

HOT SPOTS

**WHY SOME TEAMS,
WORKPLACES, AND
ORGANIZATIONS BUZZ
WITH ENERGY—AND
OTHERS DON'T**

Lynda Gratton



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Introduction

ELEMENTS FOR CREATING HOT SPOTS

YOU ALWAYS KNOW WHEN you are in a Hot Spot. You feel energized and vibrantly alive. Your brain is buzzing with ideas, and the people around you share your joy and excitement. The energy is palpable, bright, shining. These are times when what you and others have always known becomes clearer, when adding value becomes more possible. Times when the ideas and insights from others miraculously combine with your own in a process of synthesis from which spring novelty, new ideas, and innovation. Times when you explore together what previously seemed opaque and distant. We can all remember being in Hot Spots, when working with other people was never more exciting and exhilarating and when you knew deep in your heart that what you were jointly achieving was important and purposeful. On such occasions, time seems to rush by as you and those around you are “in the flow.”¹ Time even seems to stand still. We enjoy being part of a Hot Spot, and we are healthier, happier people as a result.²

When Hot Spots arise in and between companies, they provide energy for exploiting and applying knowledge that is already known and genuinely exploring what was previously unknown. As a consequence, Hot Spots are

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marvelous creators of value for organizations and wonderful, life-enhancing phenomena for each of us.

Yet life is not always about being in a Hot Spot, and organizations are not always about generating Hot Spots. How often have you faced a situation when you knew in your heart you could have achieved more? These are times when your energy has drained, when the Big Freeze takes over. There are many times, in many companies, when Hot Spots fail to emerge.

Over 80 percent of the anticipated value from mergers and acquisitions typically fails to materialize. Three out of four joint ventures fall apart after the honeymoon period. Many executives report that they struggle to deliver products to increasingly discerning consumers. Hoped-for innovation never materializes as the marketing function fights with the sales function about internal costing issues.³ The Big Freeze also has a human toll. An overly competitive working environment where friendships fail to develop is one of the major sources of stress at work and one of the key reasons why talented employees leave a company.

These are very different problems with very similar underlying reasons. As you will see, at the heart of successful mergers and acquisitions, of well-functioning joint ventures, of the launch of global products and the creation of new products are Hot Spots. These are the occasions when we are willing and able to work skillfully and cooperatively within and across the boundaries of the company, when our energy and excitement are inflamed through an igniting question or a vision of the future, times when positive relationships with work colleagues are a real source of deep satisfaction and a key reason why we decide to stay with a company.

For over a decade, my passion has been discovering Hot Spots. From a theoretical perspective, the phenomenon of Hot Spots is complex. As I describe in Appendix B, an understanding of Hot Spots involves at least six disciplines of scholarship, from psychology to economics. Chapter 1 takes an overview of Hot Spots—the elements that support them and the practices that enhance them.

We begin a deeper investigation in Chapter 2 by tracking Hot Spots as they emerge around the world, from Venezuela to China, Singapore to London. Through the experiences of people like Polly and Carlos at BP, Tim and Nigel at OgilvyOne, Pertti and Huang at Nokia, and Amit at Linux, answers to some of the questions about Hot Spots begin to appear. Why and when do Hot Spots emerge? What is it about these people that supported the emergence of Hot Spots, and what role did the leaders of their company play? Why do some Hot Spots flourish while others fail?

The answer can be found in the formula for Hot Spots:

$$\textit{Hot Spots} = (\textit{Cooperative Mindset} \times \textit{Boundary Spanning} \times \textit{Igniting Purpose}) \times \textit{Productive Capacity}$$

A cooperative mindset, boundary spanning, and igniting purpose have a multiplicative effect on each other. The lack of any one of these three elements significantly reduces the potential energy of a Hot Spot. The capacity of this potential energy to be translated into productive energy—and hence innovation and value creation—is dependent on the productive capacity of the people within the emerging Hot Spot.

Chapter 3 takes a closer look at how a cooperative mindset emerges. I contend that it is the result of a self-fulfilling cycle in which attitudes drive the design of practices and processes that then legitimize some behaviors and delegitimize others. Emergence of a cooperative mindset depends on leaders' attitudes toward cooperation and competition and their capacity and willingness to craft within the organization a sense of mutuality and collegiality. This first element sets the stage for the emergence of Hot Spots and ensures that the Big Freeze does not take over. However, as the formula shows, the energy of the cooperative mindset has to be channeled across boundaries for the innovative capacity of a Hot Spot to emerge.

