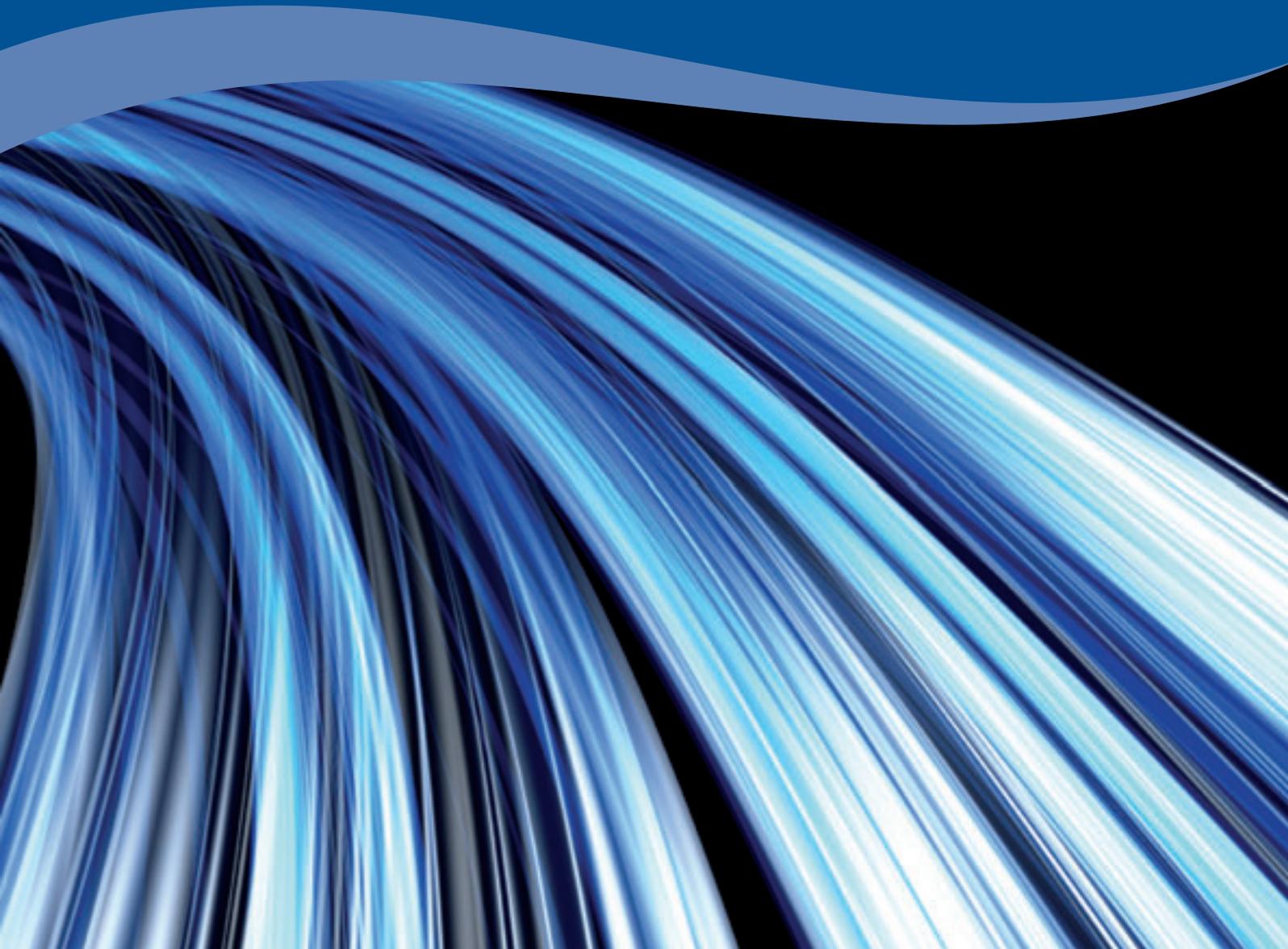**HENLEY**
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White Paper

Leadership to boost your organisation's energy and performance

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Introduction

Take a moment, lean back, and imagine two different scenarios that you might be all too familiar with in your organisation:

A troubling scenario. Imagine a period in your organisation where teams and employees were detached, doing 9to5 and no more. Or business units that were burned out after several mediocre change initiatives, where infighting dominated and management meetings were toxic. And, if you are honest, sometimes you were surprised that your organisation was still delivering a service or product up to the expectation of any customer.

