UNLOCKING THE HIDDEN POWER
OF ENERGY **IN BUSINESS**

THE **ENERGY** EQUATION

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WILEY

Contents

Caption List

Preface

For several years now I've recognized that those of us working in companies, government agencies, and schools typically operate on a daily basis without direct visibility or awareness of large and important parts of our businesses. We make the best of this situation, but much is obscured from our view. As a result, common occurrences often go unexplained, including why some initiatives in business fail while others succeed, why some interactions create damaging animosity while others create productive harmony, and why some companies languish in their status quo while others reinvent themselves.

Yes, there have always been people willing to explain these things, but, for me, those explanations have been incomplete and overly focused on outcomes without explaining how and why things work, or don't work. The truth is that most of the time, we really don't know the details around why substantial business endeavors succeed any more than we know how or why they fail. Either way, our vision is obscured. We haven't been playing with a full deck, and many influential cards in the game have been out of sight and largely out of our awareness.

Challenged with this realization, my first journey was to figure out where and how to look for those missing cards and then use them to positively affect the outcome of the game. I discovered that the cards are different from business to business, much like organizational fingerprints, yet it is possible to follow the energy and discover the cards in any business. This path finding reveals a whole new world beneath the surface that provides deep insight into both problems and their solutions. With these revelations

in hand, my next endeavor was figuring out how to communicate to others what seemed at first to be a very intangible topic. Obviously, that has taken the form of this book, and I'm happy to say that the resulting models, methods, and tools are all quite tangible and usable.

A friend asked me, "Why do you want to just give away your secrets?" I replied that I want to start a bigger conversation. I really think the business world needs this right now. So I offer this book to you. May it help you and your business, now and into the future. As you experience *The Energy Equation* and manage the (previously) hidden energy of yourself and your business, I hope you find it immensely useful, take it to heart, and become part of the bigger conversation.

Greg Baker
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Chapter 1

The Dawn of a New Era in Business

In 2005 a friend showed me a book he had recently purchased called *The Hidden Messages in Water* by the renowned Japanese scientist Masaru Emoto. Using high-speed photography, Emoto discovered that crystals formed in frozen water reveal circumstances to which the water was exposed. For example, water from clear springs, when frozen, created beautiful, colorful, and complex snowflake patterns. Water that had been polluted formed incomplete, asymmetrical patterns with dull colors. Intrigued by this, Emoto took his research a step further by exposing water from pure springs to both positive and negative thoughts, words, and energy. For example, he wrapped pieces of paper with words on them around bottles of water and, following a period of exposure to the words, froze the water. Phrases like "Love and Gratitude" and "Thank You" had a positive effect on the water, producing beautiful, clearly formed crystals. Conversely, water samples exposed to words like "You fool!" and "You make me sick. I will kill you" formed no crystals at all. I was absolutely dumbfounded by these results. Although they made intuitive sense to me, it was striking to see the intangible effects of energy made tangible in a way that could not be denied or ignored. Emoto took his research into the realm of human interaction when he adopted a Japanese elementary school as his next test bed. He brought four samples of water from the same spring and instructed the children to treat each bottle differently.

To the first bottle they were to say "You're cute." To the second they were to say "You're beautiful." To the third they were to say "You fool." As for the fourth, they were told to completely ignore it. The children complied and the samples were then frozen. The first two—You're cute and You're Beautiful—produced amazingly beautiful crystals. The third—You fool—produced distorted crystals, and the fourth, which was ignored, produced the most distorted crystals of all. Now I was even more blown away as Emoto's research showed us a direct link between the actions and energies of people and their impact on water. Marveling at this documented evidence, all I could think about was how cavalier we as people have been about our own energy.

It was clear that energy, both positive and negative, was affecting the water on a molecular level. Emoto said it was all about vibration, a form of energy. Considering the fact that approximately 60% to 70% of the human body is water, he extrapolated that the energy around us and within us affects our health and well-being as well. Since I am a management consultant for organizations and businesses, I began to think about how energy plays out every day in the business arena. I wondered if I could somehow replicate Emoto's work and insights on energy flow within water to energy flow within organizations. Would it work, could I see it, understand its flow and effects, and change it if necessary? As doing so would be key to my success as a consultant and business owner, I applied myself with fervor.

When it comes to energy in our organizations, a big piece of the puzzle is making the invisible visible. We have seen examples of exactly how powerful and game changing such advancements can be. For example, on December 22, 1895, German physicist Wilhelm Roentgen, who is credited with the discovery of X rays, took an X-ray image of his wife's hand that showed a clear image of her bones as well as her wedding ring. Thus began the use of X-ray imaging in medicine—a way to see internal workings that could not be seen before. The practice of medicine evolved to incorporate this new field that we know today as radiology. Because physicians could quickly and noninvasively diagnose wounds and diseases, both their diagnoses and treatments were much more accurate and successful. In 1914 Marie Curie developed "radiological cars" to provide on-site X-ray imaging for wounded soldiers in World War I. This allowed battlefield surgeons to operate quickly and more accurately, saving thousands of lives that may have otherwise been lost. Looking back, one can imagine doctors' frustration before this imaging was available. There was a lot of poorly informed guesswork. The guesses

and subsequent treatments were often misguided, causing further harm to patients, wasted time and money, and sometimes even death.

Since the emergence of modern organizations, business leaders and managers have endured circumstances similar to those faced by physicians prior to the advent of radiology. To put this into perspective, we go back before the modern organization to the 18th century with the rise of the Industrial Revolution and the development of production methods that allowed organizations to grow and scale. The focus of this era was on *execution* of mass production. "The goal was to optimize the outputs that could be generated from a specific set of inputs" (Gunther McGrath 2014). By the early 1900s, Adam Smith's concepts on topics such as the division of labor, specialization, and economic productivity reinforced the principles of mass production, adding support at the macroeconomic level. Although this First Industrial Revolution wouldn't last forever, both businesses and industrial nations prospered.

