Handling hot spots

Organizational “hot spots”, centres of high performance and breakthrough innovation, need a special touch when it comes to management. Lynda Gratton has discovered how executives manage hot spots without getting burned.
Hot spots are crucial to organizational health. Hot spots occur when our energy and excitement are inflamed through an igniting question or a vision of the future. Hot spots come about through a co-operative mindset, the ability to span boundaries, and an igniting purpose. 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.

Hot spots are excitedly emergent rather than tidily controlled. They can happen in the corridor, surprisingly in a meeting, among globally-dispersed team members, even among people who have never met but share an inspiring purpose (think of Linux). However they happen, they fuel continual performance improvements and are the source of breakthrough innovations. Without the energy and focus of hot spots, companies languish and die.

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Given the potential benefits, creating and nurturing hot spots is clearly an important issue for organizations and those who lead them. Yet hot spots pose a real challenge for executives and organizations that attempt to craft and develop them. Wherever I have seen hot spots emerge on a regular basis, I have found that the executive group, often working closely with the human resource function, have engaged with five distinct phases of activity. These five phases form a natural sequence. They are not a one-off intervention but rather a repeating cycle of diagnosis and action that executives should undertake on an annual or biannual basis. This cycling through the five phases is crucial because hot spots and the energy that accompanies them can dissipate rapidly; they can emerge or disappear in the blink of an eye. So to understand where they are emerging and where we need them to emerge, we need to keep a close eye on the energy states within the company.

Phase 1: Locating hot spots
The first diagnostic phase is about identifying where hot spots are located across the company.

How can this be achieved? In my experience, most companies have a plethora of information obtained through employee surveys; what they lack is a diagnostic capacity to make sense of the information that they have. So the goal of the first phase is to use the data a company already has to locate the energy fields in the company.

Energy fields may not be confined to the organizational structures of the company, but may cross the boundaries of formal work groups to project teams and communities of practice. It is important to leave this first diagnostic phase with an idea of where hot spots seem to be emerging and where the energy levels are low due to the absence of one or more elements.

Phase 2: Mapping the system
You now have an idea of the energy typography of the company – where the energy for hot spots is located and where energy has been depleted. You understand where the hot spots are but at this stage know very little about why these areas of energy have emerged or what can be done to increase the probability of their flourishing.

Next, you need to map the whole system that creates hot spots and identify the factors in the system that need to be strengthened as well as the aspects that need to be reduced and changed. The principles of mapping the system of emergence are as follows:

Establishing the likely points of leverage
There are points of leverage typically associated with the emergence of a hot spot. As a first step to mapping the system, it is useful to measure these leverage points in your own organization. Leverage points can include organizational practices, processes, norms or behaviours.

Mapping the system of hot spots
There are many possible combinations of barriers and leverage points in the emergence of hot spots. The challenge is for you and your colleagues to identify those that could make a real difference. The idea is to do this for all of the groups or businesses you are focusing on, in order to create a map of where the hot spots are located and the likely impact of the leverage points.

Mapping the system of a big freeze
You and your colleagues will need to consider both where hot spots are emerging and where they are not emerging. This enables you to understand more clearly what is acting as a barrier to emergence. To do this, you can follow the same sequence as mapping the hot spot system, where instead of the hot spot at the centre we have a big freeze, which is an area of your company that is moribund. Arrayed
around it are the three elements we know play a part in the emergence of a big freeze: a competitive mindset, a silo mentality, and lost energy.

A host of often unrelated organizational practices and processes can together lead to the emergence of a competitive mindset and a silo mentality between groups in the company.

Imagine, for example, that a senior team has decided to create a programme in which people are developed in functional teams, rather than a programme in which people from across businesses and functions participate. Although this will provide deep and useful knowledge, it has two potentially unintended consequences that will stifle the possibility of a hot spot emerging.

First, members of each function will spend more and more time together. Over time, group norms will strengthen and the barriers between the function and other parts of the company will become ever more distinct and impermeable.

Second, there will be a lack of job movement across the functions. People will feel even more comfortable with members of their own group and will be less likely to have the courage to move or cross boundaries. The resulting mindset will significantly reduce the chances of ignition of a hot spot.

Phase 3: Linking to business goals

Wherever hot spots are found, the energy they generate can make a significant contribution to performance. However, there has to be some relationship between the goals of the business and the probable emergence of hot spots.

