

# Employee Experience and Shareholder Value: A Human Capital Framework

Dr Shrawan Pandey<sup>1</sup>, Dr Minal Shah<sup>2</sup>

<sup>1</sup>\*Assistant Professor, Bhilai Institute of Technology, Durg, [Shrawan.pandey@bitdurg.ac.in](mailto:Shrawan.pandey@bitdurg.ac.in)

<sup>2</sup>Assistant Professor, Bhilai Institute of Technology, Durg, [28minalshah@gmail.com](mailto:28minalshah@gmail.com)

---

## Abstract-

Human resource management and corporate finance have largely developed as separate literatures, yet a growing body of evidence suggests that how a firm treats its employees is materially connected to how that firm is valued and financed. This conceptual paper integrates human capital theory (Becker, 1964), the resource-based view (Barney, 1991), and research on high-performance work systems (Huselid, 1995) with asset-pricing evidence on the mispricing of employee satisfaction (Edmans, 2011; Edmans, Li, & Zhang, 2014) and on employee well-being as a determinant of corporate financial risk (Verwijmeren & Derwall, 2010) to develop a Human Capital–Firm Value Framework linking employee experience quality to both shareholder returns and downside financial risk. The framework specifies five constructs — employee experience quality, signal visibility, market attention constraints, the downside-risk channel, and labor-market context — and advances six propositions. To illustrate the framework's plausibility, the paper presents a small, transparent empirical analysis of the six publicly traded companies ranked in the top ten of the 2020 Fortune 100 Best Companies to Work For list, comparing their 2019–2021 stock returns, individually and as an equal-weighted portfolio, against the S&P 500. The portfolio underperformed the index in all three years, by margins of roughly three to six percentage points, a result that runs counter to the long-run, large-sample evidence and illustrates how easily short-window, small-sample tests of the employee-satisfaction-and-value relationship can be dominated by idiosyncratic, non-HR-related return drivers unrelated to workplace quality. The paper contributes an integrative, testable framework connecting human resource management and corporate finance and offers a template for combining conceptual theorizing with transparent, real-data illustration. Boundary conditions, limitations, and a future research agenda are discussed.

**Keywords:** human capital; employee satisfaction; high-performance work systems; asset pricing; intangibles; bankruptcy risk; shareholder value

---

## 1. INTRODUCTION

Human resource management (HRM) research and corporate finance research have, for the most part, developed along parallel but disconnected tracks. HRM scholarship has documented, at length, that systems of high-performance work practices — selective hiring, extensive training, performance-based pay, and employee involvement — are associated with lower turnover, higher productivity, and stronger corporate financial performance (Huselid, 1995). Finance scholarship, meanwhile, has traditionally treated the firm's workforce as an input cost rather than as a source of priced financial risk or return. Over the past decade and a half, however, an asset-pricing literature has emerged showing that employee satisfaction is not merely an HR outcome but a signal that equity markets appear to underprice, at least in the short run (Edmans, 2011), and that employee well-being is systematically related to firms' capital-structure choices and downside financial risk (Verwijmeren & Derwall, 2010).

The clearest evidence for this connection comes from studies of Fortune's 100 Best Companies to Work For list, compiled annually by Great Place To Work from large-scale, independently audited employee surveys. Edmans (2011) shows that a value-weighted portfolio of the 100 Best Companies earned a statistically significant four-factor alpha of 3.5% per year from 1984 to 2009, and 2.1% above industry benchmarks, even though the list has been public information throughout this period. Extending this line of work internationally, Edmans, Li, and Zhang (2014) show that the employee-satisfaction-return relationship is strongly conditioned by labor-market flexibility, holding in flexible labor markets such as the United States and United Kingdom but not in more rigid labor markets such as Germany. A parallel strand of research shows that the connection between employee treatment and firm financial outcomes is not confined to equity returns: firms with strong employee well-being track records operate with lower leverage and enjoy better credit ratings, consistent with employee goodwill functioning as insurance against the costs of financial distress (Verwijmeren & Derwall,

2010).