Many of our traditional management practices developed during this era and reflect its transactional input/output orientation. Efficiency, lack of variation, consistency of production, and predictability were emphasized while people were essentially viewed as cogs in the machine. Work on the factory floor could be easily seen, and management of people was a relatively simple matter of job definition, visible performance monitoring, and reward and/or punishment. Given the nature of work, managers focused on monitoring inputs and outputs; they felt little need to consider the experience of people within the process. The traditional practices that emerged were effective as long as the work of people and companies was openly visible, transactional, and consistently driven from the top.

By the mid-1900s, however, the focus of organizations began to shift toward what Rita Gunther McGrath (2014), a professor at Columbia Business School and a globally recognized expert on strategy, called *expertise*. In 1957 Peter Drucker, often called the father of management science, famously coined the phrase "knowledge work" (Drucker 1957, 69). He later suggested that "the most valuable asset of a 21st-century institution, whether business or non-business, will be its knowledge workers and their productivity" (Drucker 1999, ebook location 1804). In this era value was increasingly created by workers' use of information, a mode of work that was difficult or impossible to monitor visibly. As knowledge work grew in the United States, more and more work became "invisible" to managers. This shift in the nature of work marked the birth of the modern organization, when knowledge

work began to grow and managers started to lose visibility into the internal workings of their businesses. Ultimately, knowledge work became pervasive and management visibility declined much further.

Today, our dilemmas go far beyond the simple opacity of knowledge work. The way people work with each other, and with technology, is undergoing a radical shift. Work has gone from organizationally defined and consistent to independently driven, networked, and self-adjusting. Whereas the work of mass production was designed to be static and predictable, work today incorporates tremendous variability and increasingly emphasizes personal and interpersonal human elements. How people interact and build business relationships is now center stage. How people experience their work and what they bring to the table personally has become a huge factor in determining work and business outcomes. Perhaps even Drucker couldn't have imagined the complexity of work today. Our dilemma is no longer limited to poor visibility; it has morphed into a severe limitation on our ability to understand and manage how things work in our businesses.

This dilemma exists because the way we manage our companies and people hasn't kept pace with the changes in the nature of work. That is why managers today face challenges similar to those faced by physicians prior to the development of radiology. Information about the internal workings of businesses is obscured and largely limited to what can be seen at the surface. In general, we see outcomes, good and bad, but too often we don't really understand why or how they came about. For example, a change initiative didn't stick. Most don't, actually, but why? Two managers and their departments are at odds with each other. Again, it happens all too often, but why? Everything just seems to take too long. Why? Business leaders and managers make do with largely uninformed views of how their businesses actually operate. They see outcomes, of course, and they also often see eruptions of conflict and breakdown. Most of this is surface-level diagnostics, or what I call surface-level management. Like their physician counterparts, well-meaning surface-level managers often misdiagnose, "solve" the wrong problems, fail to make the changes needed in their businesses, and sometimes even drive their businesses to the point of failure.

But what if leaders and managers had their version of radiology? What if they could see deeper into their organizations, understand their metabolisms with greater clarity, see how energy flows—or doesn't flow—see how things really work, accurately diagnose and solve problems, and bring about the

kind of sustainable changes their businesses need? Before we get into energy, how it works and flows in organizations, I want to highlight the current course of business, including the four relevant and rising trends that I see day in, day out in the organizations that I consult. This course of business leaves our organizations vulnerable, exposed, and unprepared for the future. And these circumstances will only get worse until we start to make some fundamental changes in how we manage ourselves and our businesses.

The Current Course of Business

I want to acknowledge the many positive developments, innovations, and inventions that can and do happen in business every day. Business is a powerful force. However, in spite of these accomplishments, our current course of business is being driven by four very difficult trends. While each of these trends has a negative effect on business, it is the collision of these trends, the hideous and forceful way they interact, that constitutes our primary threat. Here are the four trends in a nutshell.

1. There has been a significant rise in internal conflict due largely to . . .
2. Tremendous external pressure to change our business models and retool our people. Many managers are . . .
3. Poorly equipped to understand the necessary changes, much less effectively manage through the changes, leading to . . .
4. Increased employee disengagement, anxiety, and fear.

Let's look at these four trends and the ways they interact in more detail to understand why this is such a pivotal time and why we need a new approach.

Our Current Path of Conflict

About nine years ago I wrote an article called "Don't Throw People Under the Bus." I wrote it because more and more people in business were being sacrificed and betrayed for the sake of retribution or to gain a competitive advantage. This ugliness had become so common that it had been given a name. Bus throwing was on the rise at all levels of our businesses, and I

wanted to do something to help the problem. I was surprised by how much the article resonated with people and by the amount of online traffic it generated—and still generates to this day. But this popularity was also a disturbing indicator of just how prevalent conflict had become in our companies, government agencies, and educational institutions. I was coaching executives who were spending more time focusing inward, in an effort to survive brutal office politics, than they were spending on their jobs and customers. The frequency of people "bumping" (i.e., having interactions based in conflict) was on the rise as the pressure on businesses to fundamentally change major business processes from transactional assembly lines to collaborative efforts strained the skill sets of people who were much more comfortable with, and adept at, the old transactional methods. In addition, information overload and strained communications were exacerbating the problem.

In the years that have passed since I wrote the article, things have generally gotten worse. Conflict has become an epidemic, and it is by no means contained within the walls of our businesses. It has become a nagging part of customers' experience with many companies, no matter how much those companies try to hide it. Our traditional approaches are not solving this chronic problem, which is a growing cancer in our businesses. At a time when companies and agencies need to be more innovative, customer focused, effective, and capable of rapid ongoing transformation, they are distracted and lethargic from their own internal conflict.