Boundary spanning is crucial to the capacity of a Hot Spot to create value through innovation. As you will see, working cooperatively in well-established teams is important for the exchange of knowledge and for understanding what others know. However, the innovation of a Hot Spot arises when new ideas, from people in different groups and communities, are brought together. Crossing boundaries can be tough. There are challenges in working across distances, working with people who are different from us, and working with people who are relative strangers. For Hot Spots to be innovative, this boundary-spanning work is crucial, and Chapter 4 explores how this can be accomplished with ease and elegance.

A mindset of cooperation and the capacity for spanning boundaries creates a deep potential well of latent energy in the organization. People feel a sense of goodwill toward one another, they trust each other, and they are prepared and able to work across boundaries. For this well of latent energy to be released, there has to be a point of ignition. This igniting purpose, as you will see in Chapter 5, can be an igniting vision, question, or task.

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Without this flashpoint of ignition, the energy in the potential Hot Spot will dissipate, and its dynamic potential will be lost.

As noted earlier, these three elements have a multiplier effect on each other. Together they are capable of creating energy and excitement. For this energy to be channeled into productive outcomes requires the fourth element, productive capacity. This capacity is the extent to which members within the Hot Spot are capable of working together in a productive manner. As you will see in Chapter 6, this requires skills in meaningful conversation, conflict resolution, and commitment making, together with the capacity of the members of the Hot Spot community to create a rhythm that intersperses periods of pressure with periods of reflection and conversation.

Hot Spots emerge; they cannot be directed or controlled. What then is the role of the leader in Hot Spots? Chapter 7 explores what this role might be. It will be clear from the stories told in Chapter 2 that the leaders of these companies do play a role. However, it is a rather different one from the usual directive and controlling role. It involves supporting conversation, shaping signature practices and processes, and creating networks across which Hot Spots can flourish.

The final chapter takes a closer look at what you can do now in your company to increase the probability of Hot Spots emerging. I suggest five phases of activities, beginning with an examination of the current level of energy within the company and determining where there is potential for Hot Spots to emerge and where the Big Freeze has take over. In Chapter 8, you can begin to build a model of the factors that have resulted in the current situation, together with a deeper understanding of what can be done to change the dynamics of Hot Spots in companies. Appendix A, “Resources for Creating Hot Spots,” describes these ways of thinking about the company in a series of diagnostic and profiling tools that you can use with your colleagues and teams.

Much of your life is spent working. My passion over the past two decades has been to visualize and describe a way of working that resonates with our human potential and creates places where value is created. Our experiences of Hot Spots can be exhilarating. This book is an invitation to make this exhilaration part of our everyday experience of work and central to the mission of leaders.

GENERATING EXTRAORDINARY ENERGY

COMPANIES FLOURISH WITH extraordinary energy and fade as energy wanes. The energy in Hot Spots can fuel innovation, which is fast becoming the core capability for organizational success, and ensure that best practices and ideas are incorporated into productivity improvements so that the company remains in the forefront. Hot Spot energy has the potential to trigger new ways of thinking about old problems and of revamping practices and processes to deliver superior services and products. The energy in a Hot Spot can, for example, fuel new ways of thinking about the cost base of a company that bring real insights around cost innovation. The energy of a Hot Spot can even lead us to reinvent the way we think about managing people or the practices that support performance management.



Corporate Thermal Imaging

When extraordinary energy arises, it forms Hot Spots—occasions when people from inside and outside the company are able to engage with each other in a way that they have rarely been able to do. When this energy and the resulting excitement are ignited, they have the power to propel teams

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to work toward goals they never believed were achievable. Let us examine Hot Spots through the metaphor of thermal imaging.

Imagine for a moment that you are standing on the very peak of a mountain, looking through thermal-imaging goggles that show the extent of energy in the landscape. As you place the goggles over your eyes, you are able to see clearly the vast terrain of valleys and hills spread out in front of you. Imagine that the terrain stretched out before you is the organization.

These particular instruments are sensitive to energy and heat—in this case, the passion of the individual and the energy of the organization. So the terrain you are observing is the terrain of the whole company, and you are seeing people in the company living their day-to-day lives.

As you look through your heat-sensitive goggles, the terrain appears green. Daily work is happening in a predictable way—people are going about their business, and little excitement or energy beyond the norm is being generated. The green signifies “business as usual.” As you continue to watch, suddenly, in the distance, you see a flare of bright orange and red erupting. This flare could emerge in many places. It could be a workplace, a particular team or department or factory. It could be in a coffee shop, across a hallway, or in a conference. It could even happen across the whole company. This is a Hot Spot. It is a moment when people are working together in exceptionally creative and collaborative ways. As you watch, other Hot Spots emerge across the terrain. Some of these Hot Spots remain bright red; others fade to orange and then back to green. Then, from the corner of your eye, you see the green in one part of the landscape changing from green to icy blue. The energy in this place, for these people, is beginning to be depleted. As energy depletes, the heat begins to chill, and the Big Freeze has taken over.