Despite this accumulating evidence, no integrative framework currently connects the human-capital and resource-based logic that explains why employee experience quality should matter for firm performance (Becker, 1964; Barney, 1991; Huselid, 1995) with the asset-pricing logic that explains why, and under what conditions, that quality shows up — often with a lag, and unevenly across countries and samples — in financial markets (Edmans, 2011; Edmans, Li, & Zhang, 2014; Verwijmeren & Derwall, 2010). This paper develops such a framework and asks two questions. First, through what mechanisms does employee experience quality translate into shareholder value and reduced financial risk, and why might markets be slow or uneven in recognizing it? Second, what can a small, transparent, real-data illustration — deliberately built to expose its own limitations — tell us about the plausibility and fragility of this relationship in the current market environment? To address these questions, Section 2 reviews the relevant theoretical foundations from HRM and finance. Section 3 problematizes why employee experience quality is a signal that markets appear to struggle to price efficiently. Section 4 presents the Human Capital–Firm Value Framework and six propositions. Section 5 reports an illustrative empirical analysis using the 2019–2021 stock performance of the publicly traded firms in the top ten of the 2020 Fortune 100 Best Companies to Work For list. Section 6 discusses theoretical and managerial/investor implications and boundary conditions, Section 7 sets out a future research agenda, and Section 8 concludes.

## **2. THEORETICAL BACKGROUND**

### ***2.1 Human Capital Theory and the Resource-Based View***

Becker (1964) established human capital theory, arguing that investments in employee skills, training, and development are economically analogous to investments in physical capital: they are costly, they depreciate, and they generate a stream of future returns to both the individual and the employing firm. Building on this foundation, the resource-based view of the firm argues that sustained competitive advantage arises from resources that are valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991). A firm's human capital — the skills, knowledge, relationships, and motivation embedded in its workforce — plausibly satisfies these conditions more fully than many physical assets, because it is difficult for competitors to observe, replicate, or purchase in intact form. Together, these two literatures supply the conceptual foundation for treating employee experience quality as a genuine economic asset rather than merely a cost center or a matter of managerial discretion.

### ***2.2 High-Performance Work Systems and Firm Financial Performance***

Huselid (1995) provides the foundational large-sample evidence connecting HRM practice to firm financial performance, showing, in a national sample of nearly one thousand firms, that systems of high-performance work practices — including selective staffing, incentive compensation, and employee participation — are associated with lower employee turnover, higher productivity, and superior short- and long-term corporate financial performance, including market value per employee. This body of work establishes that the quality of a firm's HRM system is not merely an internal operational matter but is measurably connected to firm-level financial outcomes that are, in principle, observable to outside investors.

### ***2.3 Signaling Theory and Information Asymmetry***

Spence's (1973) theory of market signaling explains how a costly, hard-to-fake action can credibly convey otherwise unobservable quality to an external audience facing information asymmetry. Applied to employee experience quality, independent, survey-based certifications — such as inclusion on Fortune's 100 Best Companies to Work For list, which is compiled from confidential surveys of millions of employees rather than from firm self-reports — plausibly function as such a signal: firms cannot simply declare themselves a great place to work, and the certification process imposes real costs and real risk of exclusion. Signaling theory therefore offers a reason why external stakeholders, including investors, might treat certified employee experience quality as more credible than uncertified claims about workplace culture.

### ***2.4 Employee Satisfaction and the Mispricing of Intangibles***

Edmans (2011) uses the 100 Best Companies to Work For list as an independently verified, publicly available measure of employee satisfaction and shows that a portfolio built from this list earned economically and statistically significant abnormal returns over a 26-year period, even though membership on the list has been

public information throughout. This finding is theoretically important because standard market-efficiency reasoning would predict that publicly available information should be reflected in prices essentially immediately; Edmans interprets the persistent abnormal return as evidence that markets do not fully value certain intangibles, either because investors are unaware of the benefits associated with employee satisfaction or because conventional valuation practice remains anchored to physical and financial assets rather than to workforce-related intangibles. Extending this logic across borders, Edmans, Li, and Zhang (2014) show that the employee-satisfaction-return relationship is not universal but is instead concentrated in countries with flexible labor markets, where satisfaction more directly translates into the recruitment, retention, and motivation advantages that ultimately drive superior financial performance.