A flourishing scenario. Now think back to a period in your organisation where there was a real buzz, people were excited about the challenges, they were successfully pursuing ideas and opportunities beyond their typical range of activities. Leaders and employees went out of their way to get things done for the shared purpose. The organisation or team was collectively on a high.

After that little exercise some conclusions may stick with you:

- We can quickly see these experiences of collective energy in our organisations. Organisational energy is very evident in our business life.

- While we immediately relate at a gut level to energy and its leadership implications, we may lack a shared language to express, assess and lead energy.

- Energy is no longer only about the individual employee and his or her high or low engagement. Instead we need to think about the positive or negative energy of the whole organisation, business unit or change project.

- The organisation's energy is linked to phases of high performance.

- Executives can do something about their organisation's or unit's energy.

We[1] have researched and engaged in practice for close to ten years exactly around these challenges and how to help organisations to work with their energy. Most leaders and leadership teams have experienced the ebb and flow of different states of energy in their organisations. This energy belongs to the intangible but very powerful, so-called soft factors of human potential that lie at the core of a company's performance. We call this phenomenon 'organisational energy'. Organisational energy is the force with which a company (or division or team) works (*Bruch & Ghoshal, 2004; Bruch & Vogel, 2011*). We have learned that energy is 'the fuel that makes great organisations run,' (*Dutton, 2003, p. 7*) and therefore a company's energy is a cornerstone to people's effectiveness and deeply linked to several facets of performance (*Bruch & Vogel, 2011; Cross, Baker, & Parker, 2003; Vogel & Bruch, in press*). And organisational energy is measurable, and therefore manageable.

[1.] Together with Heike Bruch, professor and director at the Institute for Leadership and Human Resource Management, University of St. Gallen, the author conducted research on organisational energy for over ten years at the University of St. Gallen and later at the Henley Business School. The research included quantitative large scale surveys in various international companies, case study work in global companies, and numerous workshops with senior management teams.

Most insights presented in this paper stem from the book. Fully charged: How great leaders boost their organization's energy and ignite high performance. Bruch, H. & Vogel, B. (2011) Boston: Harvard Business Review Press

As a consequence, organisations, their leaders and people at all levels face a crucial leadership challenge: they need to understand, boost and maintain the energy in their organisation, unit or team so that people are fully charged: positively energised around the business goals.

What is organisational energy?

Business thinkers suggest organisations should 'mobilise' and executives explain that they are trying to 'activate' their companies. But what they actually mean by mobilising or activating – or similar such terms – remains blurry. In our experience they are alluding to the soft factor of organisational energy. We define organisational energy as the extent to which an organisation (or division or team) has mobilised its emotional, cognitive, and behavioural potential to pursue its goals (*Bruch & Ghoshal, 2004; Bruch & Vogel, 2011*).

There are three components of organisational energy.

Organisational energy comprises the organisations' activated emotional, cognitive and behavioural potential exemplified by shared enthusiasms, cognitive alertness in the company or collective effort in shared initiatives – or the lack thereof.

Organisational energy is collective energy.

It comprises the activated collective human potential of a company. Energy considers the dynamics and interactions amongst people, the contagion and infection of emotion among people in the organisation. People become more in sync, share the same energy on a more intense level – positive and negative!

Energy is malleable.

Organisational energy reflects the current state of energy activation in a company. The organisation's energy can change quickly due to the actions of executives or changes in the context of an organisation for example.

How does organisational energy appear in your organisation? The four energy states

At the heart of our work lies a framework we call the energy matrix (*Bruch & Ghoshal 2004; Bruch & Vogel, 2011*). Working with the energy matrix helps leaders to describe and get a grip of the energy state of their organisation. This is the start of leadership through the lens of energy.. Our research showed that companies can differ in their energy in terms of two dimensions: its intensity and its quality.

The *intensity of organisational energy* reflects the degree to which a company has activated its emotional, cognitive, and behavioural potential (high or low). The *quality of organisational energy* describes how a company uses its energy: to what extent are the human forces constructively aligned with

'We define organisational energy as the extent to which an organisation (or division or team) has mobilised its emotional, cognitive, and behavioural potential to pursue its goals'

the shared overall company goals – or not! (positive and negative energy). Combining the two dimensions results in four different energy states that can exist in your organisation: productive energy, comfortable energy, resigned inertia and corrosive energy (see Figure 1).

