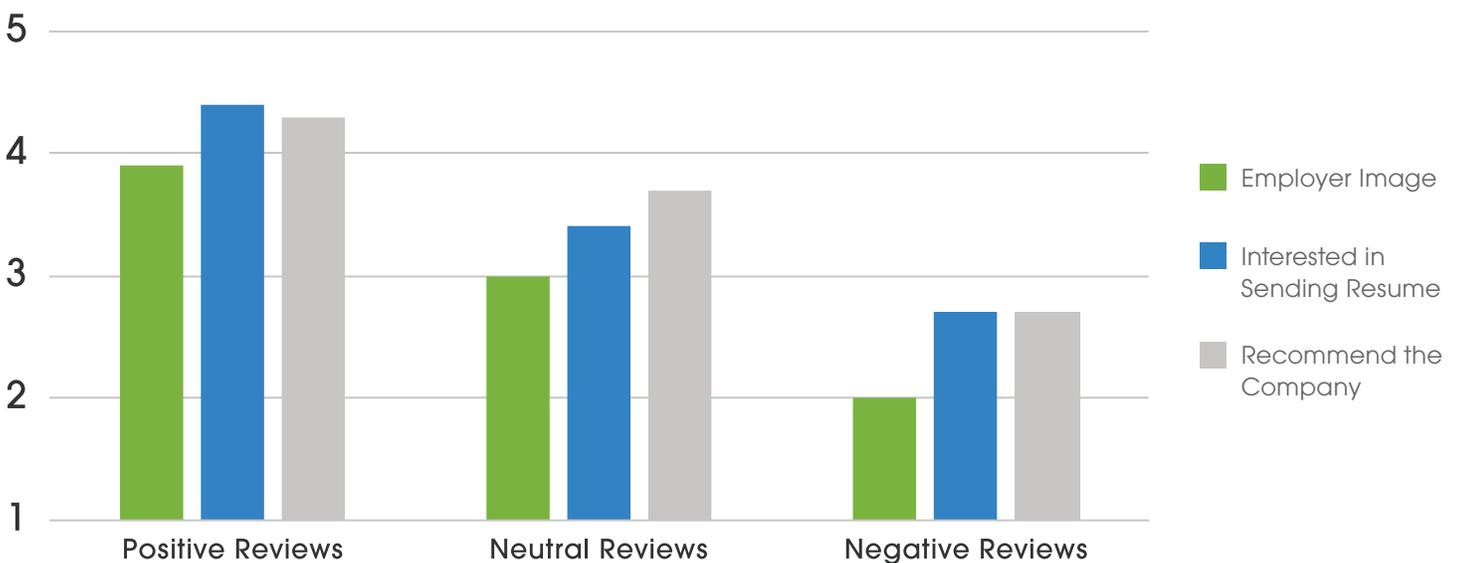
- *Employer image*: From the information in the previous figure, overall, to what degree do you think this company is a good place to work?
- *Interested in sending resume*: If you were looking for a job and the rated firm was seeking candidates for a job in which you feel you would fit, how interested would you be in sending your resume?
- *Recommend the company*: Would you recommend this company to people you know, as a place to work?

In Figure 1, the three groups of bars correspond to what type of employer reviewed we showed them: Positive reviews (left), neutral reviews (center) and negative reviews (right). Within each group, each of the three colored bars correspond to one of the three questions we asked participants. The average response from participants (on a Likert scale from 1 to 5) is shown on the vertical axis.

In the figure we see that—as predicted by theory—participants formed a more positive or more negative opinion of a company depending on whether they were shown positive or negative employer reviews, while those who were shown a neutral employer review expressed a more neutral opinion of the employer’s image. In all cases, the differences between responses were statistically significant.²

Figure 1 also shows that employee word of mouth in the form of employer reviews affected job seekers’ intended behavior. Participants who saw a positive review said that they were more interested in applying for a job at that employer, and that they would recommend the company to other people as a good place to work. Participants who saw a negative review had less interest in applying and were less willing to recommend the company to others. And again, those who saw an intermediate review gave responses that were in the middle.

FIGURE 1. Impact of Positive, Neutral and Negative Employer Reviews on Image and Recruiting Ability



Source: Melián-González & Bulchand-Gidumal (2016).



² The results of MANOVA’s multivariate test support the influence of the different types of employee word of mouth on the participants’ perceptions, since all multivariate tests were significant at $p = 0.000$ (Pillai’s Trace, $F=16.246$; Wilks’ Lambda, $F=21.835$; Hotelling’s Trace, $F=28.027$; Roy’s Largest Root, $F=55.388$).