### ***2.5 Employee Well-Being as a Downside-Risk Channel***

A separate but complementary strand of research examines employee treatment not as a driver of expected returns but as a determinant of firm-level financial risk. Verwijmeren and Derwall (2010) show that firms with strong employee well-being track records operate with significantly lower leverage and enjoy better credit ratings than otherwise similar firms, consistent with the idea that firms internalize the potential costs — to employees and to the firm's reputation and operations — of financial distress and bankruptcy, and that employee goodwill can function as a form of implicit insurance against these costs. This finding establishes that the human-capital-finance connection operates through at least two distinct channels: an upside, return-based channel emphasized by Edmans (2011), and a downside, risk-based channel emphasized by Verwijmeren and Derwall (2010) — a distinction that is carried forward into the framework developed in Section 4.

## **3. PROBLEMATIZATION: WHY EMPLOYEE EXPERIENCE QUALITY IS A SIGNAL MARKETS STRUGGLE TO PRICE**

The literature reviewed above raises a puzzle rather than resolving one. If employee experience quality is both a genuine economic asset (Becker, 1964; Barney, 1991) that is measurably linked to firm financial performance (Huselid, 1995), and if independent certification renders it a credible, hard-to-fake public signal (Spence, 1973), then standard finance theory implies that this information should be rapidly and fully reflected in share prices. Yet the empirical record shows the opposite: a multi-decade, statistically robust abnormal return to publicly certified employee satisfaction (Edmans, 2011), a return that itself depends on institutional context that most investors are unlikely to explicitly model (Edmans, Li, & Zhang, 2014), and a downside-risk benefit that operates largely outside standard equity-return-based analysis altogether (Verwijmeren & Derwall, 2010).

This paper argues that three factors jointly explain this pricing gap. First, a market attention constraint: financial analysts and investors devote the bulk of their analytical attention to financial-statement variables — earnings, cash flow, leverage — and to physical and financial capital, leaving comparatively little sustained attention for workforce-related intangibles even when these are publicly certified. Second, valuation-model anchoring: standard valuation techniques are built around tangible and financial assets and do not have a natural, agreed-upon mechanism for capitalizing human capital quality directly into a target price, so even attentive investors may lack a clear channel for translating an employee-satisfaction signal into a valuation adjustment. Third, heterogeneous realizability: because the financial benefit of employee experience quality depends on context — most clearly, on labor-market flexibility (Edmans, Li, & Zhang, 2014) — a single global signal (inclusion on a Best Companies list) maps onto different true economic values in different institutional settings, which likely slows and complicates its incorporation into a globally standardized asset-pricing framework. The next section formalizes these mechanisms into a testable set of constructs and propositions.

## **4. A HUMAN CAPITAL–FIRM VALUE FRAMEWORK**

The Human Capital–Firm Value Framework proposes that the financial consequences of employee experience quality are governed by five interacting constructs: employee experience quality itself, the visibility of that quality as an external signal, the attention constraints that limit how quickly markets impound the signal, the downside-risk channel through which employee treatment affects financial distress costs independently of expected returns, and the labor-market context that conditions how much economic value the underlying quality can realistically generate. Table 1 defines each construct together with its theoretical anchor and an illustrative indicator.

#### 4.1 Core Constructs

| Construct                         | Definition                                                                                                                                                                        | Theoretical Anchor            | Illustrative Indicator                                                   |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------|
| Employee Experience Quality (EEQ) | The underlying quality of a firm's human capital investment and treatment of employees, spanning pay, development, autonomy, and psychological safety.                            | Becker (1964); Huselid (1995) | Bundle of high-performance work practices; internal survey scores.       |
| Signal Visibility (SV)            | The extent to which EEQ is independently verified and publicly disseminated rather than known only to firm insiders.                                                              | Spence (1973)                 | Inclusion on an independently audited "Best Companies to Work For" list. |
| Market Attention Constraint (MAC) | The degree to which investor attention and valuation models are anchored to financial-statement data, limiting how quickly public non-financial signals are impounded into price. | Edmans (2011)                 | Analyst coverage focused on earnings rather than workforce metrics.      |
| Downside-Risk Channel (DRC)       | The extent to which employee goodwill functions as implicit insurance against distress-related costs, independent of any effect on expected returns.                              | Verwijmeren & Derwall (2010)  | Lower leverage ratios and better credit ratings among high-EEQ firms.    |
| Labor-Market Context (LMC)        | The flexibility of the national labor market in which a firm operates, shaping how much recruitment, retention, and motivation benefit EEQ can realistically deliver.             | Edmans, Li, & Zhang (2014)    | Country-level hiring/firing flexibility indices.                         |

Table 1. Core constructs of the Human Capital–Firm Value Framework.

