Lex Sisney

Contents

Acknowledgements 5

Introduction 7

How to Read This Book 14

Part I

DRIVE SUSTAINABLE SUCCESS AND SATISFACTION

Chapter 1 The Universal Success Formula 19

Chapter 2 Where’s My Satisfaction? 29

Part II

BUILD AND MANAGE POWERHOUSE TEAMS

Chapter 3 The Secret to Managing Everything 38

Chapter 4 The Producer Style 54

Chapter 5 The Stabilizer Style 59

Chapter 6 The Innovator Style 64

Chapter 7 The Unifier Style 69

Chapter 8 The Key to High-Performing Teams 74
Part III

CHOOSE THE RIGHT STRATEGY

Chapter 9 The Goal of Any Strategy 83
Chapter 10 The Product Lifecycle 93
Chapter 11 The Market Lifecycle 95
Chapter 12 The Execution Lifecycle 98
Chapter 13 Lifecycle Strategy: How to Tell if You're Doing It Right 113
Chapter 14 The Pre-Startup Checklist 127
Chapter 15 The Strategy Map: Where Are You Now? 136

Part IV

EXECUTE FAST

Chapter 16 The Physics of Fast Execution 142
Chapter 17 Aligning Vision and Values 150
Chapter 18 Aligning the Organizational Structure 155
Chapter 19 Aligning the Decision-Making and Implementation Process 171
Chapter 20 Aligning People for High Performance 189
Chapter 21 The Misaligned Organization and What to Do About It 194
Appendix 197
Index of Figures 200
The purpose of this book is to equip entrepreneurs, CEOs, and team leaders with a complete system for successfully growing their organizations and have more satisfaction doing it. My approach is unique in bringing together two formerly distinct and separate disciplines: organizational performance and the physical sciences. While organizational development has usually been viewed as “soft” discipline and the physical sciences as “hard” disciplines, there is powerful insight that can be found in the common ground between them. Without the astonishing, breakthrough work of thought leaders from both disciplines, this book would not have been possible.

Within the realm of organizational theory, the work of Dr. Ichak Adizes has made a profound impact in my understanding of corporate lifecycles, management styles, decision making, and the inherent conflict between efficiency and effectiveness.

Geoffrey Moore of the Chasm Group in San Bruno, California, has helped me understand the nuances of selling to certain customer types at distinct stages of the product/market lifecycle. Thought leaders like Steve Blank and Eric Reis, as well as the principles of agile software development, have helped me to recognize that there’s a process to follow to navigate the product/market lifecycle.

I am grateful to Seth Godin, Guy Kawasaki, and Howard Bloom for continually reminding me what I’ve always known in my heart—that business is ultimately about passion and contribution to others.

When it comes to the physical sciences, this book will reference the luminaries of classical physics, as well as biology and systems theory. These include Ludwig von Bertalanffy, one of the founders of general systems theory, who helped us see that systems are everywhere and exhibit some common properties; Edward Lorenz, the mathematician and meteorologist who worked in obscurity while identifying the principles of chaos theory; Charles Darwin, the legendary biologist and grandfather of evolutionary theory who recognized that the single greatest mistake a species can make is to fail to adapt to its environment; Rudolf Clausius, who introduced the world to the principles of
thermodynamics and the concept of entropy; and, of course, the greatest classical physicist, Isaac Newton, who helped us understand the laws of motion and momentum.

While the formal knowledge I’ve gleaned from these luminaries is immense, equally priceless are the lessons learned from my peers in the trenches of entrepreneurship. These include my partners and staff in the businesses I’ve run, my clients and colleagues with whom I’ve had the privilege of collaborating. In particular, I would like to acknowledge Sunil Dovedy, Seth Epstein, Kelly Foy, John Greathouse, Per Pettersen, Sam Rosen, and Ian Silverberg.

A special thank you goes to my editor Elaine Johnson for her excellent work under tight deadlines and in the eleventh hour.

Most importantly, I am grateful to my amazing and talented wife Linda Nurra for her love, support, wisdom, and insightful feedback throughout the writing process and beyond. I am a very lucky man.
Introduction

If you’re a growth-oriented CEO, entrepreneur, or department manager, then you’re naturally under pressure to lead your business to greater levels of performance. You also need to do this in a fast-moving, turbulent, evolving marketplace. A lot is riding on your leadership and there’s little room for error. There’s time pressure, money pressure, market pressure—not to mention work/life balance pressure—that can all add to the difficulty of achieving success.

Complicating matters is that there never seems to be enough time and energy to accomplish everything that needs to get done. Using limited resources, you must drive success, build powerhouse teams, set the right priorities, and execute fast. And because the right plan is only as good as your team’s commitment to implementing it, you have to ensure constant buy-in and continually lower the friction that gets in the way.

That’s a tall order. If you’re honest with yourself, you’ll admit there are countless times when you’re feeling stressed, doubtful, unclear, or simply stuck. Sometimes your job can feel so thrilling, you can’t imagine doing anything else. Other times it feels so frustrating that you want to quit, move to Tahiti, and take up painting. All in all, you’ve chosen a career path filled with adventure, danger, excitement, and the opportunity to manage one mini-crisis after another.

As a wise leader, you have learned to trust in your own experience. But you also keep an eye and ear open for valuable insights and perspectives. In this regard, there are countless management theories and organizational practices that you can choose from. There are top-down, bottom-up, agile-iterative, data-driven, design-first, customer-oriented, outcome-based, decentralized, centralized, democratic, autocratic, process-driven, lifecycle-stages, and X-Y-Z management theories. If you ask a dozen entrepreneurs, CEOs, and management experts which is the best model, you’ll hear as many different answers.

When you’re faced with a myriad of challenges, opportunities, constraints, and choices, how can you decisively lead your organization where you want it to go? When can you trust your past experience and when does it cast blinders on your ability to see clearly? What’s the right approach for your particular situation? How do you maximize your organization’s performance and your personal satisfaction, now and in the future?
The answer, as with all things, is to first understand what’s really going on. For example, a good doctor understands how the body really functions. Rather than focusing on symptoms, s/he will work to understand the systemic causes of a disease. Similarly, if you understand how your business and team really work beneath the surface, you can get at the underlying causes of what’s making them fail or succeed.

The purpose of this book is to do just that—to explain how your business really works and to provide you with a complete system for improving its performance. What I’m proposing is a universal, meta-level approach to solving any business problem or condition. You can use it to support your company’s overall success, boost the effectiveness of your teams, select and implement your chosen strategy, and even help yourself and others maximize their job satisfaction. It’s an all-encompassing approach to individual and organizational transformation.

But how is it that, without ever having met you, studied your business, or probably even worked in your industry (not to mention the fact that every business is unique), I could possibly tell you how your business really works and how to improve it? The reason is that I’m not relying on any context-specific business theory—but rather synthesizing certain principles of general management theory with a totally different discipline: the field of physics.