Hot Spots occur when the energy within and between people flares—when the mundane of everyday activities is set aside for engaged work that is exciting and challenging. It is at these times that ideas become contagious and new possibilities appear.

As you survey the landscape through your thermal goggles, what do you think causes the changes in energy? Why is it that in some parts of the organization you see the green of the predictable, while in other parts there is the blue of the Big Freeze? And why on occasion does the red of the Hot Spot flare? Are these random occurrences, driven by factors beyond the control of the organization? Are these fluctuations in energy the result of forces that are part of the everyday work of people, forces that are so

deep and so complex that they are impossible to predict, let alone control? Should we simply be passive observers of Hot Spots, looking down from the mountain, or are there actions that we can take to increase the probability of Hot Spots emerging?

These are crucial questions for employees who are eager to work in Hot Spots and for executives intent on encouraging the emergence of Hot Spots. My research into this phenomenon shows that the probability of Hot Spots occurring can indeed be increased. There are ways of changing the blue of the Big Freeze to the green of business as usual and even to the red of an innovative Hot Spot. This is good news; however, there is a challenge. The challenge is that to do so, some companies will have to make some rather fundamental changes in the way they are structured, the values they espouse, and the behaviors of executives and leaders.

To see what these changes might entail, let us first take a closer look at what happens in a Hot Spot when it emerges. In companies across the world, I have watched Hot Spots flare. I have seen Hot Spots emerge in the teams that network between Poland and Venezuela in the oil giant BP. I have seen an incredibly innovative Hot Spot emerge in Nokia as teams grapple with ways to serve the Asian market. I have watched in awe as the volunteer programmers in Linux created clusters of Hot Spots that are a formidable competitor to Microsoft and have fundamentally reinvented the way we think about organizations. In each of these companies, I have observed over and over again that a Hot Spot flares through the spontaneous combustion of three elements.

Hot Spots = (Cooperative Mindset × Boundary Spanning × Igniting Purpose) × Productive Capacity



The First Element: A Cooperative Mindset

One of our most profound insights about Hot Spots is that their innovative capacity arises from the intelligence, insights, and wisdom of people working together. The energy contained in a Hot Spot is essentially a combination of their individual energy with the addition of the relational energy generated between them. In Hot Spots, value is created in the space

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between people when people come together. As a consequence, the quality and extent of these relationships is crucial to the emergence of Hot Spots, and it is a *cooperative mindset* that is the foundation of these high-quality relationships. Hot Spots arise because people are excited, and willing and able to cooperate with each other. It is these exciting, skillful cooperative relationships that fuel the exchange of knowledge and insights that ignite a Hot Spot and create innovation. Let's take a moment to think about a cooperative mindset and the nature of human potential and human capital.

A key aspect of human potential in Hot Spots is what people know and how they use this knowledge. So in a sense, we can think of a Hot Spot as the sum of all the intellectual capital of the people within it. Although intellectual capital is a crucial aspect of Hot Spots—without it, the Hot Spot becomes dull and tepid—it is not sufficient. The energy flows and ebbs within Hot Spots are just as likely to be caused by emotional capital. This is the emotional insight and ability that people have to adapt and modify their behavior. It is this emotional capital that plays a critical role in self-awareness and self-knowledge. However, the potential energy of a Hot Spot is not simply the addition of the intellectual and emotional capital of all the people who are engaged within it. The effect is a combination effect rather than a simple additive effect. The combination effect occurs as a result of the relationships between people, what we might call the social capital of the Hot Spot. This social capital signifies the depth and extent of relationships within the Hot Spots and the networks of relationships outside the Hot Spot. It is the energy released through these relationships that plays such a crucial role in Hot Spots.

The three aspects combine to form a triangle of human capital and human potential (see Figure 1.1). Hot Spots emerge when all three aspects are engaged in a reinforcing cycle. People become energized and excited about sharing knowledge and about what they might learn from others—their intellectual capital is engaged as they become increasingly emotionally involved. As people feel increasingly passionate about something, they really care, and they enjoy the emotional contagion as others becoming engaged and excited. Hot Spots become extraordinary opportunities for social capital to be created as friendships and relationships are forged and the people involved feel the pleasure of attachment and intimacy.