The Change Dilemma

This distraction compromises our ability to change and adapt to an increasingly demanding business environment. Difficulty with change is not a new problem, of course, but it has been amplified in almost quantum proportions over the past 25 years. In the late 1980s, while working as a program manager at Science Applications International Corporation (SAIC), I read my first article on the top causes of change initiative failure. Since then I've read dozens if not hundreds of articles and books that each put forth their own list of reasons why roughly 70% of all change initiatives fail or significantly underperform. I have never been satisfied that these lists truly explained the problem; otherwise, we wouldn't be stuck at the 70% failure rate.

Meanwhile, advances in technology accelerate unabated, customers increasingly expect a good and more informed customer experience, and

the management of supply chains is more complex, geographically dispersed, and time-sensitive than ever. Most business environments today are in a near-constant state of flux where agility is a matter of survival. While many managers share a common notion about what business agility is (i.e., "We can change what we need to change quickly and with relative ease"), there is little if any agreement on how it works or how one achieves it.

We have struggled with change and business agility for years with no apparent improvement. This lack of improvement is especially painful now, when we need business agility more than ever. Our traditional approaches are not solving our chronic lack of business agility.

The Fourth Industrial Revolution

Adding pressure to an already pressurized business environment is our recent entry into what Klaus Schwab, executive chairman of the World Economic Forum, has called the "Fourth Industrial Revolution," the age of robots, artificial intelligence, and rapidly accelerating technology. In their 2018 *Harvard Business Review* article, "Why So Many High Profile Digital Transformations Fail," Thomas Davenport and George Westerman describe high-profile failures among blue-chip companies including GE, Nike, Lego, P&G, and Ford. Perhaps the most pertinent question is: "Why would we expect the success rate of these digital transformation initiatives to be any better than other change initiatives?" In fact, they aren't. But whether the initiatives succeed or fail, the drive to digitize and incorporate new technology and business models adds a whole new set of reasons why business agility is essential.

Then there is the other side of the Fourth Industrial Revolution, the part where jobs and people will be displaced by machines and software, and those who remain in the workforce will need to work more effectively with both machines and people. Such displacement has happened before, as it did when heavy farm equipment started performing much of what was historically done via manual farm labor. However, we had more time to adjust for that and other historical displacements, and such advancements tended to be industry specific. The Fourth Industrial Revolution is happening very quickly and will affect every industry. Many workers will be displaced, but what about those who remain? Ironically, the risk for them is underutilization of the human asset. That may sound counterintuitive, as humans are becoming virtually obsolete in several job areas. Nevertheless,

as many researchers suggest, we will still need humans in the workforce as this shift occurs. We just won't need them to do many of the things they have been doing. As people, we will be challenged to retool quickly and prepare for our uniquely human niche among technology. These challenges pose questions for all of us. What is the future role of people in business? What skill sets will be more important as this future unfolds?

In July 2016 ManpowerGroup commissioned a quantitative global study on the skills that would be needed in the new, more automated world. The resulting paper, "The Skills Revolution: Digitization and Why Skills and Talent Matter," states: "Creativity, emotional intelligence and cognitive flexibility are skills that will tap human potential and allow people to augment robots, rather than be replaced by them" (p. 5).

Other expert opinions are consistent with this finding. For example, Stuart Russell, professor of computer science at the University of California, Berkeley, and a member of the World Economic Forum's Council on the Future of Artificial Intelligence and Robotics, participated in a 2017 World Economic Forum podcast titled "A Glimpse into the Future: Widespread Artificial Intelligence." When asked about the future role and skill sets of people, Russell summed it up well when he said that people "will need to provide high-quality interpersonal services."

Interpersonal services are understood here to be uniquely human endeavors requiring skills such as creativity, emotional intelligence, and cognitive flexibility. They are uniquely human because they are not things that are easily programmable, if at all. They probably will never be truly replicated by technology. But what exactly are interpersonal services? Both words in the term are important. "Interpersonal" relates to relationships and communication among people. "Services" are about helping others and doing work. Put it together and we are doing helpful work by interacting with others in a human *collaboration*. Robots and artificial intelligence (AI) cannot do this well. Therefore, this collaboration will likely become our new human niche at work. This is where we as people will have the opportunity to bring the best of ourselves to work. The rest is subject to automation.

Fortunately for people who want to work and make a living, many jobs embed interpersonal services. For example, direct customer service, selling, working as part of a team, professional services, and a host of other jobs involve considerable interpersonal collaboration. The challenge will be for us to become better and better at providing interpersonal services

and interacting with coworkers. Automation without people will not be enough. We need people to do what is uniquely human while partnering with technology, not competing against it. People need to interact effectively with customers and coworkers in order to have good jobs in the future, and businesses need people with those skills to reduce conflict and to drive performance and adaptation within the changing business landscape.

While there will be a great deal of positive impact from advances in technology, this shift is happening at an alarming rate. It is underway and accelerating. To be successful in this new world, we need robots and AI, but we also need people working at their full potential. Business agility and the reduction of conflict both depend heavily on the actions of people.

Eroding Employee Engagement

The fourth trend, disengagement, results in part from the first three. According to an Aon Hewitt report, *2017 Trends in Global Employee Engagement*, employee engagement is low, and slight improvements between 2012 and 2015 started reversing in 2016. In 2017, just 24% of all employees were characterized as highly engaged and another 39% as moderately engaged. That leaves 37% with little engagement and a downward trend overall.

There are many reasons for disengagement: lack of job security, unrewarded and unreciprocated loyalty, the threat of outsourcing, employment instability caused by the explosion of the so-called gig economy, and the changing nature of employment structures. For example, Uber drivers are not "employees" of Uber. They do not receive benefits of any kind, and Uber executives refer to them as freelance "entrepreneurs." Why should employees feel engaged and invested in their organizations when the organizations are less invested in their employees? Employee engagement and investment is a two-way street.

But why is employee engagement important? The Aon Hewitt report defines employee engagement as "the level of an employee's psychological investment in their organization." It is essentially the state of an employee's relationship with the company. Going into the Fourth Industrial Revolution, businesses will depend on their employees to drive and embrace the needed changes. However, the less engaged the employees, the less willing

and interested they will be in that pursuit and in going the extra mile for their employers. And with trends like workplace conflict, human displacement, and change initiative failures, who can blame them? Our traditional approaches are only making this chronic problem worse.

