







“97% of what really matters in an organisation does not get measured.”  
So said W Edwards Deming, the father of total quality management.  
Organisational energy, which is at the heart of an organisation's success,  
is no longer an abstract concept. It can be measured and managed.



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## Why organisational energy matters

While organisational energy figures surprisingly little as a topic in the business pages, it preoccupies chief executives. They talk about creating a buzz in the company, lifting its vitality and agility, raising the pace, cutting through the undergrowth, making things happen. They know that speed to market can make the difference between triumph and disaster. They see that the boundary between strategy and execution is increasingly blurred. They are horribly aware of bureaucracy and internal politics as stiflers of drive and imagination. They admire companies such as BP, Southwest Airlines, IKEA and Nokia that seem to have discovered how to fully energise their people and direct that energy to results. City analysts increasingly refer to the leadership’s ability to energise the organisation when rating a company’s stock.

The adhesives company 3M, famous for Post-It Notes, was once chided that it had stumbled by accident across most of its new products. “Maybe we did,” replied the CEO, “which proves that we were moving”. Anyone who visited Asda’s headquarters in Leeds in the mid ’90s could see, hear, almost smell at the front door that it was a business on the move. Had they been shrewd enough to invest on the strength of their senses, they would now see a handsome return. By contrast, anyone who has worked for low-energy companies has felt the lack of challenge, the lost opportunities, the waste of talent, the cynicism, frustration and acceptance of mediocrity they breed.

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## The evidence

These impressions of chief executives, analysts and employees are confirmed by research. Collins & Porras's famous study of the stock market performance of thirty-six paired companies over sixty years showed that when what excites and drives people is also what delivers business results, sustainable success is designed into the DNA of the organisation.<sup>1</sup> Gary Hamel's analysis of revolutionary companies demonstrated how they had harnessed the passion of their employees in order to succeed.<sup>2</sup> Ghoshal & Bartlett's six-year research programme in dozens of global firms concluded that "companies cannot renew their businesses unless they first revitalise their people."<sup>3</sup> Gallup, having interviewed a million employees worldwide, proved a strong correlation between employee engagement and customer satisfaction, productivity and profit.<sup>4</sup> The factors determining organisational energy have also been shown to be leading indicators of employee retention and business and product innovation.

In brief, energy today is performance tomorrow. But sadly, the gap between ideal and reality is huge.

## Defining organisational energy

If organisational energy is a business variable at least as critical as technical capability, market opportunity or financial muscle, like them it needs to be defined and measured in order to be managed.

We define it as follows:

**Organisational energy is the extent to which an organisation has mobilised the full available effort of its people in pursuit of its goals.**

It has two measurable dimensions: quantum and direction. A headless chicken has energy without direction. A chain gang has direction without energy. The high energy organisation not only energises its people but also channels that energy purposefully towards results.



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## Where organisational energy is lost

Organisations lose energy in many ways:

- In friction between parts. Marketing is perpetually at odds with finance. The field has little time for head office and vice-versa. A division would rather do business with an outside firm than with another division of the same company. Energy that could go into serving the customer and beating the competition is instead dissipated internally.
- In activity that adds no value. People in many large organisations feel deluged by showers of projects and initiatives which seem to divert effort from what really counts. Meetings with no point, reports that no-one reads, roles with unclear responsibilities, controls that micro-manage, over-engineered processes and overlaid hierarchies: all these remain familiar enemies.
- In managing upwards. In stressful “sunflower” companies the energy goes into playing political games, watching your back and looking good to the powers that be while the underside remains dark. A global electronics company once asked its bright young graduates where they believed they should concentrate their efforts in order to further their careers in the company and, a little later, where they should concentrate for the company to prosper. They got completely different answers.

**“What makes the difference between a good and a great company? Energy, enthusiasm and drive.”**

David Rough, who led Legal & General’s fund management arm from £18 billion to £113 billion in ten years

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- In failure to engage. The discretionary effort of employees is the contribution they can choose to give or withhold. It has been shown to deliver a 19% increase in the value added by low-complexity jobs, 48% by medium-complexity jobs and up to an astounding 127% by sales jobs.<sup>5</sup> The salesperson who could squeeze in an extra visit, the technician who could return a call today rather than tomorrow, the manager who could walk round the office to talk to her people – but who does not bother to do so – all take the edge off the business, slow it down and nibble into performance.
  - In failure to inspire. It is one thing to engage people, to help them enjoy doing their job well; another to inspire them to discover and realise their potential. Many employees say they would like to be asked to contribute more – that is, that they would like a more demanding and challenging job where they have to learn. The apathetic organisation, content to set the bar low, does a disservice to its shareholders, customers and employees.