Where Hot Spots fail, these three aspects of human potential rapidly atrophy. People lose interest, they no longer believe they can learn and develop, and the intellectual challenge is gone. They increasingly withdraw

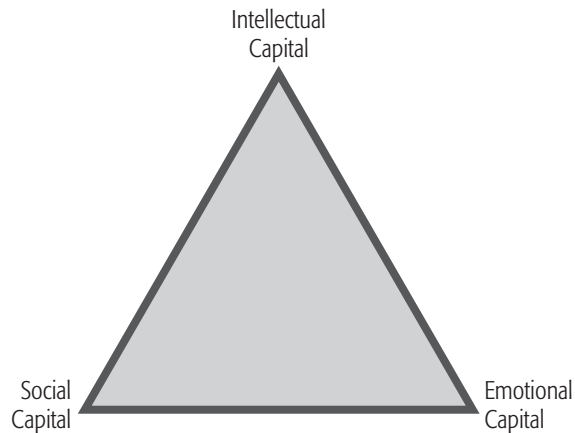


Figure 1.1 The three aspects of human capital and potential

emotionally as the passion of the project wanes and they become increasingly individualistic and uncooperative as relationships cool. Instead of engaging in exciting and skillful cooperation, people become passive or uninterested in each other or even turn competitive and aggressive. Instead of contributing to the learning and innovation of a Hot Spot, they hoard their knowledge and insights, and the level of energy drops to neutral or even disappears entirely. The Big Freeze has taken over.

The emergence of the three elements of human potential begins the process of Hot Spot development. This emergence is in turn dependent on the extent to which individuals value the power of working with others—what I term a cooperative mindset. Without this valuing of cooperation, intellectual and emotional potential are turned inward, to development of the individual, rather than outward, to the development of others and the creation of Hot Spots. Without a deep cooperative mindset, human potential is geared toward producing “superstars” and all the competitive values associated with them. For companies such as Goldman Sachs that actively recruit highly talented people, this emphasis on the cooperative mindset is crucial to ensuring that the firm does not break up into clusters of superstars with their own fiefdoms. Chapter 3 takes a closer look at how companies like Goldman Sachs have created a context in which there is enough of a cooperative mindset that the talents of the firm remain integrated rather than fragmented.

$$\text{Hot Spots} = (\text{Cooperative Mindset} \times \text{Boundary Spanning} \times \text{Igniting Purpose}) \times \text{Productive Capacity}$$

The Second Element: Boundary Spanning

Within Hot Spots exciting and skillful cooperative relationships thrive, built on the three combined aspects of human capital. These relationships differ in their typology, that is in their depth and extent. This typology is important. The extent and depth of relationships within Hot Spots can have different effects on the business value created within Hot Spots. With regard to the *depth of relationships*, some relationships are strong and have been in place for many years. Other relationships are more of an association or an acquaintance—with people who are known but not known well.

We also found that the *extent of boundary spanning* in the relationships differs within Hot Spots. Some relationships are within the group. Other relationships are with people outside the group, in other functions, or even in other companies. In this case, boundary spanning is high as these networks of relationships cross team, function, and company boundaries.

The effects of these relationships on the capacity of the Hot Spot to create business value is symbolized in Figure 1.2.

The real insight in the first element of a Hot Spot is that a cooperative mindset is crucial to the emergence of a Hot Spot. The insight for the second element is that the nature of the business value created within a Hot Spot differs according to the extent to which boundaries are crossed. Figure 1.2 shows the different ways in which value is created in a Hot Spot. Innovative value is created through *novel combinations* of the ideas, knowledge, and insights of people. Value can also be created as people *exploit their shared expertise* within their group or *explore ideas, knowledge, and insights* with people outside their group. We return to this topic in Chapter 4.

Value creation through exploiting shared expertise

There are times in Hot Spots when the value of the community is created primarily because groups of people have been working together for some time in an activity that has been ignited by a particularly complex or challenging goal. In these circumstances, value within the Hot Spot is created as a result of the members' exploiting and sharing knowledge they already have.

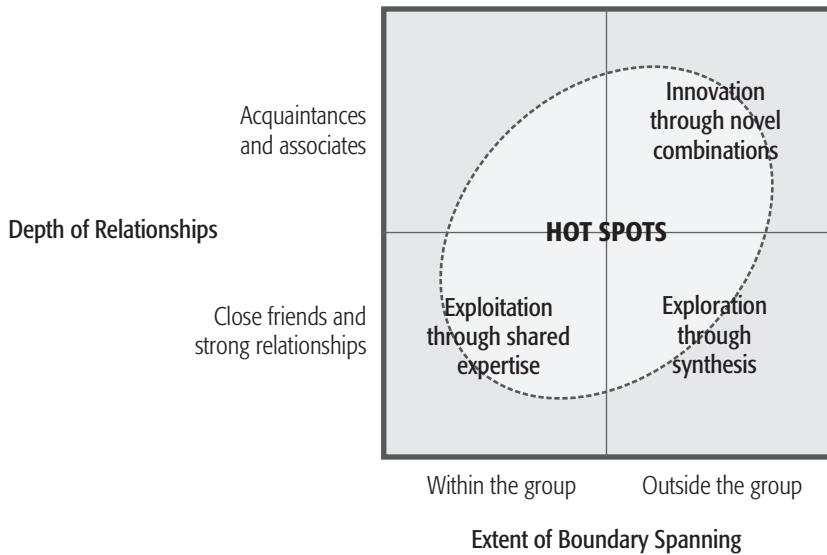


Figure 1.2 Effects of relationship quality on value creation in Hot Spots

This outcome is unlikely to be unusual or innovative because the members of the Hot Spot know each other well and are probably rather similar in their competencies and attitudes. Hence they are unlikely to learn things from one another that they did not already know. As Figure 1.2 illustrates, although Hot Spots can emerge in this lower left quadrant, in reality they need the stimulation of people from outside the group to flourish in the long term.