The Collision of Trends

Each of these trends is unsettling, enough to keep business leaders and employees up at night. However, the problem gets far worse when we look at the collision between them. Taken together, these four trends—conflict, tremendous pressure to change our businesses and retool people in the Fourth Industrial Revolution, a poor ability to make those changes, and employees who need to help drive the change becoming increasingly disengaged—point to a large and widening gap between what we need and what we are able to do in our businesses. For example, at a time when we need people to focus more on interpersonal collaboration at work, conflict is pushing them in the opposite direction. This battle between conflict and interpersonal collaboration has to do with more than a skill gap. It also has to do with the *opportunity* and *motivation* to be collaborative. The structures and circumstances that exist in our businesses are detracting from and blocking collaborative behavior. In response, people may not see a strong "what's in it for me" and may actually feel that conflict is more advantageous than collaboration. Nevertheless, people pay a price in their performance, morale, and health when they work in an environment that is prone to conflict. This personal impact ultimately hurts the business as well. When conflict blocks collaboration, it perpetuates our poor ability to change and keeps us stuck. We are stuck in our conflict and traditional ways, which leaves us lacking in the ability to become agile, healthy organizations. In addition, this volatile and paralyzed status quo erodes employee engagement as people react to their environment with fear and frustration. In turn, this erosion further exacerbates the other three trends.

We can't ignore the essential role of people in business, now or in the future. AI is powerful, but it isn't going to run our companies or translate imagination into the next big business idea. It won't inspire people like other people can or ignite a co-creation that is far beyond the capability of any one individual. We are all being called upon to raise the bar on,

well, being uniquely human. But this self-perpetuating vicious cycle is keeping us stuck.

The Time Is Now

As an executive-level manager and consultant to dozens of major corporations, I've seen the carnage from these trends up front. I can tell you that it is newly and uniquely heartbreaking to me each time. The costs are not just to financial performance and the bottom line but to real humans struggling in the face of pressure to perform optimally in a continually changing and challenging business environment, and doing so without the support they need or the proper tools to improve their own performance. They go home at night exhausted, not from the work but from the fear and emotional drain. Many worry about their jobs and are compelled to spend large amounts of time at work watching their backs. This is especially common for the more senior managers and executives. Reputations and careers are damaged and even ruined by high-profile, politically charged conflicts. Many workers suffer from almost daily conflict bred by unfortunate and poorly designed organizational structures and operational mechanisms. In the more severe cases, it's as if people are rats in a cage, and the food provided isn't enough to feed them all. People are essentially forced to fight for their survival, and they often get very ugly in the process. For the most part, people and businesses don't intentionally cause this carnage. In fact, they are largely unaware of how and why all of this is happening in the first place.

Time is now short and the pressures to solve these problems are mounting. What we have been doing *is not working*. If we keep doing things the same way, we will remain stuck. Many people will be out of work, and many businesses will simply be unable to keep pace with the changes or adapt to new opportunities and business circumstances. We would be wise to do something now, and not wait. And if all of this isn't enough, there is the bigger world picture to consider. Business has been, and will remain, a major factor in the world at a time when we face serious challenges on Planet Earth. Much needs to happen to help our people, strengthen the world community, and protect our planet. Collectively, the business community can play a leadership role, or it can make the problems worse.

These problems are happening now. It's time to do something. It's time for a new era in business.

How Business Could Be

These trends create a frightening scenario, but it doesn't have to be that way. Fortunately, there is a way through this mess—a new approach that can be used to address these trends head on.

A Vision for the Future of Business

Imagine business where conflict, the damaging kind that takes away and contributes nothing, is more the exception than the rule. We would certainly have more time to focus on doing our work and serving our customers. Because people are involved, however, we can never expect to fully eliminate conflict. But what if there was a way to significantly reduce it by eliminating things that spawn it and creating work environments and circumstances that are more about contributing than getting, more about sharing than grasping, more about collaboration than competition? There *is* a way.

Imagine an organizational ability to change that requires less effort, encounters fewer obstacles, and typically results in the achievement of sustainable change in a fraction of the time it has historically taken to either succeed or fail. Imagine a future full of creativity and innovation where people and technology form a powerful partnership. People understand that when they work together and help each other, powerful things happen through their co-creations. AI becomes very intelligent and supports this process while taking on many of the routine tasks at work. Imagine a new norm where our working environments feel safe. Collaboration is natural, effective, and rewarding. People help each other succeed. Office politics begin to fade out of fashion in favor of a more harmonious transparency. Teams are vibrant. Developing people is a privilege. Revenue and profits increase. More jobs are created.

We can transform the workplace, generate prosperity, and set a positive and responsible example for the rest of the world. This is all very possible. It can happen if we start to look at structures, norms, activities, and people from a new perspective; build our businesses with this bigger picture in mind; and advance the way we work. We can start now, and change our course.

The Language of Energy

How do we change course from our current self-destructive path toward the healthy, productive, and prosperous vision of how it can be? How can you do this in your business right now? The answer is: *We can achieve this vision by unlocking the* energy *of our businesses.* Yes, energy is something we all feel and know about but don't really talk about as we sit around our conference room tables. Our business culture generally views this topic as off limits. People are afraid to bring it up for fear they will look like metaphysical fools and find themselves at a desk in the basement. But now it's time to talk about energy; our future depends on it. Doing so will allow us to look at and understand more deeply how our businesses and people operate and to solve real problems, not symptoms.

Most leaders and managers focus on managing business outcomes, which, while important, are only about *what* got accomplished. The limited information at the surface of a business is just the tip of the iceberg. It tells us very little about *how* the work got accomplished. By managing the energy of your business and yourself, you will not only have a much deeper visibility into how work gets done, you will have tremendous insight into how you can make the business work substantially better.