SALARY AND EMPLOYER REPUTATION

In a second set of questions, we asked participants about the size of the salary increase they would request if they were offered a job at the company whose review they just saw. Here is the exact question we asked participants after showing them either positive, neutral or negative employer reviews:

“Suppose you are working for a firm and you are satisfied with your job, what minimum wage increment would you demand to accept an offer from the firm displayed above for a job similar to the one you are supposedly doing now?”

In terms of responses from participants, on the low end we gave them the option to say they would accept any salary increase. Alternatively, they could select from several sizes of salary increases of up to 70 percent. For example, category 2 corresponded to requiring a 10 percent salary increase, category 3 corresponded to needing a 15 percent pay increase, and so on up to category 14.

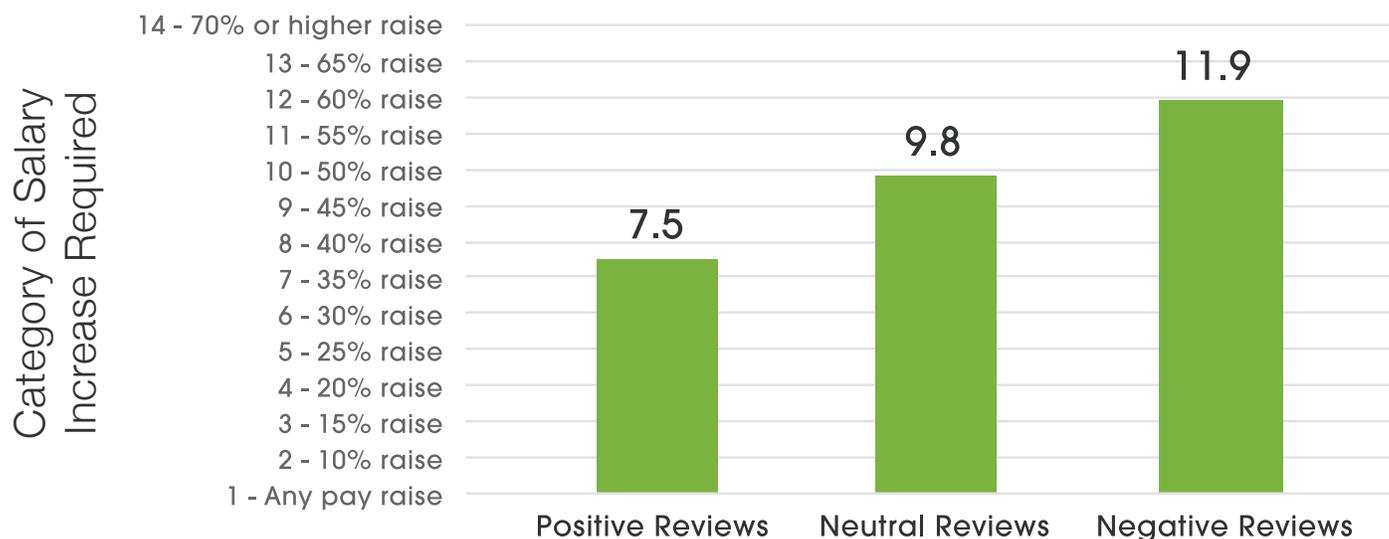
Figure 2 shows the results. The figure shows the average salary increase category that respondents said they would require for each type of employer: One with positive reviews, one with neutral reviews, and one with negative reviews.

In the far right column of Figure 2, we see that participants who saw a negative employer review said they would want the largest salary increases to work at this employer, compared to those who saw a neutral or positive review. An average pay increase category of 11.9 corresponds to between a 55 percent pay raise (in category 11) to a 60 percent pay raise (in category 12).

By contrast, participants who saw neutral employer reviews said they would want an average pay increase category of 9.8, which corresponds to between a 45 percent (category 9) and 50 percent (category 10) pay raise. Finally, participants who were shown positive employer reviews required the smallest pay raises. These participants required an average pay increase category of 7.5, which corresponds to between a 35 percent (category 7) and a 40 percent (category 8) pay raise.

This is consistent with economic theory, which predicts that people will accept lower salaries in exchange for a good workplace environment or other positive features of a job. Our study found that participants said they would demand higher pay for a job at a company that had negative online reviews. As above, each of the differences between the three types of companies was statistically significant.

FIGURE 2. Impact of Positive, Neutral and Negative Employer Reviews on Salary Demands by Prospective Employees



Source: Melián-González & Bulchand-Gidumal (2016).



EMPLOYEE ATTITUDES AND ONLINE REVIEWS

In the above figures, we’ve shown that online employer reviews clearly influence job seekers, and cause them to form a more positive or negative opinion of an employer. But beyond these effects, there are theoretical reasons to expect that employer reviews can also affect the attitudes of current employees.