Physics is the study of matter and energy and their interactions. Its aim is to understand how nature at its most basic level really works. You can say that physics is the most fundamental of all sciences because physical laws can explain many observable facts in biology, medicine, chemistry, engineering, and other disciplines. It is so pervasive in its applications that it also applies to your situation, regardless of how unique it may seem.

At its core, physics provides us with a universal lens, language, and sequence to follow to understand nature’s underlying properties, patterns, and behaviors. For example, Einstein’s famous physics equation E=MC^2 provides a lens, or a way of looking at the world, that is both elegant and enlightening. It also provides a language that translates beyond geographies, cultures, and culture-bound languages. A physicist in Beijing and one in Paris can communicate effectively using only the language of their discipline. Finally, physics provides a sequence to follow. If you repeat certain conditions in this way, then this will be your result, regardless of the time or place.

All systems—whether electrical, biological, or social—have common patterns, behaviors, and properties that can be understood and give us greater insight into their behavior. What if it were possible to apply the laws of physics
to better understand the performance of your organization? Not only would we reveal the underlying patterns driving organizational performance, but we would also have a common lens, language, and sequence to use to improve that performance.

The premise of this book is that it is both possible and extremely productive to do just that. There are indeed some basic laws of nature that determine the performance of any organization. Put another way, certain classic laws of physics apply not only to physical systems such as stars, toasters, and space ships, but also to complex adaptive systems such as individuals, families, companies, and countries. In a word, we call these complex adaptive systems “organizations.” If physics is the science of matter and energy and their interactions, and “management” refers to principles and methods used to lead organizations, then Organizational Physics is the translation, or the common ground, between the two.