You may be thinking "I already spend a lot of time working to make things better in my business." Yes, I suspect you do. But without the benefits of managing energy, you're probably working at best just below the surface of the water that surrounds your "iceberg." This book will take you much deeper. It will help you see things you have never seen, and you may well do things you have never done. It's a whole new view of the world of work.

As leaders, managers, and employees, we are charged with making things happen. Sometimes our efforts and solutions work, and sometimes they don't turn out as planned. When they don't, we try to figure out what happened, and usually we have plenty of opinions on the matter from those around us. But often we are left with a gnawing feeling that we really don't know what happened, not with any real clarity. But here is the interesting thing about this dilemma. Even when things do work, we don't know why—with any real clarity—for the same reason we don't know why things didn't work. We lack visibility and deeper understanding. So it all becomes one big crapshoot with us blindfolded and one hand tied behind our backs. And we keep rolling the dice.

Much of what happens along the path of work is invisible yet essential to the accomplishment of desired outcomes and organizational change. We need the ability to understand where things are working and where they aren't. We need a tangible paradigm that can be used to evaluate, affect, and optimize this hidden path.

I've spent years contemplating what that paradigm would be, striving to connect my direct experience in business with some sort of systematic and repeatable approach that I could share with others. Finally it dawned on me. The conduct of work has a currency, just as the conduct of commerce has a currency. As it happens, energy is the currency of work, just as money is the currency of commerce. All currency flows. At certain points in that flow it accumulates, and at others it is depleted. Sometimes the changes are explosive, and at other times they are quite subtle and slow. These fluctuations and variations are indicative of what is happening along the way. Wouldn't fluctuations and variations in the currency of work, then, tell us about what is happening in the flow of that work? In fact, they do.

Energy is the currency of every kind of work, no matter how simple or complex. To introduce this new paradigm, let's look at a sports example before we head back into the world of business.

When I was in college, I rowed on the crew team. I mostly rowed in eights, which meant there were eight oarsmen in the boat. I occupied the stroke position at the front of the oarsmen, but since we traveled backward in crew, I was the last to cross the finish line. This also meant that the puddles generated by the other seven oars in the water floated by after every stroke. Actually, we flowed past the puddles as the boat moved, but the point is they were always on display. With some practice, you can tell a lot about the stroke of an oar by the puddle it leaves. For example, a well-executed hard pull leaves a large, well-shaped puddle with a "hole" in the middle. A light pull leaves a smaller puddle with less of a hole. When an oarsman has trouble getting the oar out of the water, the puddle is distorted. So by watching the puddles from my position as the stroke oarsman, I could tell a lot about how hard and effectively each member of the crew was rowing. This was important because crew is about synchronized movement with everyone pulling their weight. If we got out of sync and I saw or felt the problem before the coxswain did, I would tell the coxswain, who sat right in front of me facing the crew, and he would shout out the feedback to the particular oarsman. As the oarsman responded, we usually got back in sync.

But it didn't stop at puddles. There were other indicators. For example, there is a physical phenomenon that strokes experience when the rowers behind them rush their slides. Rowers sit on a seat that slides backward as they take a stroke and forward as they then recover. To be in sync, everybody has to go back at the same speed and then go forward at the same speed. Sometimes less experienced crews have a tendency to go forward faster than they should, which is called rushing their slides. That means they are out of sync with the stroke, who sets the pace. The physical effect that slide rushing has on the boat makes it very difficult for the stroke to recover and move up his slide. It also slows down the boat. When this happened, at times I felt like I was expending as much energy recovering from my stroke as I did making it. Not good. And then there were the great moments in crew when everything and everybody was in sync. We called it swing. It was amazing. The boat would start to hydroplane on the water, and you could hear bubbles flowing under the hull. We were no longer eight oarsman and a coxswain. We were a single, harmonious unit.

What does this story have to do with energy as the currency of work? Rowing a boat is a form of work. The better that work flows, the faster the boat goes. Every oarsman contributes to the work by generating energy that helps move the boat forward. But we can also see that when the oarsmen were not in alignment, energy was created that actually slowed the boat down. This negative energy counteracted some of the positive energy, and the net effect was that the boat slowed down. This example illustrates that the "currency" of the work involved in rowing the boat, (i.e., the ultimate variable that determines how fast the boat goes from the starting line to the finish line) is energy. An equally important point from the story is the existence of the *indicators*—the puddles, the slides, and the bubbles. Each one provided important information about the energy in the boat. Some indicated problems that generated negative energy, and some indicated a glorious work effort.

All of these characteristics of energy translate to the world of business and organization management. The work and the indicators are different, of course, but the same principles apply. When we learn to identify and pay attention to the indicators of energy, we gain deep insights into work and how to optimize it. Since energy is invisible to most people, we need indicators to make the energy visible. Things like high performance, low performance, resistance to change, and chronic conflict are examples of the many

indicators that manifest in organizations. But as in crew, in management we need a context to make sense of the indicators and understand what they are telling us. In the crew example, the context includes the work goal (moving the boat quickly), the work itself (rowing), and the involved assets (boat, oars, seats, and people). Understanding this context gives meaning to the indicators—puddles, rushing seats, and bubbles—and allows us to "see" the energy dynamics of the crew and take actions to optimize it. In business management, the context has similar characteristics to those in crew but different specifics. For example, there are work goals (e.g., a project goal), the work itself (e.g., the work of the project), and the involved assets. The assets involved in a particular context may include business elements, such as organizational structure, role definitions, business processes, systems, incentives, and the people involved in the project as team members, stakeholders, users, customers, and so on. Every work stream, from the smallest individual work effort to the largest business function, has its own context and set of involved assets. Within that context, the involved assets collectively affect the energy of the work stream, positively and/or negatively. In the work streams, what we are striving for is the business version of swing, where all the involved people and elements are aligned in their energies, which are aligned to the goal of the work. In diagnosing problems, we are looking for misalignments, because misalignments always create negative energy. In crew, these are things like a misalignment of effort among the oarsmen, misalignment in the speed with which oarsmen move up their slides, and misalignment in the timing of the oars as they enter the water for a stroke. All of these things create negative energy that slows the boat down. Once they are recognized, all of them can be corrected to optimize the performance of the crew and the speed of the boat. In business, misalignments occur at all levels. At the enterprise level, they are caused by flaws or insufficiencies in the design of enterprise elements (e.g., organizational structure, systems, business processes, departmental role definitions, incentive structures, etc.). They also occur within groups or teams due to differences in goals and agendas, variations in work effort and approach, differences in capability levels among involved people, among others. And they occur within individuals themselves in their performance of work due to misalignments of intellectual, emotional, and capability factors with what they are being asked to do and/or how they are being asked to do it. As in crew, all of these misalignments create negative energy that works against the positive energy