Figure 1: The Energy Matrix

	Negative	Positive
High (Intensity)	Corrosive energy	Productive energy
Low	Resigned inertia	Comfortable energy

Quality
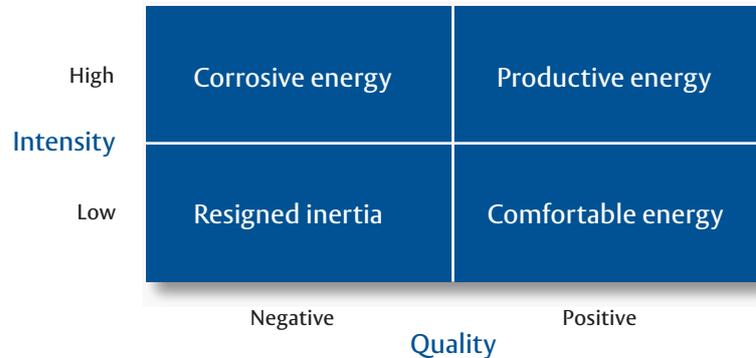
Productive energy. Companies, divisions or departments with productive energy have mobilised and channelled emotions, attention and effort toward reaching common goals. Employees collectively show enthusiasm, high levels of shared alertness and apply intensely focused effort to their work. Our research shows repeatedly that productive energy is related to core performance criteria.

Comfortable energy. Comfortable energy is a positive energy state, characterised by high satisfaction, feeling at ease, and a strong and growing sense of identification with the status quo. All companies need a certain degree of comfort. However, a company's ideal energy state combines distinct levels of comfortable energy with a dominant extent of productive energy. Nevertheless, comfortable energy can also become dominant which we often observed for instance in organisations with long-term success. Organisations become complacent or overrate their efficacy and their relevance to the market. This can be detrimental to the organisations' performance.

Resigned inertia. In organisations with resigned inertia large parts of the company are mentally withdrawing and openly showing indifference to company goals. Employees experience frustration and disappointment; the organisation shows low collective engagement. All of which often results in a weakened ability for change, innovation and performance. Consider those units in your organisation that you have driven through one change initiative after another – with no real impact on behaviour, the change goals or ultimately, performance. They are your candidates for resigned inertia.

Corrosive energy. Organisations with corrosive energy often show high levels of anger and fury, for example for a comprehensive change project or the overall strategy of the company; high alertness and creativity to harm others inside the organisation; destructive internal conflicts and micropolitical activities. In other words, any tendencies of units or teams to weaken another unit in favour of maximizing own interests ultimately confirm corrosive energy. One lesson is that corrosive energy could emerge in all areas of your organisation – also at the top and infecting the rest of the organisation. If you read the conflicting statements of board

members in the financial press – like for instance from Liverpool FC in the Autumn of 2010 – this may be an indicator that a boardroom has become corrosive. In our experience this will quickly infect the senior managers and their collaboration across business units and ultimately hit performance.

Can your organisation experience more than one energy state at a time?

Energy states are not mutually exclusive. Companies typically experience, to varying extents, all four different energy states simultaneously. While there might be a struggle at the top, people on the shop floor of a company can still be busy trying to keep sales coming. For executives the questions are: 'How strong is each energy state in my company?' and 'Which is dominant?' And finally 'How can I lead the energy profile of my organisation?'

Leadership challenge: Getting a grip on your organisation's energy means assessing your organisation's energy

'Jump-start and recharge the company, executives have to help it to perceive either a major threat or challenge (the 'Slaying the Dragon' strategy) or a promising opportunity (the 'Winning the Princess' strategy')'

Understanding the four different energy states is important. It is vital to translate the 'gut feelings' about energy in your organisation into a clear identification of the specific states of organisational energy and then to decide where leadership action is acutely needed. One way is to tangibly assess organisational energy to arrive at an energy profile of the four energy states – for instance in a management team workshop with a 12-question Organisational Energy Questionnaire (OEQ) or in an employee opinion survey with a 36-question version of the OEQ – both of which assess the energy states (*see Bruch & Vogel, 2011*). The energy profile allows you to communicate with colleagues and employees about the energy in your unit. Based on an open and real assessment leaders and employees can channel their efforts into distinct leadership activities suitable for the particular energy needs of your organisation.

Leadership challenge: What is the overall mobilising focus of your organisation?

Consider an organisation that is languishing either in a state of comfortable energy or experiencing resigned inertia. The executives' task is to activate the organisation and its employees. To this end the organisation needs to identify its overall mobilising focus. To Jump-start and recharge the company, executives have to help it to perceive either a major threat or challenge (the 'Slaying the Dragon' strategy) or a promising opportunity (the 'Winning the Princess' strategy), (*Bruch &Ghoshal 2004, Bruch & Vogel, 2011*). Crucial to success is that executives actively identify and lead in the direction of the overall mobilising focus using a corresponding set of leadership tools.