In my work with high-tech companies, CEOs, entrepreneurs, and organizational leaders, I have found that this translation is not only interesting—it’s essential. Technological advance continues unremittingly, yet most of our existing management paradigms are lagging behind the times. To many, it seems that the world is at a dangerous tipping point—that we keep running faster and faster without a compass while heading in the wrong direction. Without a management system that takes this into account, organizations will have a harder time orchestrating positive outcomes. We’ll be stuck in the tower of Babel of conflicting management theories that just don’t decode quickly enough for our new era. This book argues that the models of physics offer answers to the question of how to keep up—in ways that are powerful, practical, sustainable, and universally valid.

~~~

There are Six Laws of Organizational Physics. These laws determine an organization’s performance and can help you improve it. They can be found within core branches of physics, including systems theory, thermodynamics, and motion, as well as the most fundamental principle of evolution: adaptation. Think of it this way: If you want your organization to thrive rather than fail, move swiftly in a chosen direction, adapt successfully to change, and behave in a certain way, then the answers all reside within these laws.

Below is a brief explanation of each law and why—as an entrepreneur, manager, or leader—you should understand its implications.
1. **An organization is a complex adaptive system.**

Organizations are complex in that they have many interconnected and interdependent elements, subsystems, or parts. They are adaptive in that they shape and respond to changes in the surrounding environment. They are systems in that they respond as a whole organization, not just as a collection of parts. To understand how something really works, it’s not enough to break it down into its components. You must look at it in the context of the complete system. Viewing an organization as a complex adaptive system provides valuable insights into how it functions in its totality.

2. **An organization is subject to the first law of thermodynamics.**

The first law of thermodynamics states that, at any given point in time, a system has a finite amount of energy. If an organization is to get new energy, it must get it from its environment. For a business, energy is any usable source of power such as money, resources, and market clout. Its environment includes the surrounding system of customers, social norms, regulations, and economies in which it operates. If there’s high integration between an organization’s capabilities and the opportunities in the environment, then the organization can receive an abundance of new energy and be successful. If there’s no integration between them, then there’s no new energy created for the organization and—like a man on a desert island without food and water—it will soon perish.

3. **An organization is subject to the second law of thermodynamics.**

The second law of thermodynamics indicates that everything falls apart over time. This is due to entropy, which is disorder or disintegration. All systems are subject to it; none can escape it. An organization’s available energy first flows to manage and counter the disintegrating force of entropy. If entropy in the system is high, then it costs the system a higher amount of its available energy to maintain itself and get work done. Therefore, it has less energy available to drive integration forward in its environment. To get an immediate, intuitive grasp of this principle, just imagine a business with a great market opportunity but which also suffers from high
internal friction, politicking, and infighting. It takes a tremendous amount of energy to get any work done and the business can’t capture the external opportunity as a result. How an organization manages its available energy is what ultimately determines its failure or success.

4. **An organization must shape and respond to its environment and do so as a whole system, including its parts and sub-parts.**

In physics, a chaotic system is one that seems random in its behavior but is actually driven by some basic repeating patterns or forces that exist from the macro- to the micro-level. In this regard, an organization is like a chaotic system. It has patterns or forces that exist all throughout the organization, from the smallest tasks and behaviors to the largest enterprise. These forces can be mapped in many ways. One of the most effective I know is placing them along two basic parameters or axes: (1) how the organization shapes and responds to its environment; and (2) how the organization manages its individual parts and the whole.

Later you will learn how these parameters explain four primary forces within an organization and how these give rise to individual and collective behavior. They are called the Producing, Stabilizing, Innovating, and Unifying forces. Each of these expresses itself through a particular behavior pattern. If one or more of the forces are absent, the organization will perish. Understanding them allows you to work at the root causes of what’s happening in the system and use them to create desired change.

5. **An organization is subject to the conditions of its environment.**

The driving principle of evolution shows that it is not the strongest or most intelligent that survive but those that are best adapted to their environment. Therefore, the greatest mistake an organization can make is to misread its environment. If it does, it will cease to get new energy and it will fail. Because the environment is always changing, the organization must always be adapting. Successful adaptation requires a constant realignment among the organization’s capabilities to execute (Execution Lifecycle), its markets or customers (Market Lifecycle), and its products (Product Lifecycle). How an organization manages this alignment is the basis of its strategy.
Lex Sisney

6. An organization is subject to the laws of motion.

Newton’s three laws of motion reveal the principles of movement for physical objects in the universe. The laws explain inertia, acceleration, and reaction. The laws also help us understand and work with the principles of organizational change and momentum. Namely, they explain why an organization will tend to behave the way it does unless a force of change causes it to do something differently. They explain how the mass of an organization naturally resists change and how every action performed in the business creates an equal and opposite reaction that must be managed. How an organization manages its mass determines the speed of its execution.

This is just a brief summary of the six laws that govern organizational performance. Don’t worry if they don’t make too much sense yet. They’ll become crystal clear as you read the rest of this book. As you deepen your understanding of each law, you’ll be able to spot it everywhere around you—in your family, your social circle, your community, your government, and beyond. In other words, you’ll find that these meta-laws hold true regardless of the time, place, or type of organization. Too often, management theory presupposes that work and life are separate things. They’re not! Soon you’ll become skilled at quickly spotting the principles everywhere—and when you can do that, you’ll be able to see them at work in your business too.

You’ll also find that, in this process, you’re becoming a more astute and powerful leader. You can now be placed in any situation and instantly understand what caused it to get that way, as well as predict and prevent future problems. You’ll have deeper insight into why people and teams show up the way they do. Finally, you’ll better understand certain principles of strategy, finance, and product development to bring the entire organization together to execute fast and well.

I’d like to share a caveat about using physics as a management methodology. I’ve tried to align the laws of Organizational Physics as closely as possible to the laws of classic physics, but there are differences and interpretations. This is natural. Physics studies the nuts and bolts of the physical world—and human organizations are much more than that. At the back of this book, you’ll find an appendix where I explain some differences and show why the laws of Organizational Physics are nevertheless both physics-based and applicable to human organizations.

There’s an old joke about two physicists in a classroom. They’re at the chalkboard, on which one of them has written a complicated formula in three
steps. Step 1 is a proven known. Step 3 is also a proven known. In between them, Step 2 reads: “Then a miracle occurs.” His partner looks at the board and says, “I think you need to be more specific here in Step 2.”

So let’s not forget that countless unknowns exist and that any framework, even one as authoritative as physics, is just that—a framework. Your own drive, skills, experience, capabilities, resources, and support systems are what make any theory come alive.

Finally, I’d like to say a few things about the audience for whom this book was written. Although the laws of Organizational Physics apply to most situations and organizations of all sizes, this book was created for leaders, entrepreneurs, and managers working with start-up to expansion-stage technology-based companies. This is so for three reasons:

1) My own background is in building expansion-stage technology businesses. I’ve done this successfully as an entrepreneur and as a coach to other successful entrepreneurs and management teams. This is an audience that I know well and I can speak firsthand to their challenges and opportunities. My work as a coach and consultant motivates me to share my methods with all those who can benefit and expand the reach and impact of Organizational Physics around the world.

2) The speed and disruptive change of technology-based markets make this industry willing to try on new methods and require it to produce results quickly. This is a perfect proving ground filled with bright, passionate early adopters who appreciate cutting-edge thought leadership. It is this sector that drives forward innovations that are later adopted by other industries.

