



Episode 70 Show Notes: How to Achieve Competitive Advantage Through Workplace Culture & Engagement

How do you create a strong, engaging workplace culture that unlocks potential and inspires performance? Our guest this week explains that top workplaces outperform their peers by approximately 30% in total shareholder return. They attract, retain and motivate top talent.

Doug Claffey explains the four key drivers for creating a top workplace; what gets in the way of achieving culture change and engagement, and what to expect when embarking on a program. He offers the [Top Workplaces Evaluation](#) free to podcast subscribers.

Doug Claffey is a co-founder and the CEO of Energage, a company that combines employee surveys, research, insights, and guidance to help organizations realize their full potential and move the needle, from a good to a great top workplace. Previously, Doug was a true 'rocket scientist' and held leadership roles at Best Companies in the United Kingdom, GE, Analytical Graphics, and McKinsey & Co. He is a member of the Standards Advisory Committee of B Labs and the Advisory Board of Rapid Change, Inc.

Key Learnings From This Episode

- **How do you become a great place to work?** First, you need to create a great workplace culture, focusing on four imperatives: (1) **alignment** with where the company is going; (2) ensuring there is a sense of **connection** – a deep, emotional connection to the company; (3) creating a **coaching environment**; and (4) removing barriers that would otherwise impinge on **execution**. To get recognized as a Top Workplace®, you need to find an independent measurer of your culture.
- **Doug started his career in aerospace at GE**, but he felt like a small fish in a giant pond. He subsequently joined a 7-person aerospace start-up which grew to 150 people with \$20M in annual revenue. Doug realized his passion was not in aerospace, but in how people worked together. After working at McKinsey, he decided to focus on this true passion and founded Energage, whose mission it is to *make the world a better place to work together*.



- **Four Key Drivers.** With a focus on the four key drivers to creating a top workplace – Align, Connect, Coach and Perform – where would a leader start? Find out where you stand on each of these key drivers, perform a diagnostic, and then form a plan. Pick one to work on at a time.
- **About the Energage database** – The Energage team has surveyed 50,000 organizations over a 12-year span which included approximately 17M employees, producing about 500M data points on workplace culture. These identified 15 drivers of culture grouped into the four imperatives mentioned above. The team also identified 7 high-team factors around benefits, training, etc. Organizations participating in the survey can then benchmark their results against this massive database. Energage uses high stakes math, which is an approach to understanding survey data, determining where an organization is doing well versus where they need to focus their efforts.
- **What gets in the way of improvements? What are the obstacles? What can sabotage the efforts to change the culture?** **First**, survey math and the associated numbers can get in the way. The initial challenge is in presenting too many numbers – percentages, percentiles – which can paralyze a discussion. Drawn out debate, and even arguments may occur around trying to understand what the numbers mean. The more technical or financially literate the team, the worse it gets because they want to dive deeper into the numbers. Visualization can better tell the story. You want the discussions to focus on people and soft skills, not numbers.

Second, is defensiveness. It can be hard to hold up a mirror. Senior leaders try to find all the things wrong with the numbers and feedback (called ‘wrong spotting’ by Douglas Stone and Sheila Heen, from the Harvard Negotiation Project).



HR STUDIO PODCAST

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HR IS AT THE CENTER OF PEOPLE, CULTURE, ENGAGEMENT AND EMPLOYEE EXPERIENCE INITIATIVES, WHICH ARE ALL A SOURCE OF COMPETITIVE ADVANTAGE.