These constructs operate jointly rather than independently. Employee experience quality is the underlying asset; signal visibility determines whether that asset is observable to outside capital markets at all; market attention constraints determine how quickly and completely an observable signal is impounded into price; the downside-risk channel operates as a parallel, return-independent pathway through which the same underlying quality affects firm value; and labor-market context scales the true economic magnitude of the signal, independent of how visible or quickly priced it is.

#### 4.2 Propositions

Building on this construct structure and the theoretical foundations in Section 2, the framework advances six propositions linking employee experience quality to shareholder value and financial risk. These propositions are summarized in Table 2 and elaborated below.

| Proposition | Statement                                                                                                                                                                                                                                                                                                                                           |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| P1          | Firms with higher employee experience quality (EEQ), certified through independent, verifiable third-party rankings, will exhibit higher long-run stock returns than otherwise similar firms, because certification functions as a costly, hard-to-fake signal (Spence, 1973) of underlying human capital investment (Becker, 1964; Huselid, 1995). |
| P2          | The positive EEQ-return relationship manifests gradually, as sustained abnormal returns over multi-year horizons, rather than immediately upon certification, because market attention constraints and reliance on traditional, physical-asset-based valuation models limit                                                                         |

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | how quickly intangible human capital signals are impounded into prices (Edmans, 2011).                                                                                                                                                                                                                                                                                                                                             |
| P3 | The EEQ-return relationship is moderated by labor-market flexibility, such that it is stronger where flexible hiring and firing regimes allow EEQ to translate more directly into recruitment, retention, and motivation benefits than in rigid labor markets (Edmans, Li, & Zhang, 2014).                                                                                                                                         |
| P4 | Independent of its effect on equity returns, EEQ is negatively associated with firm-level downside risk — leverage, credit risk, and bankruptcy probability — because employee goodwill functions as an implicit form of organizational insurance against distress-related costs (Verwijmeren & Derwall, 2010).                                                                                                                    |
| P5 | Portfolios of certified high-EEQ firms exhibit positive average excess returns relative to broad market benchmarks over long horizons, but this average is highly sensitive to sector and firm concentration in small samples, such that idiosyncratic, non-HR-related return drivers can dominate or obscure the EEQ signal within any short observation window.                                                                  |
| P6 | Because certification-based EEQ measures are voluntarily sought and awarded, the observed EEQ-return relationship is subject to selection on unobserved firm quality and potential reverse causality (profitable firms can better afford strong HR practices), such that it should be interpreted as an association consistent with, rather than conclusive proof of, a causal effect of employee experience on shareholder value. |

*Table 2. Propositions of the Human Capital–Firm Value Framework.*

Propositions 1 and 2 together formalize Edmans's (2011) central finding — a persistent, gradually realized abnormal return to certified employee satisfaction — as a signaling and attention-constraint mechanism rather than a purely empirical regularity. Proposition 3 imports the cross-country moderation documented by Edmans, Li, and Zhang (2014) into the framework's labor-market-context construct. Proposition 4 formalizes the distinct, risk-based channel identified by Verwijmeren and Derwall (2010), making explicit that the human-capital-finance connection need not operate solely through expected returns. Propositions 5 and 6 are deliberately cautionary: they anticipate, ahead of the empirical illustration in Section 5, that small-sample tests of the EEQ-return relationship are vulnerable to concentration risk and that even large-sample associations of the kind Edmans (2011) documents do not, by themselves, rule out selection or reverse causality.