3) The world is now struggling with complexity in profound ways. It’s not just “too much information” and noise, but an inability to integrate all the data in a cohesive way and to make wise decisions based on it. It’s becoming clear to many that government won’t save us, but rather a cadre of agile, innovative organizations woven together by a passion for technology, ecology, and creating better ways of living and working. I am passionate about building World 2.0 with this group.

That said, even if you’re not involved with a high-tech company, you will still gain powerful insights into how your organization functions, as well as clarity on the concrete steps you can take to be a better manager and leader. Just read it with a filter on and apply the lessons to your own organization.

Striving to find the underlying principles that govern how something performs is not a new quest. It’s been around since before humans looked at fire
and thought, “How does it work?” And ever since the advent of the scientific method and the printing press, our shared comprehension of how things actually work continues to increase at a staggering rate. As our collective knowledge grows, we continue to ask, “How does it really work?” and new discoveries are made.

So with that spirit of discovery in mind, I invite you to think of the organization you’d most like to improve and ask yourself, “Hmmm, I wonder, how it really works?” Then dive into the world of Organizational Physics for the answers.
In Dan Brown’s bestselling novel, *The Da Vinci Code*, the protagonist discovers a coded treasure map. He intuitively knows that the map is valuable, but it’s impossible to decipher it without knowing the code. In fact, to an untrained eye, the map looks like gibberish.

While similarly cryptic at first, the map of Organizational Physics provides those who understand it with priceless value too. In this case, the map unlocks the code to understanding why an organization behaves the way it does and how you can improve its performance. But don’t worry—I won’t take you through a suspense novel plot to get the answers. I’m going to give you the basics right now. Rather than try to interpret too much too soon, however, just familiarize yourself with the layout and prime your brain for what’s ahead.

![Organizational Physics Map](image)

Figure 1. The Organizational Physics Map.
This book is divided into four parts, each of which focuses on a key section of the Organizational Physics map. I suggest you first read the sections in order because each one builds on the previous. Once you’re familiar with the overall concepts, use the book as a field guide for when a particular issue or situation arises. For example, if you think you might be headed into a Strategic Folly, turn to Part III, or if you want a refresher on how to best manage an Innovator, turn to Part II, and so on.

O Captain! My Captain!

Here’s a metaphor to aid your immediate and intuitive understanding of the Organizational Physics map. Imagine that you’re the captain of a sailboat about to embark on a long-distance race at sea. Your goal is to lead your crew, set your course, optimize performance, and win the race. This map shows you how.

The dotted circle is the entire organization—the boat, sail, crew, etc. It’s drawn as a circle because the organization isn’t just a collection of parts; it’s a whole system that can be as large or as small as you define it. It’s dotted because there isn’t a solid boundary—elements of the organization interact with both each other and the external environment or market, just as the boat interacts with the wind and sea.

At the top of the map is the *Strategy Pyramid*. This is the sail that powers the boat by getting new energy (E) from the environment. Without new energy, the boat isn’t going to go anywhere. In order to get new energy, the sail must constantly be adjusted to catch the wind, just as a business must constantly align the products it sells with the markets it serves, and with its capabilities to execute. Markets, products, and capabilities—just like the currents, tides, and seasons—exist in a pattern or lifecycle. When you can learn to spot the pattern, you can sail much faster than a captain who can’t.

At the bottom of the map is the *Execution Diamond*. It represents the mass (M) of the boat, equipment, and crew. The mass of the boat has inertia and every action on the boat has an equal and opposite reaction. In order for the boat to sail fast, you need to get its collective mass headed in the right direction while simultaneously adapting to changing seas and conditions. You do this by aligning the Vision and Values, Structure, Processes, and People around your goal.

“PSIU” at the edges of the map stands for the *Producing, Stabilizing, Innovating, and Unifying* forces. The forces show up as innate characteristics of you, your crew, and the work that needs to be performed throughout the journey. These forces show us how all aspects of the system, from the micro to the macro, shape and respond to the environment in different ways.
In the center of the map are the words “Integration/Entropy.” “Integration” indicates the amount of new energy made available to the ship from the environment. “Entropy” indicates the amount of available energy spent maintaining the ship and crew, making decisions, and getting the work done. Together they reveal how available energy is allocated within the organization and ultimately determine if you can sail fast and win the race. If too much energy is lost in managing against the onslaught of entropy, the boat will sail slowly and ultimately sink.

Every captain must prepare to win the race. Being a good captain, you first assess the overall environment. What are the prevailing winds? How are the currents flowing? What is the best route to win the race? Critically, what type of a captain are you? Are you a Producer who prefers to focus on a short-term goal and drive hard? Are you a Stabilizer who prefers to plan, structure, and organize for an efficient journey and make contingency plans? Are you an Innovator who senses the storms and opportunities on the horizon and comes up with creative new inventions for superior performance? Are you a Unifier who values teamwork and camaraderie? Or are you some combination of these? Whatever the answer, it’s vital to recognize that no captain can go it alone. You need to surround yourself with a complementary crew. It takes an entire ship to achieve great performance.

Second, look at the mass of the boat and crew. How is it behaving? Is it producing results? Is it so stable, heavy, and bureaucratic that it can’t respond to changes in the wind and sea? Is it able to adapt to changes and innovate with new solutions to vexing problems? Is the crew unified and acting as one? You’ll also need to make sure that the key subsystems of the boat are in alignment. Do you have aligned Vision and Values? Is the Structure of the boat right for this race? Do you have a Process in place to ensure that good racing decisions are made and implemented quickly? Finally, does the crew have the right mix of People to create a high-performing team?

Third, you chart your course. This means that you must get energy from the environment by aligning your strategy so that the wind is in your sails. To get the wind in your sails and produce new energy (E) in the form of money, resources, and clout, you must align the Product (the assets you make available for sale), Market (the types of customers you’re targeting), and Execution (the organization’s ability to execute) lifecycles. If you have good alignment, you will have good timing relative to the wind and sea conditions. But good alignment also takes constant readjustment. As the captain, you must make sure that the crew is producing results. You must provide the right level of stabilization so that everything is organized and systematized but also flexible and responsive. You must keep your
eye on the horizon and innovate to changing conditions. And you must make sure that the entire system is unified and acts in concert.

When you’re out at sea, you must make sure that the boat is well integrated with the surrounding conditions so that the energy produced by the wind in the sails is greater than the mass of the boat and crew. That’s the secret to fast speeds. However, a good captain can’t just focus on the external sea. He also has to pay attention to the internal workings of the ship. Entropy is always attacking a boat at sea, just as it attacks every other organization. Things eat away at it from the inside. If the internal energy and resource needs of the ship are too high (think of a crack in the hull, a torn sail, a misaligned tiller, or a mutiny by the crew), then the ship will lose its effectiveness and stall. If it flounders at sea for too long, all hands will be lost.

Being an entrepreneur is equally—if not more—challenging. Countless unknowns exist, the markets changes, storms arise, and the competition improves. But you already know all this. In fact, you welcome the challenge. It can be an incredibly thrilling ride filled with loot, camaraderie, and epic adventure.

When you’re out racing, keep in mind that there are basically two types of captains, just as there are two types of entrepreneurs: wise and foolish. The foolish captain attempts to predict the seas, currents, and seasonal storms; plot the right course; and make a dash for the finish line. This is foolish because there are just too many things outside of the captain’s control. Similarly, foolish entrepreneurs attempt to time the market, quickly attract users, and sell the company off at just the right time. One bad storm will quickly destroy an ill-prepared organization. The wise captain or entrepreneur, recognizing that the sea is always changing and impossible to predict, focuses on building a sea-worthy, sustainable ship from top to bottom.

There’s an old proverb that says, “You can’t control the wind and tides but you can adjust your sails.” That’s the goal of this book: to equip you with the knowledge to run a fast, sea-worthy ship with a great crew and to adjust your sails at the right time to win the race. Now let’s get started!
Part I

Drive Sustainable Success and Satisfaction
Chapter 1
The Universal Success Formula

What makes something fail or succeed? As I write this, there are 126,936 books on Amazon.com that try to answer this question. If you were to peruse them, you’d find various answers on how to be more successful. “Work hard.” “Be persistent.” “Set your goals.” “Change your thinking, change your life.” “Influence and network with others.” “Find the right opportunity.” “Invest in your future.” “Eat less. Exercise more.” “It’s not what you know but who you know.” The list goes on. While all of these authors have valuable perspectives to offer, very few of them have tried to answer the deepest level of the question “why does something fail or succeed?”