- **How do you ensure the team will be open to the feedback?** Start with 2 key people – the CEO (or leader of the organization) and the head of HR – the C-Suite and the People Suite. They care the most about their people. There are also usually a few individuals on the senior leadership team (i.e., COO, CFO, the head of a function) for whom the culture or people proposition is a passion.
- **How do you make the business case when meeting resistance from senior leaders?** (1) Start with the most senior person – the CEO or head of the division. There are leaders who have an emotional connection and who already buy into having a great culture. (2) You can make the intellectual argument (what will be the return on investment around culture? – what is the difference that culture can make?). Top workplaces outperform an average company by approximately 30% in total shareholder return. This is a combination of stock price and dividends, i.e., if you put \$100 in, over time, you will get a 30% higher return each year, on average, in top workplaces. (3) From an intuitive sense, you can take one group that is engaged and performing well, and then pair them up against another group where they are disengaged (i.e., cannot wait to leave work, aren't aligned, and don't feel a sense of connection), the second group is not going to perform very well. The discussion around business outcome and tying those to specific behavior and discretionary effort will typically drive the decision to invest.
- **Today's environment is much different from 12 years ago and during the great recession.** Prior to 2008, the pendulum had swung in the employees' direction. In 2008, the pendulum swung to the employer, and companies went in two different directions. Top Workplaces focused on taking care of their people. They knew their employees were feeling the pain and had to work harder to survive. To sustain the business, those companies focused on workplace culture and staying aligned during difficult times. The other companies took the approach of making employees feel like they were lucky to have a job – they were impersonal, and sometimes even crude. When things got better, employees in those companies looked and went elsewhere.
- **What changes have occurred in how senior executives view and leverage culture?** Businesses around the world are trying to find the next source of competitive advantage. There was a large quality movement in the late 80s and early 90s around Total Quality Management (TQM). There was then a big technology wave in the 90s, putting in place Enterprise Resource Planning (ERP) systems, followed by putting in Customer Relationship Management (CRM) systems (i.e., Salesforce) in the aughts (2000s). The next big movement is around people and culture as a source of sustainable, competitive advantage. This is very good news for Human Resources. HR did not have much of a role in TQM, ERP or CRM, however, they are at the center of people, culture, engagement, and the



employee experience initiatives that are front and center as a source of competitive advantage.

- **Ten years ago, people were trying to figure out how to hold on.** There were no holiday parties, people were taking pay cuts to save the business, and leadership bonuses were withdrawn. If you were on the ‘leaving’ side of the business, you were treated as humanely as the business could manage, and if you were on the ‘staying’ side of the business, you understood where the boundaries were, that you were important to the future of the business and that you were not at risk.
- **For about three years, there had been a focus on perks – ping pong tables, onsite daycare and free snacks.** There was a mentality of, ‘how can I buy engagement? How can I write a check to engage employees? But these were superficial perks seen in some great workplaces – not a driver of great culture. Over the last few years, companies are being intentional about culture in creating a competitive advantage. If you are not intentional about your culture, then it will be accidental, and you can become a victim of it. Also, you cannot hide a bad culture. Places like Glassdoor are shining a light on bad cultures. Top Workplaces and Great Places to Work are shining a light on great cultures.
- **Is it difficult to get on those top lists or is it more difficult to stay there?** Both are difficult. If you are an awful workplace, it is very difficult to become great. But over time, you can go from awful to good, to better, to great. Start out with understanding where you stand. The progress in every case is a journey that you take, getting better and better. You don’t go from awful to awesome in a year.
- **Does a momentum start to build, where people get energized as the workplace gets better and their scores start to reflect that?** There are several self-reinforcing loops: (1) inside the workplace, as people are energized and engaged in the work, it leads to success, which leads to more energizing and engagement; and (2) top workplaces tend to attract better talent and can be more selective about who they have on the team.
- **Can HR make a difference at the local level?** If you are an HRBP in a large company with responsibility for a division, department or business unit, you can make a difference.
- **How can HR move the needle?** Doug has offered the Top Workplaces Evaluation free to podcast subscribers. As long as you have 50 employees and can designate a sponsor, subscribers can go to the [Top Workplaces website to sign up](#).



Recommended Reading and References From this Episode

- [Energage Website](#)
- [Top Workplaces Website](#)
- [Harvard Negotiation Project](#)

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