of the work effort. By recognizing and addressing these misalignments, we maximize alignment among the players in the work stream and optimize the work outcome.

How do we go about building alignment among the players in a work stream? To begin with, we need to recognize that energy is a very real thing. In the world of physics, energy is defined as *the capacity of a physical system to perform work*. That definition carries easily into the world of business, where the "physical system" is a company, agency, or educational institution. Its level of energy, which is determined by the success of its collective work streams, determines its current capacity to perform work. During any given time period, the trick is to generate more energy than is used in the performance of the work. For any business, the greater the net gain in energy, the more successful it will be.

For the purposes of this book we recognize two kinds of energy:

1. **Positive energy** is the type of energy just discussed. It gives a business its capacity to perform work, which ultimately includes the production of products and the provision of services. Businesses receive money for their products and services, which injects positive energy back into the systems.
2. **Negative energy** opposes and/or wastes positive energy, which takes away from the ability of a business to perform work. Conflict is the most common manifestation of negative energy. It is extremely wasteful, and it produces its own collateral negative energy that affects the ability of people to perform work. It damages and erodes assets like products (quality and value) and people (health and engagement). Think of negative energy as positive energy that has gone to the dark side.

Every business creates both positive and negative energy. Creating positive energy and avoiding the creation of negative energy should be the primary goal. Companies are systems. At any given moment they are throwing off some amount of positive energy and some amount of negative energy. The net of those two energies is either positive or negative. Where the needle points at any given time is like a barometer of the current state of the business. The cumulative total of these energy readings over a period of time, say three months or a year, determines the overall health of the business. And yes, overall health determines top- and bottom-line performance.

Positive energy drives successful business. It translates into money and many other benefits and valuable outcomes for our customers, employees, stakeholders, and stockholders. The root of business is not about money. It's about positive energy. Money is a by-product. If you want financial success, manage the energy.

Both positive and negative energy affect people. In business, people make products and provide services. How well and how efficiently that happens has everything to do with the energy they generate and the energy around them. People's energy, influenced by the environment they work in, affects what people bring to the table every morning, how they work, and what they pay attention to. At the macro level, the collective energy of a business drives social norms, company culture, and the relationship between the business and the rest of the world. If we are to advance the way we work, we must manage the energy of our businesses. Only then will we finally have the clarity to understand how things work, what gets in the way, and what it takes to more consistently achieve good outcomes. This book delves into how energy is at work in our businesses and how we can optimize its positive impact while avoiding many of its damaging manifestations. In this book you will learn to recognize, "see," understand, and manage energy as effectively as you see and manage visible things (e.g., processes, financials, etc.). Energy is just as tangible and manageable as what you currently see. Through a host of real-world stories and examples, you will discover a new power and set of tools to transform your own business, how you work, and how you work with others.

Challenging Traditional Business Norms

Our traditional business norms don't incorporate the concept of managing energy. "Energy" is not on our radar screen. Instead, we focus on trying to manage things that we can see directly. As a result, we often unknowingly attempt to improve outcomes with what seem like obvious traditional solutions. Unfortunately, these business norms are frequently more akin to bandages or miss the boat entirely. Here is a common example I have seen in several companies.

A company experiencing significant internal conflict is becoming increasingly concerned about its ability to serve its customers and provide a good customer experience. Reports about employees handling customer

interactions and relationships poorly are quite common, and customer satisfaction ratings are alarmingly low. Consequently, company leaders decide to put every customer-facing employee through customer service training. This traditional strategy is based on the notion that if leaders can change the part of the company that the customers see and "touch," they can create a positive customer experience.

That sounds logical! All of the conflict and negative energy generated within the company will be nicely hidden away by the bandage wrapped around the company. But the problem is that the bandage soon falls off, exposing, in this case, the ugly conflict and energy. There goes the positive customer experience. The training has little sustainable impact on customer focus because the factors causing internal conflict continue to impact people on the front lines, robbing their attention and energy, eroding cooperative efforts to serve customers, and pushing workers into a conflict mode. This is the irony of achieving customer focus. You must first look inward and get your house in order before you can effectively focus outward. But that irony is not obvious from a surface-level view and actually seems counterintuitive. When we don't look at problems through the lens of energy, we often don't understand them, and we certainly don't solve them.

The good news is that we don't have to stay stuck where we are. When we learn to look at our businesses as energy systems, we shift our focus and attention from symptoms to root causes. This helps us see business norms and "obvious solutions" for what they are—often temporary bandages—and instead focus on applying solutions that heal the real problems.

This book is about teaching people to apply this new approach and to leverage the internal workings of their businesses to achieve external success in the marketplace.

Understanding Business Through the Lens of Energy

To understand and manage energy in business we must first recognize what I call the *Energy Equation*. Fundamentally, this equation is like any other. An equation is a statement that asserts the equality of two expressions. The two expressions, of course, have an equals sign between them. In business, the left expression has to do with how the business, team, or person is expressing itself or will be expressing itself once we make improvements.