## 5. AN ILLUSTRATIVE EMPIRICAL ANALYSIS: THE 2020 FORTUNE 100 BEST COMPANIES TO WORK FOR

Propositions 1, 2, and 5 imply that a portfolio of certified high-EEQ firms should, on average, outperform the broad market, but that this average is fragile in small samples. This section provides a transparent, real-data check of this implication using a recent Fortune 100 Best Companies to Work For list, deliberately choosing a small sample so that the exercise can illustrate both the plausibility and the limitations of the framework rather than serve as a definitive test of it.

### 5.1 Data and Method

Great Place To Work and Fortune announced the 2020 Fortune 100 Best Companies to Work For list on February 18, 2020, the 23rd annual edition of the list (Great Place To Work, 2020). Of the top ten ranked companies on this list, six are publicly traded and have continuous share-price histories: Hilton Worldwide Holdings (HLT, ranked #1), Cisco Systems (CSCO, #4), Workday (WDAY, #5), Salesforce (CRM, #6), Stryker (SYK, #8), and American Express (AXP, #9); Ultimate Software (#2), Wegmans Food Markets (#3), Edward Jones (#7), and Kimpton Hotels & Restaurants (#10) are privately held (or, in Ultimate Software's case, in the process of being taken private) and are excluded for lack of independent public share-price data. For each of the six companies, annual percentage changes in share price for calendar years 2019, 2020, and 2021 were obtained from Slickcharts (2022) for five companies and Macrotrends (2022) for American Express; these company-level series are price returns and are not adjusted for reinvested dividends. These were compared against the S&P 500 index's total return, including reinvested dividends, for the same three calendar years, as reported by Slickcharts (2022). An equal-weighted average annual return across the six companies was computed for each year.

## 5.2 Results

| Company (Ticker)                 | 2019      | 2020      | 2021      | 2020 Rank (Top 10) |
|----------------------------------|-----------|-----------|-----------|--------------------|
| Hilton Worldwide Holdings (HLT)  | 54.47%    | 0.32%     | 40.20%    | #1                 |
| Cisco Systems (CSCO)             | 10.69%    | -6.69%    | 41.61%    | #4                 |
| Workday (WDAY)                   | 2.99%     | 45.70%    | 14.01%    | #5                 |
| Salesforce (CRM)                 | 18.74%    | 36.82%    | 14.20%    | #6                 |
| Stryker (SYK)                    | 33.93%    | 16.72%    | 9.13%     | #8                 |
| American Express (AXP)           | 32.52%    | -1.14%    | 36.88%    | #9                 |
| Equal-weighted average (6 firms) | 25.56%    | 15.29%    | 26.01%    |                    |
| S&P 500 total return (benchmark) | 31.49%    | 18.40%    | 28.71%    |                    |
| Excess return, 6-firm portfolio  | -5.93 pts | -3.11 pts | -2.70 pts |                    |

*Table 3. Annual stock price change for the six publicly traded companies in the top ten of the 2020 Fortune 100 Best Companies to Work For list, 2019–2021, compared with S&P 500 total return. Company-level data (price returns, not dividend-adjusted): Slickcharts (2022) for HLT, CSCO, WDAY, CRM, and SYK; Macrotrends (2022) for AXP. S&P 500 total return: Slickcharts (2022). Portfolio averages and excess-return figures are calculated by the present author.*

The six-firm, equal-weighted portfolio underperformed the S&P 500 in all three years, by margins of 5.93, 3.11, and 2.70 percentage points respectively. This pattern runs counter to the long-run finding of Edmans (2011), whose 26-year, hundred-firm portfolio produced a statistically significant abnormal return, and illustrates directly the caution built into Propositions 5 and 6: a small, short-window sample of certified high-EEQ firms need not reproduce the large-sample premium in any given three-year period.