With '*Slaying the Dragon*' and its set of instruments, leaders focus the company's shared emotion, mental agility and effort on solving or overcoming an existential external threat, ultimately generating productive energy. In contrast the '*Winning the Princess*' strategy and its set of leadership tools is based on the observation that productive energy can be particularly high if companies are pursuing a special opportunity. A tantalizing innovation, a developing market, new customers, or a new organisational vision could all release positive forces in the company because people tend to pull together to approach such opportunities.

Leadership challenge: The challenge of rebuilding corrosion into positive energy

Once companies develop corrosion they experience the most destructive way of using the company's potential. Nevertheless, executives regularly challenge us by saying that corrosive energy means people are highly emotionally involved, creative, and active. Our answer: yes – but for all the wrong reasons and with a misguided focus. Their energy is invested largely in anger and fury, destructive in-fighting, rivalries, and people seeking opportunities only to harm others internally. And corrosion is infectious, just like a disease, so that highly negative energy quickly eats away all the human potential of the company.

Why do leaders often shy away from managing corrosive energy?

Executives often fail to detect the corrosion piling up around them. They *overlook and neglect*, or even *consciously deny*, the negative forces. Why would a leadership team *overlook* and *neglect* corrosive energy? Executives deliberately distance themselves from negative events that affect lower-level employees. And vice versa people feel disconnected from the top. We regularly identified that that executives create an atmosphere in the organisation that makes people actively filter or polish 'bad news' before it reaches top-management (*Bruch & Vogel, 2011*).

Why would a leadership team *deny* corrosive energy? Executives reject and fail to face up to destructive dynamics because they could be one of the reasons for the destructive energy ('Will I be part of the problem?'). They may fear that acknowledging negative forces in the company will shed negative light on them. They may also lack the confidence that their past proven leadership behaviour can fix the present problem or just lack the courage to confront people with negative feedback.

What can executives do? Two building blocks in a nutshell:

1. Detect corrosive energy

• Be open to it – start accepting that there might be corrosion in your very own company and you may not know about it.

• Seek it out – and deal with the corrosion head-on.

• Use assessment and measurement to help detect negative energy in its earliest stages.

2. Clean up corrosive energy

Our research shows that it is nigh on impossible to truly transfer interpersonal aggression, in-fighting, and internal rivalries directly into productive energy because of the betrayal that might have taken place

or the high levels of mistrust amongst people. Executives instead need to engage in a two-step process that we call 'energetic refocusing': first, '*phasing down*' negativity, and second, '*charging up*' the company again by building a strong organisational identity and purpose.

Ask yourself if your organisation has the leadership capability to pursue the three crucial leadership instruments for the step of '*phasing down*':

- Creating 'release valves' for letting off steam.
- Instigating emotional shakeups to cut though vicious circles of anger and ongoing destructive conflicts.
- Identifying and supporting toxic handlers (*Frost & Robinson 1999*) who absorb the negative forces from people across the company.

Only when corrosion has calmed down in the organisation, then executives can or must think about '*charging up*' and '*re-igniting*' the organisation to prevent corrosion from emerging again. But then it needs an explicit investment in positive behavioural norms and attitudes or people fall back in old patterns and negativity will re-surface.

Leadership challenge: The Master Class for companies – sustaining energy

Sustaining energy is a leadership challenge for successful companies: how can organisations that were destined to get to the top stay at top in their industries, stay agile and keep growing or changing? How can companies avoid the company falling back into comfortable energy, resigned inertia or corrosive energy? Sustaining energy refers to leadership that facilitates a proactive sense of urgency among all people in a company and helps organisations to maintain high levels of activity, alertness, and emotional involvement over the long haul (*Bruch & Vogel, 2011*).

What is the difference between sustaining energy and working with the mobilising strategies? A drastic change in executives' role and scope.

In our experience leadership activities to boost a company's productive energy differ fundamentally from those needed to stay number one. Executives need to accept that no single leader or leadership process alone can foster exceptional engagement, innovative thinking, emotional involvement and passion over the long term. This would be too risky for the organisation. Think what happens when that key executive becomes burned out or leaves the organisation.

Thus the role of an executive and senior manager must shift substantially. While working with the Winning the Princess or Slaying the Dragon Strategies the top team is the battery to boost energy. Sustaining productive energy asks for a network of 'batteries' throughout your company – that means many, if not all, managers and employees have to be sources of high productive energy. Then organisations achieve what we call a proactive sense of urgency in the entire organisation (*Bruch & Vogel, 2011*).