In this phase, you and your colleagues need to map the company with regard to where hot spots would be most useful to meeting the goals of the business. Let me give you an example of the sorts of issues that may arise. In one large European commercial bank, the business goals for the next five years had two primary thrusts: the expansion of the bank into Asia and the continued reduction of the cost base of the company. As senior team members visualized the expansion into Asia, they began to map where hot spots could play a crucial role. They saw hot spots emerging in three prime locations: within the initial expansion team, in the series of partnerships with local Asian banks that would fuel the expansion, and in the European and Asian functional teams charged with knowledge transfer. The probability of the business goal being met would crucially depend on the emergence of these hot spots.

Phase 4: Identifying potential leverage points

We now focus on potential leverage points and consider what should remain, what should be removed, and what should be developed and invented.

At any given moment, your organization’s capacity to focus resources on change is strictly limited. So the challenge is to identify, out of all the possible initiatives that you can take, which will make the maximum difference with the minimum force. There are four underlying principles that can aid your decision making:

Focusing on leverage points rather than outcomes

Maps of hot spots often contain leverage points that are practices and processes and others that are outcomes. These outcomes are typically cultural and normative characteristics such as “a culture of trust” or “goodwill among the senior leaders”. These are crucial aspects of the hot spot, and their presence needs to be acknowledged. However, they are not of themselves leverage points; they are simply the outcomes of practices and processes. For example, it is not possible to put resources directly into developing a culture of trust by changing the value statements of the company to emphasize trust. The points of leverage are the practices, processes, routines, and habits that enable and reinforce the emergence of a culture of trust.

Reviewing actions against all possible leverage points

In this phase, you and your colleagues are considering ways of changing practices, processes, routines, and habits to improve the probability of hot spots emerging. The first step is to think expansively about how changing practices and processes would help the elements of a hot spot. The purpose is to brainstorm and, for the moment, not let questions about feasibility overwhelm the discussion. Thinking out of the box about leverage points is difficult because we tend to accept that there is no other

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way of doing things. To get the widest array of potential leverage points, it is useful during this step to actively seek to expand the analysis of potential leverage points beyond the obvious.

**Widening the analysis of potential leverage points beyond the obvious**

Use of the potential leverage points depends on the extent to which current investment and resources have been allocated to them and their relative ease of implementation. Levers with significant current investment, which are relatively easy to implement, tend to be the habitual levers that are pulled whenever change is deemed to be important.

I saw this in a large manufacturing company. For over a decade, successive executive teams had put enormous emphasis on and resources into management training. As a consequence, whenever the executives faced a challenge concerning behaviour, they turned to the training function to design an intervention that would meet their needs.

When we met with the executives to talk about hot spots emerging in a particularly important part of the company, their natural bias was to return to their habitual response and to continue investing in training. The challenge for this executive team was to build a greater awareness of other leverage points that were relatively easy to implement but for which there had been limited investment – in other words, to identify their “blind spots”. For example, although there had been much investment in functional training, there had been very little investment in cross-functional training. Simply making some of the training events cross-functional was relatively easy and had the potential to make an important contribution to the emergence of hot spots by supporting cross-boundary cooperation.

**Biting the bullet on big-resource items**

Widening the analysis of leverage points beyond the obvious includes leverage points that will be more difficult to implement. In a major investment bank, I found that enormous resources had gone into coaching members of the senior team. Each executive member had a coach with whom he or she met on a regular basis. So much emotional energy had been expended on implementation and gaining executive commitment that such coaching became a “sacred cow”.

This issue came to the fore when the executive team mapped the current impact of the levers on the likely emergence of hot spots. When the executives analysed the model, they discovered that the resources focused on coaching had indeed had a positive impact on their behaviour and their capacity to serve as positive role models for others. But as the team members pondered the hot spot element of cross-boundary working, they began to understand that what would be crucial going forward would be team-based rather than individual coaching. To expand the analysis beyond the sacred cow required an executive team that was willing and able to question investment decisions, even when important commitments had been made to these leverage points in the past.

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Implement and not areas of current investment. Rewards often fall into this category. In one company I studied, a highly individualized bonus system was having a strong negative impact on the cross-boundary element of the hot spot. Although people cooperated within their groups, there was no incentive for them to cooperate across boundaries, and in fact the bonus scheme was a strong disincentive.