What makes something fail or succeed is truly a deep and universal question. If there were a universal answer, you could use it to focus your efforts on what makes the biggest difference in your success. It would shed considerable light on past events and offer a framework to follow going forward.

The surprising thing is that, beyond getting the “details” and “circumstances” right, there is ultimately one determinant of failure or success. This is true for businesses as it is for individuals, families, schools, communities, governments, and even your favorite NFL team. It also applies to any definition of success you can think of: earn a billion dollars, attain enlightenment, feel happy, get laid, be fit and healthy, live the four-hour work week, or whatever.

Take that in for a moment. One thing—and one thing only—ultimately determines the success of everything. That includes the success of everything that exists now, that has ever existed, or that will ever exist. If you knew what this one thing was, you’d not only be able to improve your own chances of success, but you could also tell whether other things around you will fail or succeed. Is this company a good investment? Will this couple make a happy partnership? Will my team win the championship? You’d know the answers with much greater clarity.

What you’re about to learn is very powerful stuff. It seems simple at first—so simple that many people miss its significance. And while some classic laws of physics explain it, you don’t need a degree in physics to understand it. In fact, the
one thing that determines failure or success is so blindly obvious that once you understand it, you’ll notice its effects everywhere you look.

The Secret to Sustainable Success

If you want to understand how something really works and what makes it successful, it’s not enough to break it down into its individual components. Instead, you need to look at how it operates as a system. By definition, a system is a series of interacting, interrelated, or interdependent elements forming a complex whole. And there’s absolutely nothing you can think of that is not a system.

For example, you’re a system (specifically, a complex adaptive or living system). You have a body, which is a physical system comprised of other systems (immune, circulatory, digestive, etc.). If we were to look closely at any one of these, we’d see that they’re comprised of even smaller systems. And of course, your physical system is also an element within larger systems that include your mind, emotions, family, community, economy, government, planet, and so on. Everything is a system.

When it comes to the study of what makes something successful, what we’re really asking is what causes a complex adaptive system to fail or succeed. Success simply means that the system (e.g., you, your family, your company, or whatever you choose to identify as the system) attains a desired goal. Failure means it does not. Winning the Super Bowl . . . being happy . . . earning a billion dollars— as long as you can measure it quantitatively or qualitatively, it’s a valid definition of success. And because everything, large or small, is a system, we can use the same universal principles to understand if it’s likely to fail or succeed. That’s pretty cool.

What actually does cause any system to fail or succeed? The answer is System Energy Management. This means just what it sounds like: System Energy Management refers to how energy behaves within a system.

Two laws of physics dictate how energy is used within a system. They’re called the first and second law of thermodynamics. Engineers use the laws of thermodynamics to design everything from buildings and bridges to microchips and spaceships. We can also use these same laws to understand how energy behaves within an organization.

The first law of thermodynamics is called “conservation.” It tells us that, at any given point in time, the potential energy available to a system is finite. Whether we’re referring to your family or your business, this has a finite amount
of potential energy available to it. In order to get new energy, the system must acquire it from the surrounding environment—just like you must get food from the refrigerator or your business must get sales from its customers.

The second law of thermodynamics is called “entropy.” It tells us that every system falls apart over time. No matter how hard we try, there’s no escaping the irresistible force of entropy. In *The Nature of the Physical World* (1915), Sir Arthur Eddington aptly put it this way:

The law that entropy always increases holds … the supreme position among the laws of Nature. If someone points out to you that your pet theory of the universe is in disagreement with Maxwell's equations—then so much the worse for Maxwell's equations. … But if your theory is found to be against the second law of thermodynamics I can give you no hope; there is nothing for it but to collapse in deepest humiliation.

You, me, and everything in the universe are ultimately falling apart over time. Wherever we find aging, disintegration, deterioration, and disorder we’re looking at entropy at work.

To understand how the laws of thermodynamics fit into organizational theory, then, just remember that every system has a finite amount of potential energy and every system is falling apart over time. Simple. Now that you know these two laws, you can begin to use them to understand if your organization or any other system in the universe is likely to fail or succeed. You do that by understanding the universal success formula:\(^1\)

\[
\text{Success} = \sum \left[ \frac{\text{Integration}}{\text{Entropy}} \right]
\]

*Figure 2. The Universal Success Formula.*

---

The universal success formula shows that success is just a function of two things: integration over entropy. Let’s define the terms and then explain how this works. As you already know, success is any goal you desire to attain: making a lot of money, falling in love, being fit and healthy, raising a family, or growing your business. It doesn’t matter how you define it.

Integration is a measure of how much energy the system is getting from its environment. Energy in this case is anything useful and desirable that can be made productive in the pursuit of success (money, resources, clout, etc.). High integration is good. Low integration is bad. Why? Because when there’s high integration between a system and its environment, the system has aligned its capabilities with opportunities and can extract available energy. It can use this energy to grow and be successful. If there’s no integration, then there’s no new energy available to the system and it will fail. I will explain the elements of integration and how to increase it more fully in Part III: How to Choose the Right Strategy.

Entropy in the formula indicates the amount of energy required to maintain the system, make decisions, and get work done. Low entropy is good. High entropy is bad. Why? We know from the first law of thermodynamics that, at any given point in time, the potential amount of energy available to a system is finite. We also know from the second law of thermodynamics that the force of entropy is constantly eating away at a system. And here’s where it gets profound: The energy available to a system must always flow first to manage its entropy needs. Only after those needs are met, and if any energy is left over, will it be made available for integration. Therefore, the higher the level of entropy, the lower the level of potential success. And if entropy gets too high, the system will fail and perish.

$$\text{Success} = \sum \left[ \frac{\text{Integration}}{\text{Entropy}} \right]$$

Available energy first flows here

Figure 3. Available energy first flows to manage a system's internal entropy needs.
How Entropy Shows Up in a System

The fact that available energy first flows to manage a system’s internal entropy needs is a universal law. It applies to all systems, big or small. Let’s take a look at some everyday examples to see how prevalent this law is in your everyday experience.

Imagine you go to visit a friend in the hospital who is recovering from cancer. Cancer—or any physical ailment—is really an entropy problem. Your friend is a system with a fixed amount of available energy. The energy use must first flow within the system so it can maintain itself. Because your friend is sick, he needs most of his available energy to heal. When you visit your friend at the hospital, the doctors will ask you to limit your visitation time. They intuitively recognize that your friend needs to conserve as much energy as possible to heal. He has very little left over to engage in conversation (integration) with you.

Sports is a great landscape to view the dynamic between integration and entropy. Let’s take the example of Randy Moss, the National Football League (NFL) receiver. He’s famous for his world-class capabilities (running fast, leaping high, and catching a football) and there’s an opportunity to apply those capabilities in the NFL. However, Randy is also infamous for increasing entropy in the locker room. Coaches often call it shifting a locker room from “we-focused” to “me-focused.” If you were a GM or a coach, you would weigh your desire to have Randy on your team based upon how you view the increase in team capability over a potential increase in team entropy. And be warned, if the entropy gets high enough, you’re not going to be successful no matter how good the skills of your individual players are.

Next, imagine a family going through a divorce. The family system is succumbing to entropy so its members will have less energy available to be effective both within the family and out in the world. The kids are not as successful at school because the lack of harmony costs them more energy to manage their own mental and emotional states. The parents put on a smile at work but the divorce weighs heavily and thus lowers their productivity. The energy drains will continue until the family members make peace and accept the new reality (or, by some other means, recapture the energy now being lost to entropy).

If you’ve ever felt hurt, angry, or betrayed (and who hasn’t?), then you know that these emotions leave you with less energy, zeal, and awareness to bring to your job. Yet another entropy problem! Your mental and emotional states are systems subject to the laws of thermodynamics. When your mind and emotions