Value creation through exploration

Some of the relationships within a Hot Spot are strong ones between people who know each other very well but are located in different groups or functions. These strong boundary-spanning relationships are marvelous opportunities for value to be created as each person explores in depth what the other knows.

Value creation through novel combinations

Relationships between people who know each other well and are located in the same group are important for continuous improvement. However, a significant proportion of the cooperative relationships within Hot Spots span to people outside the teams and even outside the boundaries of the company. In Hot Spots, we found marketing people cooperating skillfully

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with people from sales, people from Poland cooperating skillfully with people from Venezuela, and people within the company cooperating skillfully with customers or partners. These Hot Spots of boundaryless cooperation are particularly adept at the combination of ideas and insights. It is this exploration of novel combinations of insights and ideas that opens the possibility of innovative solutions.

The innovation of these new combinations is most likely to occur under two circumstances: with people who have different mindsets and ways of thinking about the world and with people who are relative strangers rather than know each other very well.

This may at first seem counterintuitive. Surely in Hot Spots, people know each other well and therefore are more able to be cooperative because they trust each other? In fact, this is not the case. Wonderful long friendships with people who are similar are a joy of life. But they are rarely where innovative ideas arise. The reason is simple: much if not most of the knowledge we exchange in these relationships is already known. We are more likely to talk about what we both know, than about what one of us doesn't know. These deep, long-term relationships are an important part of our well-being and are indeed crucial to developing trust and respect in Hot Spots. Hot Spots need both the trust and respect of long-term relationships and the insight and novelty of new relationships that cross boundaries. It is this combination that is most valuable.

If Hot Spots emerge as a result of the relationship between relative strangers with different mindsets, why do they choose to cooperate? This is the alchemy of the Hot Spot. To ignite the energy latent within these relationships, we found the third element—the igniting purpose.

*Hot Spots = (Cooperative Mindset x Boundary Spanning x
Igniting Purpose) x Productive Capacity*



The Third Element: Igniting Purpose

Let us return to the metaphor of the thermal goggles. Imagine that you are sitting on the mountain observing the terrain of the company beneath you and the network of cooperative relationships that crisscross the company. These networks of boundaryless cooperative relationships are an essential

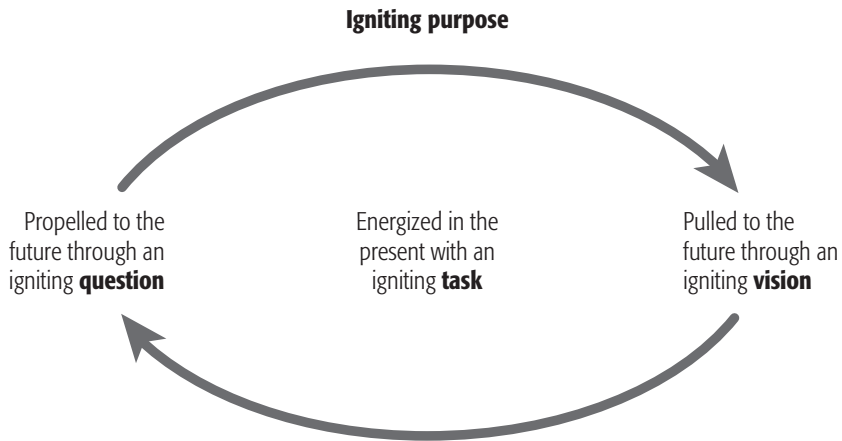


Figure 1.3 Forms an igniting purpose can take

element of Hot Spots. However, often the energy within them remains latent. Through the thermal goggles, the situation looks green—business as usual. As you watch, you see people meeting each other and engaging in good-natured conversations and activities. Yet the energy remains at the green level. These are not Hot Spots. They remain green, with latent energy, because there is nothing igniting them—nothing that captures people’s attention and imagination, nothing that they can all collectively get behind, nothing that releases the latent energy.

Thus the flaring of Hot Spots is always accompanied by an *igniting purpose*—something that people find exciting and interesting and worth engaging with. As you will see in Chapter 5, when this igniting purpose occurs, people flock to it—they want to be part of it. As Figure 1.3 illustrates, the igniting purpose can take a number of forms.