Why do these things happen? Nobody wants them to. They simply grow, like rust around a dripping tap, when the sources of organisational energy are blocked.



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## The sources of organisational energy

Our research into what energises people in organisations and enables that energy to be productively used shows that there are four sources, each with a rational and an emotional element. Why the distinction between rational and emotional? Because organisations are often good at managing the first and awful at the second. One reason ‘change programmes’ take so long to produce so little is that they address what the organisation thinks but not what it feels. In our personal lives emotions can tip us instantly, for better or worse, from one behaviour to another. So too in organisations. The four sources of energy can be readily remembered as ‘the 4Cs’.

### Connection

How far people have a line of sight between themselves – their work and their values – and the purpose of the organisation as a whole.

The rational part of this is to know what is expected of me and where what I do fits in. People usually know their job objectives, but often those objectives have not been related to the big picture and the organisation’s priorities.

The emotional part is to see meaning in what the organisation does that bonds me to its purpose and makes my job seem worthwhile. We know this is particularly important for the most talented people, who have greatest freedom to choose where they work.

### Content

How far the actual work people do is stimulating and provides a sense of achievement.

The rational part is that my work makes good use of my skills and provides me with tasks I find interesting. Boredom and work that is too easy are major causes of disengagement. Variety and stretch are crucial to the sense of “flow” known to be associated with work enjoyment.

The emotional part is to see a tangible result from my work close to the time I complete it. If a result worth having seems remote from the output of my job, work loses its satisfaction.



**Context**

How far working practices and the work environment itself are supportive and enabling.

This includes recurring procedures like business planning, operational reporting, performance management and reward, and also practicalities like the IT helpdesk, the noise level and the car park. The rational part here is whether these make good use of people's energy towards outcomes which matter to the organisation, or conversely frustrate them.

The emotional part is whether I feel the organisation supports me to do a good job and shows that it values me.

**Climate**

How far the typical "local weather" of the organisation makes people want to give their best and helps them grow to their potential.

This includes elements broadly connected with leadership at all levels, such as day-to-day feedback and recognition, the social life of the organisation, the welcoming of diversity, the way people generally deal with one another and the honesty of communication. Here the rational elements are, for example, the scope to learn and progress and to contribute my thinking to the organisation's future.

The emotional elements include feeling that I am important and respected as a person and that I am among people whom I like and who like me.



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## Measuring organisational energy

An analysis of the '4Cs' shows where to look to raise energy. The net effect of the '4Cs' determines the overall energy level. We measure this by the Energy Index™ (E<sup>x</sup>), which shows in quantitative terms how far people feel energised by working in the organisation and how far they perceive that energy to be productively used. Changes in E<sup>x</sup> scores predict changes in organisational performance. Other things being equal, a company with higher E<sup>x</sup> will achieve better results simply because more energy is directed to moving the business forward.

Collecting the data required to measure E<sup>x</sup> and to understand the '4C' sources needs itself to be quick and energising. A mix of interviews, discussion groups and electronic questionnaires is used. They address what is already good and can be even better, rather than just what is wrong and needs to be fixed, and they relate energy levels directly to business results. This approach moves well beyond the traditional slow, weakness-focussed staff survey with no specific connection to performance,

Once an organisation has the baseline data, movements in E<sup>x</sup> over time can be easily followed using the Energy Tracker™. This interactive software gives a real-time read-out of E<sup>x</sup> for all or any part of the organisation anywhere in the world, providing immediate information and insight into the impact on people of internal and external changes.

These measurement tools set the scene for the real task, raising and redirecting energy, to be discussed in Issue 02.

### **In summary:**

- 'organisational energy' means how far people in an organisation are energised toward business results
- it is an indicator of future business performance at least as important as any other
- it has four sources, each with a rational and emotional part
- to begin to manage it, make it real by analysing its sources and measuring it.

## References

1. "Built to Last", James Collins and Jerry Porras, Century, 1996
2. "Leading the Revolution", Gary Hamel, Harvard Business School Press, 2000
3. "The Individualised Corporation", Sumantra Ghoshal and Christopher Bartlett, Harper Business, 1997
4. "A Hard Look At Soft Numbers", Curt Coffman and Jim Harter, The Gallup Organization, 1999
5. "Individual Differences in Output Variability as a Function of Job Complexity", Hunter, Schmidt and Judiesch, Journal of Applied Psychology, 1990

Issue 02 of Energising the Organisation describes how organisational energy can be raised and redirected. Subsequent issues will cover:

Issue 03 – Organisational energy and leadership

Issue 04 – Organisational energy and customers

Issue 05 – Organisational energy and public services

If you would like to be added to our mailing list for these issues, please email us at [energy@stantonmarris.com](mailto:energy@stantonmarris.com).

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to increase performance. To find out more, visit our website  
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