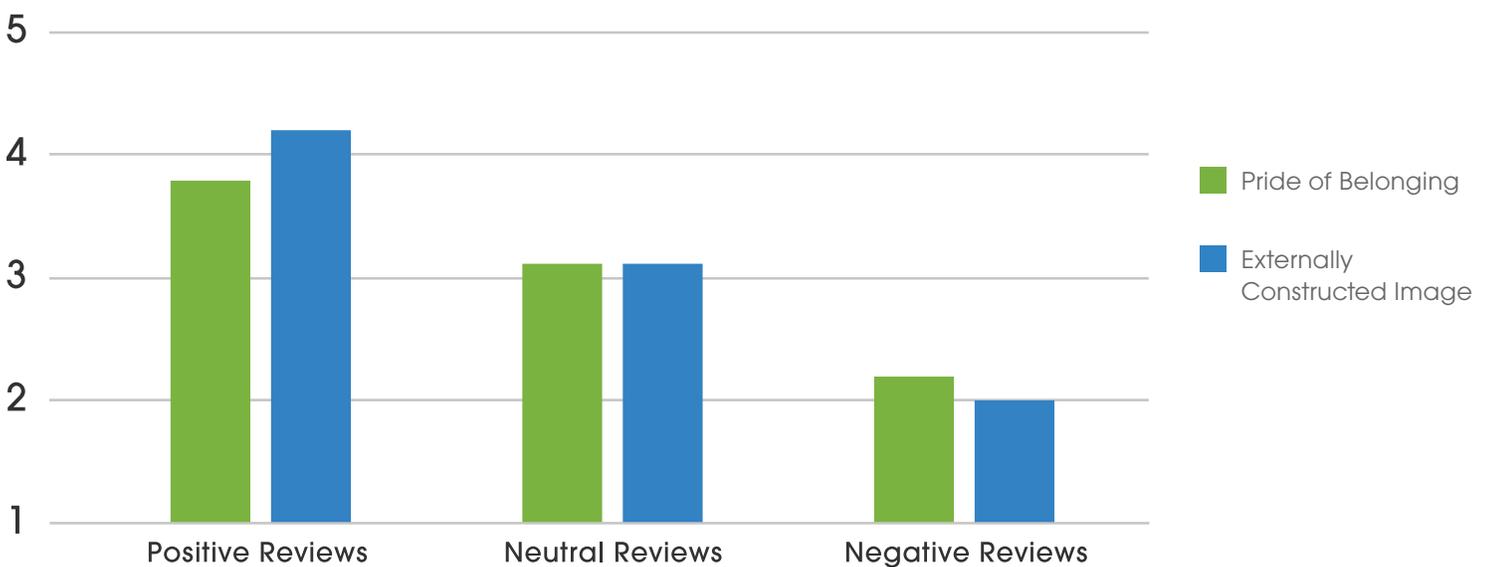
In our study, we considered two kinds of employee attitudes. The first is *pride in being part of a company*. The second is *what employees believe outsiders think about the company*. In our study, we called these “pride of belonging,” and “external constructed image.” In this part of our experiment, we asked participants to see themselves as employees of the company. We then asked them to respond with how they would feel about the company *as an employee* and how they would expect outsiders to think about their company.

Figure 3 shows our results from these questions. In it, we show how employees who were exposed to positive, neutral and negative reviews of their hypothetical employer affected these two kinds of attitudes. As above, the colored bars in the figure show the average responses we received for each question, depending on whether participants were shown positive, neutral or negative reviews.

Overall, we found that those who were shown positive employer reviews responded that they would be more proud to be part of the company, and that they would expect outsiders to view the company in a more positive light. By contrast, those who saw a negative review said that they would feel statistically significantly less pride and that outsiders would view the company negatively.

What these results are telling us is that online employer reviews seem to influence not only participants' opinions of the company, but also their expectation of how other people would view it. The latter is especially important because people care about others' opinions of organizations they are affiliated with, including their employer.

FIGURE 3. Impact of Positive, Neutral and Negative Employer Reviews on Employee Attitudes



Source: Melián-González & Bulchand-Gidumal (2016).



ARE ONLINE EMPLOYER REVIEWS CREDIBLE?