Igniting questions

There are occasions when energy is released through the imagination of people being propelled to the future by an *igniting question*. This is a question that is so exciting and stimulating that people immediately wanted to engage with it. As you will see, some igniting questions are big and expansive, like the one BP CEO John Browne asked of his people: “How can we, an oil company, become a force for good?”

People throughout BP leapt to answer this question, engaged by the concept behind it and inspired to innovate. The question triggered “beyond

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petroleum,” the rebranding and repositioning of BP’s core business and innovations involving renewable energy sources. These questions create ignition because, like the idea of an oil company as a force for good, they question the dominant logic.

The very idea of an oil company being a force for good seems to go against the grain. That’s why questions like Browne’s have rarely been asked before. They encapsulate sufficient excitement and intrigue to awaken people’s curiosity and intellectual capital and to stimulate the cooperative relationships that crisscross the boundaries of the company.

Igniting visions

Igniting questions invite people to think about the future; the questions essentially propel them into the unknown. However, there is another type of igniting purpose: an *igniting vision*. Rather than propelling people into an unknown future, this purpose creates an image of what the future could be. Here energy is released by creating a context within which people can collectively imagine what it is they are working toward.

At Linux, the extraordinary innovations around building an open source platform that would enable anyone to access it was triggered by a vision Linus Torvalds had as a graduate student at the University of Helsinki. What ignites the energy of the Hot Spots at Linux is that every one of the thousands of people involved has a vision of what it is they are all trying to achieve.

Igniting tasks

For some Hot Spots, the latent energy is released by an *igniting task* that is so interesting, challenging, and potentially developmental that people flock to it spontaneously. At BT, the opportunity to get involved with a task that brought the community and customers into the company was so interesting that over seven hundred people flocked to it. Igniting tasks are intrinsically motivating; people love working on them.

Laying the groundwork

Of course, knowing the formula that produces Hot Spots is not the same as being able to create a Hot Spot. In some companies, there are many Hot Spots blazing, while in others, there are few. Why is this the case? Hot Spots cannot be commanded to appear. Performance controls, orders, and directives make little impact. Hot Spots arise through individual and collective choices, when excitement mounts and curiosity is engaged. Hot Spots can-

not be simply summoned forth. However, the ground can be prepared, the elements can be put into place, and the igniting questions can be asked.

The challenge is that many companies have often unwittingly created an environment where competition and self-interest negate a mindset of cooperation. Where “turf wars” destroy the possibilities of working across boundaries. Where dry, tired speech rather than igniting questions is the common parlance, and where a lackadaisical attitude smothers the energy and questioning that might trigger a Hot Spot.

The good news is that much of this can be changed. You can craft a context that favors cooperation rather than competition. You can actively build and support networks of relationships that crisscross the boundaries of the company. You can create the will and the freedom to ask igniting questions. These elements are marvelous creators of energy. However, to focus this energy and ensure that it actually adds value, you need the fourth and final element, productive capacity.

$$\text{Hot Spots} = (\text{Cooperative Mindset} \times \text{Boundary Spanning} \times \text{Igniting Purpose}) \times \text{Productive Capacity}$$



The Fourth Element: Productive Capacity

Hot Spots that are capable of creating value through innovation are also potentially the most complex. My own research has shown clearly that initially, the most productive teams are those located in the lower left quadrant of Figure 1.2—that is, people who work with each other in the same location and have similar skills and attitudes. Those in the top right corner are potentially the most innovative, but they also tend to be less productive. As you will see in Chapter 6, Hot Spots that remained productive did so because the people in them engaged in what we called *productive practices*. Examples of productive practices are illustrated in Figure 1.4.

In the early phases of productive Hot Spots, there is a real emphasis on working on relationships—appreciating the talents of others, learning to make and keep commitments, and resolving conflicts. As the Hot Spot progresses, the type of productive challenge that members face subtly shifts. Whereas previously it was about the relationships between members, it now