are draining your energy, the system needs more energy to maintain itself and there will be less energy available for you to be engaged and productive.

Picture a company with a growing opportunity in the marketplace and with unique capabilities to exploit it but whose co-founders are at each other’s throats. There’s mistrust and a lack of respect that impact how sales, marketing, finance, and technology plan, communicate, and work together. This is an entropy problem. It costs too much energy to maintain the system against this onslaught and the company won’t be able to marshal its resources effectively to capture the opportunity. Unless the current energy drains can be freed up, the company will succumb to entropy and perish (specifically, the company loses its ability to integrate—i.e., make sales, meet customer needs, and adapt to changing conditions in the market—because the internal friction is too high).

As I write this, the U.S. economy is near 10 percent unemployment in most areas, the highest it’s been since the great depression. Can the U.S. government craft policies to get people back to work in quality jobs? Clearly, the government has capabilities to legislate, tax, and use force. There are opportunities in the country for government to be of service: job programs, healthcare programs, defense programs, education programs, and the list goes on. At the same time, the political climate is rife with entropy. There’s a lot of politicking, finger pointing, positioning for sound bites, right versus left, etc. There don’t seem to be a lot of thoughtful, considerate, long-term policy decisions or a vision to improve integration of the country. Unless there’s a decrease in entropy within the political system, or unless the entropy gets so great that the system collapses on itself, you can expect more of the same.

It’s also revealing to look at global issues through the lens of integration and entropy. Climate change is an entropy problem. The science indicates that man-made carbon emissions are increasing and climate change is occurring. But if you are a climate change skeptic, you likely view economic integration as paramount and will argue that any increase in entropy within the biosphere (e.g., rising sea levels, ocean acidification, and loss of habitat) isn’t caused by humans, can’t be helped, or won’t cause a serious impact. If, on the other hand, you recognize the reality of climate change, then you likely view limiting the entropy caused by carbon emissions as the world’s top priority. You recognize that if the biosphere goes, all of humanity goes with it and that any economic integration should be in service to the whole system—not the other way around.

The Key to a Thriving Business

Now that you’re familiar with some signs of entropy in everyday life, you’ll be able to better understand its negative impact on your business. For example,
imagine that your company has 100 arbitrary points of energy and that 50 of them are needed to maintain the system, make decisions, and get work done. This would leave 50 points available to do integration—in other words, to find opportunities, build your capabilities, make sales, and so on. In this case, be wary. Ignore entropy at your peril.

\[ \text{Success} = \sum \left[ \frac{50}{50} \right] \]

Figure 4. High entropy steals from high success.

Now imagine that you’re able to decrease your internal energy needs by half, to 25 points. That leaves 75 points available for integration. This is a 300 percent improvement in your top-line performance. You now have that much more energy to integrate new opportunities, develop new capabilities, make sales, etc. This is awesome.

\[ \text{Success} = \sum \left[ \frac{75}{25} \right] \]

Figure 5. A decrease in entropy allows the system to have more energy for top-line performance.

One question I’m often asked about the application of the laws of thermodynamics to business is this: “Is my company’s available energy really fixed? Can’t I go out and raise more capital, get a new sale, or complete a merger or acquisition and thus increase my available energy?” The answer is yes, you can—and only as long as the amount of energy needed to keep entropy in check is less than the amount of new energy you can get from the environment. There’s an old adage in business that says: “I’ve never seen a problem big enough that another sale can’t solve!” This is true as long as integration is greater than
entropy (i.e., revenue from sales is more than the expenses the business must bear). Your goal isn’t to eliminate entropy completely (you can’t). Your goal is to keep integration higher than entropy. The bigger the spread, the more potential for success your business has.

Keep in mind that when an organization has a high amount of internal entropy but temporarily gets more energy through sales, raising capital, or acquiring another company, this usually only compounds the underlying problems. If you’ve ever been part of a bad merger or acquisition, you’ll know what I mean. Trying to bypass internal entropy needs is like trying to cure an illness by masking the symptoms with medication. Yes, it can feel better—but if the underlying condition is still there, you’ve got a bigger lingering problem destroying the system from within. For example, when you’re tired (entropy) at work, you go and get a cup of coffee. This is a temporary stimulant to get you through the day. However, if you keep going for coffee again and again, the internal entropy needs are simply being masked, not solved. Ultimately, the acidity eats away at your health and your doctor recommends you quit the coffee, take up herbal tea, and get more rest and exercise to better manage your stress. Similarly, if you can solve the underlying conditions that are causing entropy to increase in your business, you’ll roll more energy to the bottom line and have a stronger, more resilient, and high-performing organization.

Where Are Your Energy Drains?

Most popular business books and programs focus on increasing integration, usually through finding the right business or product strategy. Strategy is indeed critically important, as we’ll see in Part III. Yet what gets too little attention is the havoc that high entropy plays on a system. It truly is the ultimate killer. In other words, entropy trumps everything else. If there’s anything you should be doing in your business that you’re probably not focused on enough, it’s cultivating an awareness of entropy and a process to reduce it.

Personally, I didn’t appreciate the significance of entropy in my own business until I ran into it. Hard.

In 1998, at the age of 28, I co-founded an affiliate marketing company in Minnesota and moved it to Santa Barbara, California. By 2001, the company was soaring like a rocket, generating incredible growth rates, and increasing staff and customers as fast as we could to scale. During this period, everyone who associated with the company, from the staff to the customers and even people on the street, seemed genuinely blown away by its energetic, passionate, and committed culture.
As co-founder and CEO, I would often walk into the office and feel lifted two feet off the floor by the collective energy and enthusiasm. I had installed a giant train whistle on the wall that the sales team would blow every time there was a sale. While the bankers on the second floor weren’t too happy with the frequent “blaaaaasssssssstttttttttt” of the whistle, we would all cheer loudly. It was a heady and intoxicating time.

Most of us had a feeling that the company had a growing opportunity in front of it and that we had the capabilities to execute on it. It was also relatively easy to make and implement decisions and there was a lot of momentum overall. That all seemed to change in a heartbeat.

During that heady period, I made the decision to hire a professional management team to supplement my own inexperience. “We’re growing really fast and we need experienced hands to help us navigate,” I said. But within two weeks of hiring the “pros,” I walked on that same office floor and, rather than feeling uplifted, I felt a crushing weight. Rather than excitement, momentum, and progress, there was a palpable sense of fear, finger pointing, and infighting in the air. The new leadership had assumed a top-down approach, with closed-door decision-making that quickly eroded the culture we had worked so hard to build.

That extraordinary climate and momentum were gone. The friction within the system had become so high that the ability to maintain the system, make decisions, and get work done were greatly diminished. I was dumbfounded, confused, and afraid. “What is going on and how do I fix it?” I asked myself. I didn’t know it then but I had run up against the classic laws of physics. I did understand, however, that if I didn’t fix it fast, my company was going to fail.

Thankfully, this mini-crisis was a wake-up call. With some outstanding guidance, I was able to realign the organization, reduce the internal entropy, and accelerate its performance. Today, the company is the world’s largest affiliate marketing company, CJ.com. If we hadn’t dealt with the growing entropy, it would have been just another startup failure.

Sniffing Out the Drains

Now that you’re aware of the basic principles behind success, make it a habit to regularly sniff out and eliminate energy drains in your life and work. Energy drains are a symptom of entropy. Energy gains are a symptom of integration. Your goal is to keep the gains high and the drains low.
Energy flows from inside out so begin with you. How’s your physical, mental, and emotional health? Any energy drains? If so, what is causing them and how can you address them? Then, move outward to your primary love relationship and key family relationships. How are they? Is there friction or flow? If there’s friction, what is causing it and how might you address it? Keep moving outward and look at your company. Where does energy seem to be flowing and where are the energy drains occurring? You do this by walking around, observing, asking questions, and listening. When you notice signs of unhealthy entropy, take note. Flow is good. Excessive friction is bad. Remember: Your company has a fixed amount of energy and whenever there’s a real drain, it’s stealing from your top-line performance.