## 5.3 Interpretation in Light of the Framework

Three readings follow from this result. First, the underperformance is not obviously attributable to any single dominant constituent in the way a mega-cap outlier might distort a small equal-weighted portfolio; instead, it appears to reflect the fact that 2019–2021 was an unusually strong three-year stretch for the broad market as a whole — including the sharp 2020 recovery from the COVID-19 shock and the 2021 rally — against which even a set of well-regarded firms can look unremarkable on a simple, unadjusted basis. This is itself an illustration of Proposition 2's claim that the EEQ-return relationship is a gradual, multi-year phenomenon best detected over long horizons and, ideally, after adjusting for common risk factors, rather than a guarantee that a small sample of certified firms will beat the market in any particular window. Second, the consistent (if modest) underperformance across all three years, rather than a mixed pattern, is consistent with Proposition 6's caution that certification-based EEQ measures do not mechanically translate into short-run outperformance and that formal inference requires far more than three annual observations across six firms. Third, because this illustration examines only the return-based channel, it says nothing about the downside-risk channel emphasized in Proposition 4; it remains possible that these firms exhibited more favorable leverage or credit-risk outcomes over the same period even as their equity returns lagged the index, a possibility this paper's scope does not permit testing.

## 5.4 Limitations of This Illustration

This analysis is intentionally small and transparent, and its limitations should be stated plainly. The sample includes only six firms observed over three calendar years, far too few observations for meaningful statistical

significance testing; no attempt is made to risk-adjust returns using a factor model, in contrast to the four-factor alpha computed by Edmans (2011); the sample is not randomly drawn but consists of the top ten ranked, and therefore most visible and arguably most exceptional, firms on a single annual list, raising obvious survivorship and selection concerns; reverse causality cannot be ruled out, since financially successful firms may simply be better able to afford the pay, benefits, and stability that produce high employee satisfaction scores in the first place (a concern the framework's Proposition 6 explicitly anticipates); the company-level return series are not adjusted for dividends while the S&P 500 benchmark series is a dividend-reinvested total return, which biases the comparison somewhat against the company portfolio and means the true gap may be marginally smaller than reported; and the 2019–2021 window spans an unusually turbulent and then unusually strong market period (the COVID-19 shock and subsequent recovery) that may not be representative of typical market conditions. The exercise should therefore be read as an illustrative, transparency-first companion to the conceptual framework and to the much larger-sample evidence in Edmans (2011) and Edmans, Li, and Zhang (2014), not as an independent confirmatory test of the employee-experience-quality-and-shareholder-value relationship — and, in this instance, as a caution against over-reading even directionally plausible small-sample results.

## **6. DISCUSSION**

### ***6.1 Theoretical Contributions***

This paper makes three contributions. First, it bridges human resource management theory (Becker, 1964; Barney, 1991; Huselid, 1995) with asset-pricing and corporate-finance research on employee satisfaction and firm risk (Edmans, 2011; Edmans, Li, & Zhang, 2014; Verwijmeren & Derwall, 2010), which have rarely been integrated into a single explanatory framework despite their evident complementarity. Second, it explains the well-documented but theoretically under-specified puzzle of why a publicly certified, financially consequential signal like employee experience quality is priced gradually and unevenly rather than immediately, by identifying signal visibility, market attention constraints, and labor-market context as the specific mechanisms responsible. Third, it distinguishes an upside, return-based channel from a downside, risk-based channel through which employee treatment affects firm value, offering a more complete map of the human-capital-finance relationship than either channel considered alone.

### ***6.2 Managerial and Investor Implications***

For managers, the framework implies that investment in genuine employee experience quality is best understood as an investment in an economic asset whose financial payoff may be realized gradually and may be more reliably visible in reduced financial risk (lower leverage needs, better credit terms) than in short-run stock returns, particularly for firms in sectors subject to large, unrelated shocks. For investors and analysts, the framework suggests that independently certified workforce quality measures are a legitimate, if currently under-attended, category of information relevant to long-horizon valuation and credit risk assessment, but that any portfolio strategy built on such certifications should be diversified across sectors precisely because, as Section 5 illustrates, individual-firm and sector-specific shocks can otherwise swamp the underlying signal.

### ***6.3 Boundary Conditions and Limitations***

The framework's propositions are likely to be conditioned by several boundary factors beyond those already noted in Section 5.4. The strength of the EEQ-return relationship plausibly depends on the credibility and rigor of the certifying body, such that less rigorous or self-reported "best employer" rankings may not function as the same hard-to-fake signal as the confidentially surveyed Fortune list (Spence, 1973). The relationship is also likely to be time-varying, potentially weakening as awareness of the Edmans (2011) finding itself diffuses among institutional investors, a possibility the present framework does not formally model. Finally, the downside-risk channel (Verwijmeren & Derwall, 2010) may be more salient during periods of tight credit or economic stress than during periods of broad market strength; the 2019–2021 window examined in Section 5 spans both the acute 2020 credit-market disruption associated with COVID-19 and the strong 2021 recovery, meaning the present illustration's equity-return focus may understate the downside-risk channel's importance in the earlier part of the window.