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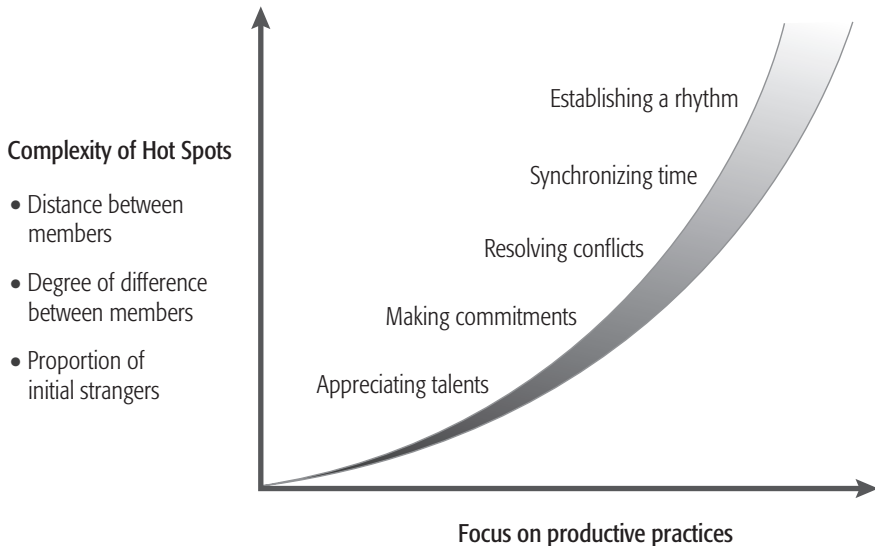


Figure 1.4 Complexity and productive practices

shifts to members' attitudes to time and rhythm. Hot Spots whose members fail to make this shift in timing and rhythm burn themselves out as the pace of work accelerates. They also become less creative as their time for reflection is overwhelmed by the growing pace of demands. Without these productive practices, the complexity of Hot Spots can be overwhelming, and the energy in the Hot Spot dissipates.

Designing for the Emergence of Hot Spots

Hot Spots emerge on their own; they cannot be controlled and directed. That does not mean that nothing can be done to encourage their emergence. In fact, there are many ways in which you can actively design for the emergence of Hot Spots. The coming chapters explore four key points of leverage through which Hot Spots can emerge. In particular, as you will see in Chapter 8, Hot Spots can be encouraged through subtle shifts in the structure, practices, and processes of your company and the way that decisions are made and resources are allocated. The probability of Hot Spots emerging can be substantially increased through the way tasks are designed,

how feedback is given, and how technology is used to support the Hot Spot community. As you will see in Chapter 7, the skills, role modeling, and competencies of leaders can play a crucial role, as can the motivation and capability of everyone, and in particular the human capacity and attitude toward spanning boundaries.

In companies in which Hot Spots flourish, executives make use of a large portfolio of these points of leverage to unleash the energy and innovation of Hot Spots. Appendix A, “Resources for Creating Hot Spots,” provides a host of diagnostic tools to ensure that you are able to put these ideas into practice. Throughout this book, we will also be looking at how companies such as BP, Goldman Sachs, Nokia, and Linux have developed core organizational and operational processes to realize their competitive potential by igniting Hot Spots.

In designing for the emergence of Hot Spots, the ability to recognize and implement best practices from other companies is crucial. However, a word of warning is warranted. My research into the emergence of Hot Spots reveals that although the search for and adoption of best-practice processes is indeed necessary, it is not sufficient. On the contrary, even though importing and institutionalizing best-practice ideas and processes is important, other types of processes, which I call *signature processes*, can also be crucial. Indeed, it is your company’s unique bundle of signature processes, combined with industry’s best practices, that will ultimately create the context in which Hot Spots emerge.

Signature Processes

I use the term *signature* to describe the way in which these processes embody a company’s character. The term signifies the idiosyncratic, unique, and essentially personal nature of these processes. These signature processes arise from passions and interests *within* the company, rather than from concepts of best practice from *outside* the company. So while one task of every executive is to find and adapt best practices—in a sense, to “bring the outside in”—an added critical task of management is to be able to learn to identify and preserve the company’s own signature processes. This added duty might be thought of as the need to “bring the inside out.”

The distinction between a signature process and an industry best practice is not absolute, however. In particular, if a company’s signature processes prove especially advantageous, they may be imitated by other companies so often that they eventually become known as best practices.

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| | Best Practice | Signature Processes |
|--------------------|---|--|
| <i>Origin</i> | Starts with external and internal search for best-practice processes | Evolves from a company-specific history |
| <i>Development</i> | “Bringing the outside in”; needs careful adaptation and alignment to the business goal and industry context | “Bringing the inside out”; needs championing by executives |
| <i>Core</i> | Shared knowledge from across the sector | Values of the executive and the company |

Figure 1.5 Best Practices and Signature Processes

Toyota’s lean production is an example of a process that began as a signature process for the company. It was capable of creating enormous energy and potential Hot Spots by espousing the values and aspirations of the firm’s leaders. Over time, many other companies sought, not always successfully, to adopt the process of lean manufacturing.

This subtle but crucial difference between standard best-practice processes and unique signature processes (see Figure 1.5) was clear when I took a closer look at companies in which Hot Spots emerge on a frequent basis. In many of these companies, there are practices and processes that are surprising and intriguing.