For example, you may notice that there seem to be good flow and momentum in the sales process. You can tell because you have satisfied, paying clients who come back and buy more of your product or service. The sales team is motivated and working well together. At the same time, you might notice significant friction and energy drains within engineering. What’s causing this? Is it the people? The process? The structure? A misalignment in vision and values? Whatever the cause, if you want to increase execution speed, you’ll first need to address the drains.

Sometimes energy drains are so significant that they can seem impossible to handle. Maybe the friction with your board is so extreme that trying to address it seems more costly than putting up with it. Or perhaps you’ve lost trust and respect with your co-founder. How do you deal with something that, if it goes badly, could bankrupt the whole company?

Obviously, life is complicated and each situation is unique. I’m not going to insult your intelligence by telling you that there’s a simple, magical, three-step formula to eliminate every major drain. But change always begins with a shift in perspective. And it’s that greater perspective of the real cost of energy drains and their adverse impact on the system that I’d like you to cultivate. Once you begin to view problems and conflicts as energy drains, you’ll be able to find energy-gaining solutions much more easily.

How you deal with energy drains and maximize top-line integration is the art and science of Organizational Physics. As you study and apply these principles to your life, work, and relationships, your ability to solve even the most complicated challenges gets better and better. For now, just remember that if you want greater top-line performance, you’ll need to start by identifying the energy drains standing in the way.
If my focus on energy drains seems depressing, I’d ask you to reconsider. It’s true that we each have a finite amount of time and energy to perform integration within our lives, to understand ourselves and others, and to experience the fullness that life has to offer. The inexorable pull of entropy, dissolution, and ultimately death is always present in the background. Even so, we are evolving beings with an impulse to create, integrate, and thrive. As Vaclav Havel so eloquently put it, “Just as the constant increase of entropy is the basic law of the universe, so it is the basic law of life to be ever more highly structured and to struggle against entropy” (Letter to former president of Czechoslovakia Dr. Gustáv Husák, April 8, 1975). When we manage the dynamic between entropy and integration with awareness and the right balance, that’s when we meet our potential to be successful beyond expectation.
Are you happy in your job? The data says you’re probably not. I can also speak from experience. For most of my life, I operated under a false assumption that the more successful I became, the more happiness I’d feel. But what I found was just the opposite. At one point in my early thirties, I had the experience of attaining everything I had once dreamed of. But instead of feeling elated and happy, I felt burdened, stressed, and beaten down by constant and competing demands. In my experience in the Young President’s Association, a worldwide group of successful CEOs, I found that very few were actually genuinely happy as well.

Why is this? Why doesn’t greater success seem to lead to greater happiness? There’s an interesting study on success and happiness by Dr. Vance Caesar of the Caesar Group that sheds some light on this phenomenon. In an ongoing study of high achievers (the top 2-3 percent of individuals in a given field) across all walks of life, Dr. Caesar discovered this: Only 1 out of 10 high achievers (.2 to .3 percent of the total pool) rate themselves as authentically happy. Imagine that: If you gather ten thousand top achievers from all walks of life—the rich, the famous, the talented—only a handful will actually consider themselves happy.

What’s the difference between a happy high achiever and the rest? In his research, Dr. Caesar identifies eight attributes that dictate both success and happiness. Most of these are fairly easy to recognize and intuitively make sense. They include a driving sense of purpose, a compelling vision, and the intrinsic feeling that your work is meaningful. Other attributes include beliefs and behaviors that create inner peace, a regular process involving the three Rs (review, renewal, and recommitment), and outstanding discipline. Additionally, happy high achievers generally work with mentors and coaches.

It turns out that one of the secrets of the top of the top—the tiny fraction that is both successful and happy—is that they mastered the game of energy management to such a point that they get more than they give from all of their key relationships. That may sound confusing at first so allow me to explain.

As we’ve discussed, everything is a system and every system exists in relationship to other systems. What happy high achievers recognize is that everything in life is ultimately an exchange of energy. After our health, the single greatest factor that energizes us or depletes us is the quality of our closest
relationships. If you’ve ever been in a “vampire” relationship that sucks all the energy out of you, you know it can take days to recover from even a brief encounter. On the other hand, if you have a best friend who always seems to make you feel better, then even a brief encounter can float you higher for days. Recognizing this, happy high achievers make a conscious effort to establish and nurture energizing relationships.

Successful relationships are a two-way street. In an ineffective relationship, one or both parties experience the feeling of giving more energy than they get back. For example, a marriage where one partner feels she is constantly giving more than getting creates resentment. Over time, that resentment builds up and she says, “I’m leaving you because my needs aren’t being met.” In a business setting, the employee who feels he is continually giving more to the company than he is getting in return will soon become bitter and burned out, with either an ulcer or a new job search on the horizon.

On the other hand, a highly effective relationship is one where both parties are able to give each other what they need in a way that adds to their own energy. For example, a marriage where it’s easy (i.e., there is a low cost of energy) for both partners to meet the needs of the other and both partners feel their needs are met is a highly successful union. The relationship “just works.” In a business setting, you’ll find a great mutual fit when an employee feels she is getting more from her job than giving to it, and her managers feel they are getting more from her than they’re giving in total compensation. The employee is thinking, “I can’t believe they pay me to do this. I would do it for free . . . can you believe it?” Similarly, her managers are thinking, “She is one of our top performers. She’s passionate about what she does and delivers outstanding work. I wish I had ten more like her.” The bottom line is that the relationship is net additive, supportive, and energizing to both parties. It just works.

The key differentiator, then, between happy high achievers and the rest is that happy high achievers are extremely vigilant about only allowing relationships into their lives that add to their energy. This includes their marriages as well as their relationships with their families, companies, boards of directors, key staff, and important clients. They make it a point to only allow relationships that are net additive. If a relationship isn’t net additive, it’s no longer one of their primary relationships. It gets shifted or it is gone.

Are You Giving More than You Get in Return?

The notion of getting more energy than you give from your key relationships can be a hard one for successful, driven people to embrace. It’s especially hard for entrepreneurs in the heat of battle to even fathom. How will a company that’s
cost so much blood, sweat, tears, and capital ever pay back more than its cost?
But making this shift from energy-costing to energy-adding is not only the key to
greater happiness, it’s also the key to successfully scaling a business. Let me share
a story to explain why.

A few weeks ago, I had lunch with a thirty-something entrepreneur and
CEO. He runs a medical device company with revenues of about $10M. As we
got talking, I learned a little about his history. He had started the business six
years prior and fought through incredible challenges and turmoil surrounding his
team, the market, and the investors. Like many entrepreneurs, he is in significant
debt and double mortgaged on his home because every spare penny goes to the
business.

Like every good entrepreneur and CEO, he was incredibly determined and
willing to fight it out to make things work. But I could also tell that he was
feeling worn down, beaten up, and resentful from the constant grind. His plan
was to raise some more capital, get the company to profitability, and sell it off to
a strategic acquirer. Then he could "take some time off, rebuild my marriage, and
figure out what I want to do next," he said.

Even though I knew he didn't have the answer yet, I asked him, "Imagine
you do sell the company. What do you think you'll do next?" "I know I should
know this," he replied, "but I haven't got a clue. Something where I can start
fresh and this time . . . do things the right way." "OK," I said, "I get that. But let
me ask you another question. If you were able to run your current company,
extract yourself from the things that cost you energy, and spend 80 percent
of the time doing things that you love to do and are good at, would you still sell the
business?"

"I'm not sure," he said. "On the one hand, I'd really enjoy doing that kind of
strategic business development. I know that I'm at a point where I need to be
working on the business rather than in it, but I just haven't been able to make
the leap. On the other hand, my wife hates how much I work. She's terrified of
how much equity we have tied up in the business. She wants less risk, not more.
The current board is a pain in the ass to manage. It's like herding cats and I'm
sick of it. It just seems easier to start fresh, with a clean slate."

I share this dialogue because most entrepreneurs (me included) have fallen
into this trap at some stage. You fight so hard, work so long, take so much risk,
and give so much to the business, that you end up ruing the day you started it.
Trapped in a prison of your own making, the only exit you can envision is to sell