How do successful executives create an organisation full of 'batteries'?

Organisations have to develop and foster a vitalising management system that allows and encourages all managers and employees to be sources of high productive energy. Successful companies actively use the three

'no single leader or leadership process alone can foster exceptional engagement, innovative thinking, emotional involvement and passion over the long term.'

components of their management system—strategy processes, leadership, and culture – and align them to vitalise the organisation.

There are numerous leadership instruments executives could pursue in each component of the management system (*Bruch & Vogel, 2011*). The following highlights one instrument for each component:

Strategy: As an executive be genuinely prepared to offer real involvement by numerous employees in the strategy process. Vineet Nayaar, CEO of HCL Technologies, suggests that the 'value zone' – the place where value is created – is at the interface between the customer and the employee (*Nayaar, 2010.*) Executives then need to make sure that the organisation seeks out and utilises the information from the shop floor, from that value zone, and integrates these weak or hard signals from the market into the strategy process along with other intelligence.

Leadership: Think here about developing energising leaders across all hierarchical levels. Consider that roughly 60-70% of your workforce is led by your first line managers. You want leaders to have the ability to create strong leadership relationships with their people. Therefore organisations have to develop strong leadership behaviour among all managers and employees – across all hierarchical levels. Executives, senior and middle managers and front-line managers should be perceived as leading with one voice. At the same time it must also become natural for all employees to challenge the current status quo for the good of the company (*Bruch & Vogel, 2011*) and engage in networks for change (*Vogel, 2005*). Organisations then enter a phase where managers and employees across the hierarchy start to co-create leadership. This means leadership behaviour that sustains organisational energy.

Culture: For a vitalising culture both the actual content of the values and the process of culture development are key. The first means executives have to enable specific substantive vitalising values relevant to the organisation's context and purpose. The latter refers to the observation that many well meant culture development initiatives fail. Organisational culture cannot be implemented mechanistically, but that is not the cause of the trouble – often culture development is done half-heartedly. Carl Zeiss, the German high-tech company, did it differently. Carl Zeiss new values and the implementation process were developed before the global crisis in 2008. But the company kept this initiative alive once they were hit by the recession. The senior management team committed even more to the core value 'empower'. They kept the 1,200 team workshops scheduled to implement the new vision and values and used them as a core instrument to face the crisis with decentralised activities for cost saving. Instead of asking all business units from top-down the same level of cost cutting this empowered process symbolised the new set of values – working in hard as well as good times.

But let's not forget – executives need to develop their organisation across the three components for a vitalising management system. The components link together to inspire people, foster mental agility, promote joint, concerted action to pursue shared goals – and to rise above being number one (*Bruch & Vogel, 2011*).

Leadership Challenge: The Master Class for executives' personal energy – a love of peak performance and the courage to step into the background

There is a difference between those leaders who only grasp the promise of leading the energy in their organisations intellectually and those who systematically act upon it. The latter – depending on the energy profile and the situation of their company – undertake the necessary leadership activities to ignite *and* sustain energy. Sustaining energy in particular asks two distinct questions of you as an individual leader (*Bruch & Vogel, 2011*):

1. Do you personify the love of peak performance?

To sustain energy and create a proactive sense of urgency at all levels in an organisation, you, as a leader, have to live the love of peak performance. Oliver Kahn, long-time goalie of FC Bayern Munich and the German National Football Team expresses that the FC Bayern Munich has adopted 'The Philosophy of Number 1'. All executives in this club have an uncompromising commitment to peak performance and a passion for the club – every person and every aspect of the organisation is second to that (*Bruch & Vogel, 2008*). As an executive, you must internalise this philosophy, but also help your company to internalise it.

2. Do you have the courage to develop leaders and open the stage to your people?

The final task is difficult for executives because they enjoy the limelight or think they are expected to dominate the stage in their organisation. Instead we learnt that executives and leadership teams need to help others to lead. They must not be the best performers in all disciplines – but in one discipline: to make others grow, win, and lead. This requires the courage to step back and make space for their managers and employees – to help them lead and create the next organisational success (*Bruch & Vogel, 2011*).

With a genuine love of peak performance and the courage to lead others to lead, you can sustain your organisation's productive energy and long-term performance.

'To sustain energy and create a proactive sense of urgency at all levels in an organisation, you, as a leader, have to live the love of peak performance.'

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