The right expression is the business outcome. So, looking forward, if we have a particular outcome in mind, we can affect the way the business/team/person is expressing itself to optimize the likelihood of achieving that desired outcome. Similarly, the Energy Equation helps us understand why things are the way they are (i.e., why we are getting the current outcome). Specifically, the current situation/outcome is a result of how the business and people are expressing themselves and the net effect that has on the energy within the context of the activity and goal. Understanding the equation gives us insight into how to help improve that expression (for existing activities and operations) or design it well (for new activities and operations). All of this optimizes our outcome.

To be clear, this book does not offer the perfect equation or methods to accurately measure and quantify every aspect of energy flowing through the business landscape. Perhaps that is somewhere in our future. Nevertheless, this book does offer the ability to more clearly understand the elements involved in a current "expression," the relationships between those elements, how all of that affects energy, and how that energy determines the outcome. Energy ties together and helps explain what we can see and hear. More important, however, energy gives life, direction, magnitude, and a deeper understanding to the patterns that emerge. These patterns provide a much deeper and more insightful view into the business.

Given this more informed view, the Energy Equation begins to look like the business version of the X-ray machine that could fundamentally change the way we operate in business. By identifying where energy is being wasted (e.g., through conflict or misalignment) or poorly used, we can unlock the "hidden" energy and apply it toward a positive outcome. As you will see in the chapters ahead, doing this has far-reaching implications for business and the people in it. Now let's dive in to how energy works in business.

Energy Only **Seems** *Hidden*

You may ask, "How do we look at and talk about energy when it seems hidden?" You would be right that it *has* largely been hidden from our collective awareness. As long as that is the case, we can't talk about it. I once heard some words from a wise man that seem to capture our circumstance while reminding us that there is more to this world than meets the eye:

> There are more things in this world that are unseen and unknown than things that are seen and known. Things that are unseen and unknown remain unseen and unknown, until they become seen and known.

A goal of this book is to help make energy, as it pertains to business affairs, "seen" and known. While the energy itself will remain invisible for now, at least to most people, it can be seen and managed based on its direct effects on other things—like people, performance, and money. In that way, "seeing" energy is like discovering a new planet. Historically, scientists have detected the existence of new planets and their approximate size by observing the gravitational effects on other nearby planets. It wasn't until later that they actually saw the new planets. So, for now, we don't have to literally see energy to know it is there, to manage it, and to understand its power.

How We "See" Energy and Understand Its Messages

Now let's start our journey from the somewhat esoteric concept of managing energy to the very tangible ways in which it can be done. Along the way you will learn how energy works so that you can confidently incorporate strategies and methods for managing it in your business and work.

Seeing and managing the energy of a business often requires finding the triggers of negative energy and converting them to triggers of positive energy. A central theme is that people's negative *behaviors* are usually the *result* of triggered negative energy, but the *trigger* of that negative energy is usually a *misalignment*. Said another way, the people's negative behaviors are visible, just like distorted puddles in the crew example were visible. They are visible indicators of problems. But the triggers of those negative energies are misalignments, which we cannot see directly. That's why businesses so often make the mistake of treating behaviors instead of solving underlying problems (i.e., misalignments). These misalignments come in several forms. I will address one of the big and most pervasive forms first.

Early in my career, a very experienced organizational consultant shared with me a "consultant's secret." I listened eagerly as he spoke these words: "If you want to know how a business works, follow the money. If you want to know where and how a business is broken, find the places where control and responsibility are out of alignment."

Little did I know the powerful effect these words would have on me, my career, and the many businesses I have helped. These words have proven to be more than true. It turns out they provide a doorway into the management of energy in business.

Let's dissect these words a little bit to see why this is the case. The first part of the statement has to do with how things work. Things can work well, and things can work poorly. The phrase "how things work" does not imply one or the other; it simply means that money makes things happen. Money itself is a form of energy. It's like the blood that flows through our bodies bringing oxygen, water, and nutrients to the various organs and functions at work within us. Everywhere the blood flows, something is given the fuel (i.e., energy) it needs to "work." It may work well, or it may work poorly, but it "works." In a business, the flow of money can be healthy, and it can be dysfunctional. Since a business is never a perfect thing, most businesses have both healthy and dysfunctional aspects in their flow of money. The trick is to fuel the right things—positive, healthy business functions—and to make sure that unhealthy functions are remade to become healthy.

How do we know a positive, healthy business function when we see it? That takes us to the second part of the statement: "If you want to know where and how a business is broken, find the places where control and responsibility are out of alignment." It follows that when control and responsibility are *in* alignment, you have a healthy business function.

But why is this alignment so important? Because it is fundamental to the successful performance of work. Alignment facilitates the performance of work. Misalignment breeds conflict and opposes the performance of work. On a more personal level, people want to be successful in their work, but if they are given a job without sufficient control over the work or adequate resources to accomplish it, their chances of success are greatly compromised. People naturally react to this responsibility without control in many different ways, and none of them is good. Their concern is that they will "fail" and be held accountable, perhaps even be fired. And they get angry because the situation is so unfair!

The main point is that when people are exposed to situations where they have responsibility without sufficient control (i.e., misalignment), especially in social organizations like businesses, they have negative human reactions that produce negative energy, which hurts the business and the flow of work. By watching these negative human reactions, you can get a sense

of the negative energy behind them. And by working backward toward the source of the problem, you can usually spot the misalignment that is triggering the reaction. After many years of following negative energy toward the source of the problem, I am still amazed at how well it works, and how most problems of this nature are caused by the misalignment of responsibility and control. What's more, this approach gives us an indirect yet powerful view of negative energy at work in our businesses.

Consider an example of a broken business function and how it relates to energy.

A Broken Business Function

A scientific instrument company, which we will call Alchemy Instruments, manufactures and sells high-end electronic equipment to business clients across North America. It recently reorganized its sales force into two groups. The Product Group is organized around the company's product lines, with subgroups for each line. Those assigned to a subgroup are required to have deep knowledge and expertise in their product lines. They are instructed to sell their products to any potential client in the United States. The Regional Group is divided by sales regions in North America. There are six regions, and each region has an assigned subgroup within the Regional Group. Those assigned to a subgroup are required to have at least a general understanding of all products and product lines. They are instructed to sell all of the company's products within their regions.