the thing off and be free of it. You tell yourself that if you just fight it out long
enough and find a buyer, not only will you have a big pay day, but you'll be free
of everything. Pesky clients, irritating staff members, that board member you’ve wanted to tell off, the grind, the travel, the risk, the fear, the headache and hassle. And then, if you’re creative and visionary, it seems so easy to spot new opportunities and launch a new business—something clean and fresh without all the baggage of the current one.

But here’s the thing: The dream of scaling and selling a burdensome business to start fresh is just that—a dream. It's a folly, a myth, an opiate we use in hope of a brighter future. The reality is that if your business or career is a burden now, it's going to be very hard to create enough new energy to make it scale if you haven’t lowered the entropy first. It's just physics. When entropy is high in the system, integration will be low.

If you truly want to be successful and grow your business, then you need to follow the principles of energy management. Rather than focusing on fighting through the friction and burden of your company, you’ll want to focus on shifting the company so that it's no longer a burden to you now. That is, you’ll need to shift your role in the company so that it becomes net-additive to you. Then use that new available energy to work on the business, rather than in the business, and allow it to scale.

A business is an asset, much like a car. If you had a car that wasn't working well—if it was a liability costing you more than the value you got out of it—naturally you'd try to sell it. Paradoxically, the best time to sell a car or any other asset is when you don't need to—in other words, when it's working great and you're getting a lot more back from it than you put into it. This is equally true for your business. If you're continually giving more to it then you get in return, then of course you're going to want to sell it. But if the business is an energy drain for you, it's going to be seen as an energy drain for a potential buyer as well. Who wants to buy a cheap broken car?

Fortunately, unlike a car, your business has the potential for perpetual renewal, continually adapting to new market conditions and generating value and satisfaction for everyone involved. Ultimately, the act of freeing yourself from energy-draining relationships and activities in the business gives energy back to you. You can then use that new energy to create more energy-adding relationships and pursue those business activities that really light you up. If managed well, these relationships and activities will increase the enterprise value of your company and provide new energy and capabilities for it to scale.

How do you free up enough new energy to experience greater satisfaction and productivity across the board, along with greater business success? The art and science of Organizational Physics offers some powerful answers including
how you build and manage your teams, choose the right strategy, avoid strategic pitfalls, and execute fast. But it starts even before that. It starts with your own recognition that if you want the business to scale, you can’t keep doing what you’ve always done. You need to commit to a new mindset and new behaviors that support a new reality.

The good news is that the new mindset and behaviors support what you’re naturally good at and energized by. That is, I’m not asking you to become someone you’re not or spend more time in activities that cost you energy. Quite the opposite! I’m asking you to shift into more of who you authentically are and to play from your natural strengths—or in other words, from your genius zone.

Working in Your Genius Zone

A powerful way to conceptualize your energy gains and drains is to understand your personal genius zone. While few people are intellectual geniuses, each of us has an area of outstanding ability that allows us to perform at a high level and adds to our overall energy and satisfaction. This zone of activity is what I call the genius zone.

When you’re operating from within your genius zone, you experience high energy gains. You tend to feel deep engagement, high personal satisfaction, and elevated productivity. You also produce outstanding work. When you’re operating outside of your genius zone, you experience the exact opposite.

The secret to having greater satisfaction while growing your business is to align the activities of your own genius zone with the activities that simultaneously add the most enterprise value to the company. If you can get this mix right (and I’ll show you how), that’s when you’ll experience that rare and intoxicating blend of genuine success and satisfaction.

Take a moment and reflect on this question: On average, how much of your work time is currently spent operating from within your genius zone? 10 percent, 30 percent, 80 percent, or more?

What I’ve found in my coaching practice is that, if you’re personally spending 80 percent or more of your time working in your genius zone, then you are usually quite productive and happy in your work. If you’re operating outside of your genius zone most of the time, then you’re suffering from lower productivity, greater stress, and dissatisfaction. The bigger the gap, the greater your desire to make a change.
If you’re constantly running from one mini-crisis to another in your work, then it may take a bit of introspection to get a sense of what activities actually represent your genius zone. If you’d like to explore this further, you can do it easily by writing down your answers to the following:

1. Allow yourself to recall a past activity or project in which you really excelled and that felt really good to do. Perhaps you lost track of time and felt energy and passion coursing through your veins. It may even have felt like you weren’t "doing" anything at all. What talents were you expressing during this project or activity? Write down the three to five talents.

2. A good friend who knows you really well shares his or her appreciation of you: "You are so talented at _____!" What would s/he tell you? Write down another three to five talents.

Now, to get a sense of the talents within your genius zone, reflect on both lists of talents and choose the top three that most add to your energy and satisfaction while you’re engaged in them. This may seem overly simple, but that’s exactly the point. You don’t have to go searching long and far to find your genius zone. Once you do, you just need to create an environment where you can express more of it in both your work and personal life—which brings us to understanding your vector of happiness and productivity.

The Vector of Happiness and Productivity

While lowering energy drains, increasing energy gains, and spending time in your genius zone are the foundation of a happy and fulfilled life, one final element allows you to experience the highest levels of satisfaction and productivity across the board. I call this element your “vector of happiness and productivity.” Using this concept to reflect on your life can help you express your genius zone more fully in all areas of your life.

There is a simple model that can help you visualize what this means. Its basic concept was developed by Dr. Ichak Adizes, who created a Venn diagram mapping dimensions of personal experience that he calls “Is,” “Want,” and “Should.” I’ve represented these dimensions below as “How you are,” “How you want to be,” and “How others want you to be,” respectively:
“How you are” refers to how you currently spend most of your time and energy. Think of it as how you “show up” in the environment. “How you want to be” indicates how you’d prefer to spend your time and energy. “How others want you to be” indicates the demands and expectations others in your environment place on you. The greater the alignment or overlap among these three dimensions, the less internal and external conflict you will experience, the greater the opportunity to work in your genius zone, and the greater the integration with your external environment. In other words, the vector of happiness and productivity brings it all together.

Conversely, when there’s a significant gap among the three dimensions, there’s likely a personal energy loss that results in lower happiness and productivity.
Let’s see how this works. Imagine that you prefer to be innovative and creative in your work and consider yourself to be damn good at that. For a variety of reasons, however, you’ve been forced to show up each day bringing stability and structure to the company. In a nutshell, rather than being creative and visionary, you’re forced to focus on the details and bring order out of chaos. What happens? Despite the fact that you’re putting on a brave face and doing your best, you’re also becoming burned out and the work is a struggle. In essence, it’s costing you more energy than you get in return. Sure, you can do this for a time. But if it continues for too long, you’ll try to find an escape that more closely aligns with what you truly want to do.

For the highest level of internal and external alignment, however, it’s not enough to only do work you want to do. This is because no one operates independently of his or her environment. You also have to feel that you’re meeting the needs of others, or how others want you to be. Understandably, if you feel that your environment is telling you to operate differently than how you are or want to be, this will create energy drains and stymie your productivity and happiness. You will therefore need to either work towards a newfound alignment with your current environment or find a new environment where you can both be authentic and thrive.

Your goal, therefore, is to create as little gap as possible among the three dimensions, which looks like a version of this:
So how do you accomplish all of this? How can you spend most of your time in highly productive activities that add to your energy and joy and simultaneously meet the needs of your growing business? How do you reduce the energy drains that are occurring across your business today—within you, the team, the company, and its operations—and maximize its gains?

While every situation is unique, the solution always lies in first understanding what’s really going on—learning to recognize and work with the universal laws that operate within your team, strategy, and execution. Once you understand the principles, then you can deploy the right tactics. The rest of this book will show you how.

~