Chapters 2 and 3 take a closer look at a Hot Spot in Nokia that spanned from Finland to China. When we examined the context that shapes the emergence of Hot Spots at Nokia, we discovered that the company’s structural architecture plays a crucial role. Chapter 4 examines what it is about the boundary-spanning aspects of Nokia’s structure that enables Hot Spots to emerge. In essence, it is its modularity, which allows frequent restructuring. This structure is unique and has a profound impact on the cooperative mindset of the company. It also affects the precision with which boundary spanning can occur. This modularity is a highly idiosyncratic practice. Best practices suggest that organizational restructuring should take place as infrequently as possible in order to maintain a relatively stable organization and minimize confusion. So why restructure frequently? At BP, as you will

see in the next chapter, “peer assist” and peer-based bonuses have a critical and positive impact on cooperation and the exchange of knowledge. But again, best practices in performance management require that managers be responsible for what they can personally affect. So why reward people on the performance of their peers who are outside of their own direct line of accountability?

And yet Nokia and BP—both highly successful companies abounding with Hot Spots—adopt processes that differ significantly from general views of best practices. And perhaps even more surprisingly, the executives involved in these processes believe that they are a key part of the company’s success.

The reason lies in the idiosyncrasy of these signature processes and in their potential to create the energy to drive high performance. This idiosyncrasy is a direct embodiment, a “signature,” of the history and values of the company and its top executive team. The combination of values, experience, and passion enables these idiosyncratic processes to flourish against all odds.

Adopting best-practice processes gets a company to a level playing field. Yet the very nature of best practices, drawn as they are from a common pool of industry knowledge, means that the adopters of best practices are always susceptible to being copied by others that catch up with them. In contrast, the signature processes at these companies are so idiosyncratic and so much a part of the organizational heritage and values that the signature processes are difficult for competitors to replicate.

Signature processes develop from the heritage and values of the company, and it is the philosophy and wisdom of the executive team that shape them. At BP, the “peer-assist” signature process originated not in industry best practices but in the values and beliefs of CEO John Browne and his team. Browne explains the three core premises of his philosophy: “that people worked better in smaller units, . . . that any organization of scale should create proprietary knowledge through learning, . . . [and] that there is a very different interaction between people of equal standing.”

Signature processes are acceptable within the companies in which they develop because very often they have grown as the company grows and are associated with the executive team’s passion and values. They are part of the fabric, the ways of behaving, the “way we do things around here.” So while the task of every executive is to find and adapt best-practice processes from outside the organization to build the strength of the company, an

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added critical task of management is to be able to articulate the company's signature processes.

This is a difficult task. Executives need skills in developing and encouraging *both* best practices *and* signature processes. However, much of what executives have been schooled to do in developing conventional best practices flies in the face of the creation of signature processes. In fact, our recommendations for creating signature processes reverse some of the very prescriptions of best practice. To nurture signature process development, executives should rediscover their heritage and unlock the treasures that have been languishing half-forgotten within the organization, rather than search externally as they do for best-practice processes. Managers should become sensitive to and elaborate on those processes in the company about which people are passionate and become more in tune with the organization's values and beliefs. The challenge in designing for the emergence of Hot Spots is to bring in best practices *and* discover and shape signature processes that reflect the culture of the company. We return to this challenge in Chapter 7 when we consider the five phases of designing for the emergence of Hot Spots.

The four elements of a Hot Spot together create a context in which latent energy is created and then productively released. Now that you know about the theory of Hot Spots, let's examine some actual Hot Spots. In Chapter 2, you will watch people from around the world engaging in these exciting adventures.

CHAPTER SUMMARY

GENERATING EXTRAORDINARY ENERGY

Key Points

The vitality of Hot Spots is a reflection of the latent energy that has been released within the Hot Spot. This latent energy is released as the result of a dynamic combination of three elements:

- *A cooperative mindset*, which involves intellectual capital, emotional capital, and social capital
- *Boundary spanning*, which is the depth and extent of the relationships within a Hot Spot
- *Igniting purpose*, which releases the energy within a Hot Spot through igniting questions, visions or tasks.

The capacity of the Hot Spot to create lasting value is dependent on a fourth element:

- *Productive capacity*, which is the extent to which members of the Hot Spot are skilled and competent in the five productive practices (appreciating others' talents, making commitments, resolving conflicts, synchronizing time, and establishing a rhythm).

Hot Spots are emergent phenomena that cannot be controlled or directed. Executives influence the emergence of Hot Spots by shaping context through the design of structures, practices, and processes; task design; their own skills and behavior; and the development of individuals' capabilities, particularly in boundary spanning.

THE RULES OF HOT SPOTS

Signature Processes

There is much that can be achieved to develop a context in which Hot Spots will emerge. However, although the importation of best practices is important, it is not sufficient. The new rule is to move beyond best practices to signature processes.