It is often the hard-to-implement leverage points, like team-based rewards, that become blind spots. These blind spots are typically areas where investment has been minimal and where implementing change is seen as difficult. However, there are occasions when blind spot leverage points that have been disregarded in the past can make a real and significant contribution to performance improvements and increased innovative capacity.

Phase 5: Taking action

Through the first four phases, you have established where hot spots are currently blazing and where a big freeze is emerging. Now is the time to move into action. As in the earlier phases, each team finds its own way of achieving this. There are a few broad principles that can play an important role in ensuring that actions are taken to maximize the potential for productive hot spots to emerge in locations and at times when they are most needed.

Making the business case It is relatively easy to implement leverage points that have a history of successful use. It is also relatively easy to implement leverage points for which there are current executive support. To build leverage points that are currently blind spots, however, requires making a strong business case for investment.

Using experiments In 1990, employee engagement data at BT, the UK telecom company, showed that the engineering group was becoming increasingly disengaged and disheartened: engineers were unwilling to work cooperatively with each other. When the members of the executive team examined the situation, they realized that the stress the engineers felt was driving a mindset of competition rather than cooperation. The executive team began to realize that moving toward a cooperative mindset would require fundamentally changing the way the engineers worked.

A couple of members of the executive team agreed to champion job redesign and began to build the business case through a series of experiments. They began by proposing three experimental conditions. In the first condition, nothing would be changed about the way in which the engineers worked. In the second condition, they would use their favoured, habitual response and run a two-day re-engagement programme. In the third condition, they would work with the engineers to redesign the way in which work was done with the view to reducing time pressure and stress.

The thinking behind the three experiments began by defining the evaluation criteria. What business measures should be used to evaluate success? The executives chose three: absence rates (the number of days per month the engineers took sick leave), engagement of the engineers with their work (using a survey with 20 engagement items), and measures of productivity, particularly the cooperation of
team members and the team rate of productivity. This initial evaluation step is critical; otherwise, it is impossible to evaluate the extent of change across the subsequent period of experimentation.

The executive team and a group of engineers then designed and implemented the three experimental conditions. For the first group of engineers, nothing was done. In the second group of engineers, a one-week re-engagement programme was developed. For the third, a team developed a work design that would support cooperative working. The team quickly determined that the key was to insert more flexibility and choice into where and when the engineers worked. The experiment around job redesign required the engineering group to suspend, if only temporarily, some of the operating procedures that were identified as barriers to flexible working.

Over time, the engineers in the third experimental condition made extensive use of technology that enabled them to work from home for part of the workweek. Schedules were also rearranged so that they had more choice about work times. This flexibility took much of the pressure off engineers and gave them more time to work cooperatively with their colleagues and to share the tacit knowledge and insights that let them carry out their jobs more quickly and more accurately.

After one year, the senior team took stock of the evaluating criteria (absence rates, employee engagement and productivity) in each of the three conditions. In the first condition, there was no change. In the second, there was a slight initial change, but after six months, the rates fell back to normal. In the third condition, the engineering team was on average 20 per cent more productive and 20 per cent more engaged, and absence rates had decreased significantly. This evaluation step was crucial. All experiments are fragile, and without tangible benefits to employees and the visible support of key decision makers, they are likely to be only transitory.

By using this well-designed series of experiments, the executives were able to build a strong business case for job redesign. As a result of this experiment, over the subsequent five-year period significant investment was made in job redesign and in efforts to create a context within which hot spots were more likely to emerge.

**Working with the forces for and against change**

Building a clear business case for action and using experimentation to identify the likely extent of the actions taken is crucial, but sometimes this is not sufficient. This is particularly the case when situations are strongly embedded within the organization and seen as “the way we do business around here”.

To understand why requires us to move beyond a simple rational description of the leverage points to an understanding of underlying forces. This simple tool is based on the concept of force field analysis. Simply put, in every desired end state, there are forces currently operating for the end state and forces operating against it. These forces for and against change are balanced; as a consequence, working only on forces for change significantly increases the forces against change. To move into action, executives have to work on increasing the driving forces while reducing the restraining forces. To do this, they have to first debate and agree on a list of the forces operating both for and against change.

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