During the reorganization, the senior VP of sales at Alchemy Instruments verbally encouraged sales staff in each group to work cooperatively with staff from the other group, as both groups "have something different to offer." Staff members in the Product Group bring a deep knowledge of the products, while staff members in the Regional Group have deeper knowledge of, and relationships with, clients in their regions. Soon after the reorganization, problems in the field began to surface.

A member of the Product Group and a member of the Regional Group discovered that they were both calling on the same client. Since both were compensated with a commission for every sale they made, they both felt they should "own" the sale. Neither one of them backed down, and a nasty argument broke out. The potential client became aware of the argument

and fired them both, deciding that it was just too difficult to do business with Alchemy Instruments. Other similar incidents like this followed.

A member of the Regional Group was trying to sell a product to a client in her region. Because the product was quite complex, she asked a peer from the Product Group for help with the sale and scheduled a time for the two of them to meet with the client. The day of the meeting came and the Product Group salesperson was a no-show. The meeting was canceled. When asked later why he didn't show up, the Product Group salesperson said that something else came up that could lead to his own sale, and since he wouldn't get a commission for helping his peer, he opted to pursue his own sale instead of helping her. This deeply angered the Regional Group salesperson, who ultimately lost the sale, and a good client. Furthermore, she and many others began to view the senior VP's words about cooperation as hollow.

The VPs of the Alchemy Instruments Product and Regional Sales Groups, who both had group sales quotas to achieve, began to view each other as competition. A sale made by the "other guy's team" was considered a lost sale. Neither VP was coming close to hitting sales numbers, which polarized the VPs and their groups. Before long there was a whole lot of daily chatter among the sales staff about how to outdo the other group, gain an advantage, and even sabotage the other group's success. Sales staff was spending less time on selling and spending more time on competitive tactics—with those in their own company.

There was a general recognition that the groups needed each other to sell well, but their increasingly competitive relationship became a barrier to cooperation. Each VP spent hours in the SVP's office complaining about the other group and making a case for being in charge of both groups. Soon there was a flurry of gossip and speculation across both groups about who would win the battle. To the SVP, it seemed clear that these two managers could not work together, and he would have to remove one of them. He did so, and the "winning manager" celebrated victory.

A few months later, though, the winning manager was far from celebrating. Although everyone was under his umbrella, the same problems were still occurring, and now they were all his problems. The SVP fired him for his failure to bring the two groups together and took direct control of both groups. Months later, the SVP's efforts had been no more successful, and his own job was on the line.

Now let's analyze how this sales function at Alchemy Instruments is broken. Where are control and responsibility out of alignment? The answer is that both the Product and Regional Groups, and their staffs, had *responsibility* for selling and were given quotas for how much they had to sell. However, neither group had *control* over all of the resources required to sell effectively. Client knowledge and relationships, as well as deep product knowledge, were all required to be effective. This misalignment of control and responsibility spawned layer after layer of conflict and negative energy—in the field, between the VPs and their groups, and with clients who were unhappy about their customer experiences with Alchemy Instruments. When you look at this common example from the lens of energy management, you realize just how much conflict and negative energy is being generated, on an ongoing basis, from this basic misalignment of control and responsibility.

As designed, the sales department is an ongoing drain on the "positive energy bank account" at Alchemy Instruments. This is an unhealthy business function that needs to be fixed. But the larger concern is that this type of problem rages on in many businesses.

How Companies Miss the Target

Faced with this unhealthy business function, which is quite common, companies often don't understand or fix the problem because they don't look at the negative energy and trace it back to its trigger—the misalignment of control and responsibility. In this example, the SVP made a very common error. He viewed the problem as one of leadership among his VPs and tried to solve it by making staffing changes. He fired one VP and consolidated the groups under the other VP. When that didn't work, he made another staffing change by firing the other VP and taking direct control. And that didn't solve the problem either. It's easy to see how leaders fall prey to the temptation to blame, fire, and be done with it. First, their solution seems to make logical sense, and, generally speaking, no one challenges them on it. Second, by making these abrupt staffing moves, they are seen as bold and decisive leaders. Third, this type of solution is relatively easy and painless for leaders. With such temptation, it's no wonder the blame and fire routine is common. Unfortunately for all, it doesn't solve anything. As the saying goes,

it's like rearranging deck chairs on the *Titanic*. This is a classic example of treating the surface-level *symptoms*—people who are not getting along.

By tracing the human conflicts and the associated negative energy back to its source, the misalignment of control and responsibility, we can clearly see that control and responsibility must be in balance *during every sale*. To make that work, there must be processes, protocols, clearly defined roles, and appropriate incentives. The shift has to be from individuals selling products to teams selling products and solutions. The issue becomes more of an operational problem than a staffing one. To solve the operational problem, the involved operational elements will need to be redesigned and implemented, along with a few adjustments to departmental missions at the organizational level, personal and team incentives, and some training on how all of this is going to work. We'll get into the details later on in the book.

The business world is full of examples where people treat surface-level symptoms, yet their misinformed actions usually go unidentified and unchallenged. Their well-meaning solutions seem like good ideas at the time. However, left unaddressed, the conflict and the negative energy remain. And the so-called solutions that people assume are correct add another layer of destruction on top of an already difficult situation. There is some good news, however. Instead of just hating the conflict and negative energy, we can use them as fingers pointing to the real problems—and the real solutions.

Misalignment Can Be Everywhere

In any given business, where do those "fingers" point? Where in the business is there misalignment that triggers negative energy? The answer is that misalignment in our businesses can be found virtually everywhere, including organizational structures, operational processes and systems, role definitions and authorities, the way decisions are made, and, last but not least, the way people work and interact.

Wherever misalignment is found, it almost always results in conflict among people. It is the conflict among people that ultimately creates the negative energy in a business. Let's look deeper into that conflict.