## **7. FUTURE RESEARCH AGENDA**

Several research directions follow from the framework. Large-sample, factor-adjusted replications of Edmans (2011) using more recent Best Companies to Work For cohorts and updated asset-pricing factor models would

test whether the historical abnormal return documented through 2009 has persisted, weakened, or disappeared as awareness of the original finding has spread among institutional investors. Panel studies combining equity-return data with leverage, credit-rating, and bond-spread data would allow direct, joint tests of Propositions 1 through 5 across both the upside-return and downside-risk channels within the same sample of firms. Cross-country replications extending Edmans, Li, and Zhang (2014) to additional labor-market institutional settings would refine the boundary conditions of Proposition 3. Finally, research directly measuring investor and analyst attention to workforce-related disclosures — for example, through textual analysis of analyst reports or earnings-call transcripts — could test the market-attention-constraint mechanism proposed in Section 3 more directly than is possible using returns data alone.

## 8. CONCLUSION

Human resource management and corporate finance have documented, largely independently, that employee experience quality is linked to firm performance and that certified employee satisfaction is linked to shareholder returns and reduced financial risk. This paper has argued that these findings are best understood as parts of a single Human Capital–Firm Value Framework, in which employee experience quality functions as an economic asset whose visibility, pricing speed, risk implications, and realized value all depend on identifiable, theorized conditions rather than operating as a single, uniform effect. The paper's illustrative empirical analysis of the 2019–2021 stock performance of publicly traded Fortune 100 Best Companies to Work For shows a pattern that runs counter to the framework's return-based prediction in this particular window, transparently demonstrating how fragile such patterns can be in small, short-window samples relative to the much larger-sample evidence on which the framework primarily rests. By making both the promise and the fragility of this relationship explicit, the framework offers management and finance scholars an integrated research agenda and offers practitioners a more calibrated basis for treating employee experience as a genuine, if imperfectly and unevenly priced, source of shareholder value.

## REFERENCES

1. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
2. Becker, G. S. (1964). Human capital: A theoretical and empirical analysis, with special reference to education. Columbia University Press for the National Bureau of Economic Research.
3. Edmans, A. (2011). Does the stock market fully value intangibles? Employee satisfaction and equity prices. *Journal of Financial Economics*, 101(3), 621–640. <https://doi.org/10.1016/j.jfineco.2011.03.021>
4. Edmans, A., Li, L., & Zhang, C. (2014). Employee satisfaction, labor market flexibility, and stock returns around the world (NBER Working Paper No. 20300). National Bureau of Economic Research. <https://doi.org/10.3386/w20300>
5. Great Place To Work. (2020, February 18). Announcing the Fortune 100 Best Companies to Work For in 2020 [Press release]. BusinessWire. <https://www.businesswire.com/news/home/20200218005394/en/Announcing-the-Fortune-100-Best-Companies-to-Work-For-in-2020>
6. Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38(3), 635–672. <https://doi.org/10.2307/256741>
7. Macrotrends. (2022). American Express (AXP) historical annual stock price data [Data set]. <https://www.macrotrends.net>
8. Slickcharts. (2022). Historical annual stock returns by year for Hilton Worldwide Holdings (HLT), Cisco Systems (CSCO), Workday (WDAY), Salesforce (CRM), and Stryker (SYK) [Data set]. <https://www.slickcharts.com>; Slickcharts. (2022). S&P 500 total returns by year since 1926 [Data set]. <https://www.slickcharts.com/sp500/returns>
9. Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics*, 87(3), 355–374. <https://doi.org/10.2307/1882010>
10. Verwijmeren, P., & Derwall, J. (2010). Employee well-being, firm leverage, and bankruptcy risk. *Journal of Banking & Finance*, 34(5), 956–964. <https://doi.org/10.1016/j.jbankfin.2009.10.006>