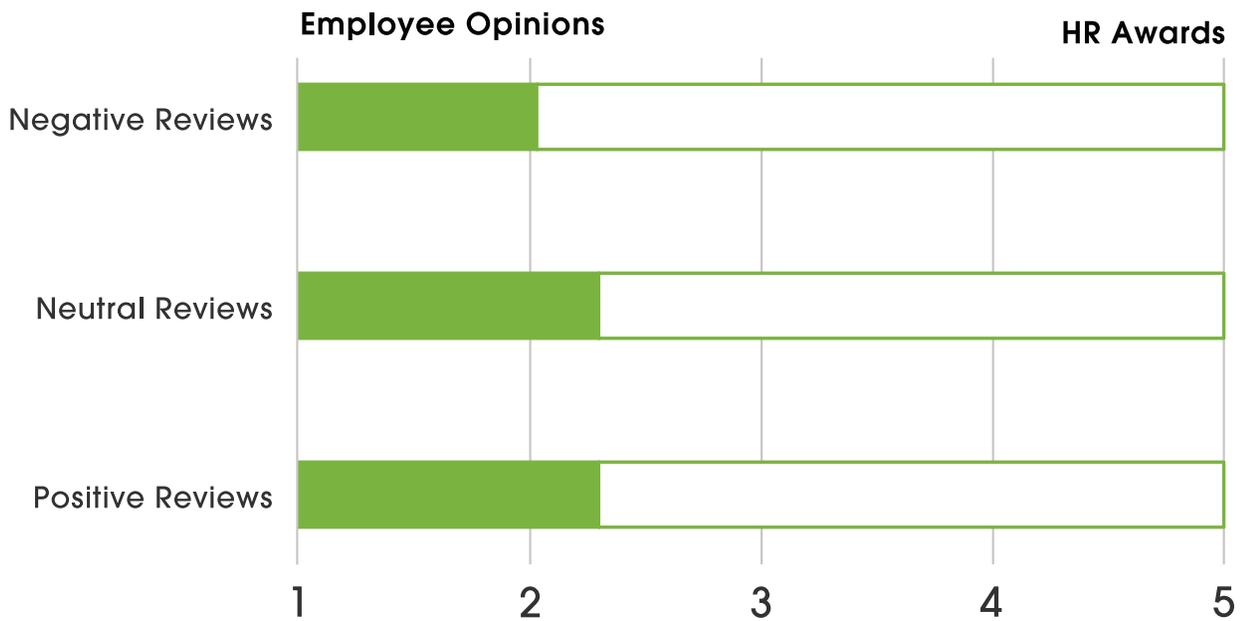
Finally, we asked whether people considered online reviews by employees to be a credible source of information. We asked participants to evaluate the reliability of online reviews in comparison to awards for best human resource practices, which are a well-known mechanism for generating a positive employer brand. After they had read a review, we asked participants which they believed was more reliable: the opinions of employees and former employees, or an award for good human resource practices.

Here is the question we asked participants: “What do you think gives more reliable information on the behavior of a company as an employer — the opinions of employees and ex-employees or the recognition awarded for their human resource practices? (1 = Employee opinions, 5 = Recognition awarded for HR practices”).

Figure 4 shows the results from that question. In the figure, each of the three bars corresponds to whether participants were shown positive, neutral or negative employer reviews. A colored bar closer to the left indicates that employee word of mouth was considered more credible, while a bar closer to the right indicates that HR awards were seen as more credible.

In the figure, we see that regardless of whether participants had seen a positive, intermediate, or negative review, participants generally considered employee reviews to be a more reliable indicator of company behavior than human resource awards.

FIGURE 4. Perceived Reliability of Online Employee “Word of Mouth” Reviews Compared to External HR Awards



Source: Melián-González & Bulchand-Gidumal (2016).



V. Conclusion: What it Means for Employers

In our study, we found compelling evidence that job seekers are influenced by online employer reviews. Employers who are concerned about attracting and retaining quality employees should pay attention to online reviews. And employers for whom the quality of employees is especially important—such as employers trying to recruit workers in highly competitive fields—should be especially concerned about what online reviews are saying about them.

When it comes to selecting among potential employers, workers can choose among offers partly on the basis of online employer reviews. For this reason, employers should be aware of the information these workers are receiving from reviews, as online information has the potential to affect workers' willingness to accept jobs and the compensation they demand.

Although there are many available sources of information about potential employers, our research suggests that workers do seem to give more importance to online reviews—what we refer to in our study as “worker electronic word of mouth”—than to awards or prizes for human resource practices. This is a signal that companies may find it worthwhile to direct their efforts toward tracking online reviews and responding constructively.

When companies notice negative online reviews, there are at least two actions they can take in response. First, they can analyze what is happening in their workplaces in order to solve any internal problems identified by the review. Second, they can directly address the content of negative reviews by responding on the social media site—such as Glassdoor—where the online review appears.

Our research suggests that workers today view online reviews by employees as a reliable source of information, and that they form opinions and intentions to apply for jobs based on those reviews. Based on our findings, employers that monitor reviews, improve their practices in response, and reply on social media may be better able to recruit qualified workers and to succeed in a competitive labor market.

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