

Times MBA Podcasts Week 5 – Lynda Gratton: Why some companies buzz with energy and others don't

I'm Lynda Gratton, Professor of Management Practice at London Business School and I'm talking about my new book, *Hot Spots: Why Some Teams, Workplaces and Organisations Buzz with Energy - and Others Don't*.

You only have to go into an organisation to realise how far and how quickly they have changed over the last ten years. There's a huge challenge around different generations. Generation X, for example, 25 year olds want something different, meaningful, interesting. They want to work in a more relaxed way. Many of us will be working until we are over 75 at work and so there are interesting challenges around demography. At the same time, the way that we run organisations is completely changed. Think for a moment about Linux, an extraordinary platform that many of us use in our organisations. Remember that Linux is entirely staffed by volunteers, something we wouldn't have even dreamt about ten years ago.

Where people used to have full time jobs that they did all the time, more and more of us are working in projects where we come into organisations and go out. What does this mean for each one of us? Well, what I've seen in my 20 years looking at organisations is that we're moving increasingly from a command and a control way of running organisations, where rules are important, where procedures are important, to one much more based on coaching, on relationships, on networks, on conversations, on innovations.

That's very fascinating to me and over the last four years I've really looked carefully at how we can think about our new organisations. What is the new organisational reality and how can organisations respond?

One of the things that I noticed when I started researching on organisations is that sometimes when you go into a company it feels almost like the big freeze. You know, people aren't happy, they're not talking to each other, they're not being innovative, their ideas aren't being communicated. Other times, as soon as you go into a company you can feel a hotspot. People are energised, they're excited, they're working on meaningful things, they're loving working with each other, they feel great. Those hotspots are absolutely crucial and over the last couple of years I've looked really carefully at what a hotspot is, why they arise and what each one of us can do to ensure that we create more hotspots in our organisations.

So, what I want to talk about now is really focus on teams and energy. I want you to think about a time when you've been in a hotspot. Think about a time when you've felt very excited, when you've worked with people on something that you really love doing; think about how that felt for you, think about what emotions were associated with it. The question I want to ask you to think about is, wouldn't it be great if more of

your work was spent in hotspots and less time was spent in the big freeze, when you felt uninterested, when you felt as if nothing meaningful was happening in your work?

Now, our research shows that it is actually possible to increase the times when you're in a hotspot and it's possible also for organisations to build hotspots. What I would like to talk about now is how you do that.

One of the first things we found about organisations where hotspots seem to thrive is that they were often places where people had what I'd like to call a co-operative mindset, where people felt as if it was okay to co-operate with each other, they felt good about that. They felt as if working with others in a co-operative way was something that was important to them.

Now, the challenge there is many of our companies have become very competitive. They're built with tournaments, reward systems pit people against each other and it gets very difficult, therefore, to really be co-operative. These companies that are competitive, tournament-based, really create the big freeze. The question really, I think, for me, and indeed for you, is how do you create an organisation where people feel co-operative? What we found is there are many things that an organisation can do to create a place where co-operation flourishes. For example, you can think about the way that you coach and train people. In fact, our research has shown that the most important human resource practice associated with a co-operative culture is the extent to which people are coached and mentored. So really think about whether you have coaching and mentoring practices in your organisation, do you have means by which people show they value each other? The second thing we found around a co-operative mindset is the way that senior executives behave seems to be absolutely crucial. People watch really carefully what they see senior executives doing and if senior executives behave in a highly uncooperative way, if they're bad mouthing their colleagues, if they find it difficult to work co-operatively with others then that role model has an enormous impact on the rest of the organisation.

So to build a co-operative mindset the first thing you need to do is to think about coaching. The second thing you need to do is to think about the way your senior executives are working with each other and help them and you understand that your behaviour sends out really important role models to the rest of the organisation.

There's one more thing you might want to think about when you're thinking about building a co-operative mindset, and we saw that at Goldman Sachs. One of the really fascinating things about Goldman Sachs is its recruitment process and anybody who's been through that recruitment process knows very well what it's like. Basically, if you apply for a job at Goldman Sachs you can anticipate being interviewed about 40 times. Now, that seems sort of ridiculous on the face of it, but the truth is that what they're doing at Goldman Sachs, what the executives are doing at Goldman Sachs is that they're screening out people who are not capable of working with other people and they're screening out people who are uncooperative. Because Goldman Sachs realise that one of the reasons that they're as successful as they are is it's not a company of individuals, it's a company of relationships and teams. And they begin to find out whether you're relationship orientated at the very point in which they're recruiting you.

So the first thing to develop hotspots is strive to create a co-operative mindset. Think about the culture, think about your practices - particularly coaching - think about the way your senior executives behave and think about the way that you're recruiting and training people to be co-operative. That's absolutely crucial for a hotspot but it certainly isn't enough. I mean, you know and can think about times when you've

been in an organisation which is very co-operative but which, frankly, feels more like a country club - everybody likes each other, they're all having a lot of fun - but nothing really gets done.

The second thing that's really important in a hotspot is that you have to encourage people to work across boundaries. Now, why is that so important? Well, our research has shown that when you work with people you know very well, about 60% of what you talk about you've already talked about. In a sense you continuously recycle old knowledge. Actually, that is a good thing if you are people who are real experts and who want to talk about the same thing over and over again. But if you want to be innovative then that's not such a good thing. So to create a hotspot one of the things we found, and you may want to think back to the hotspot that you were thinking about, my guess is that often that hotspot came because you met somebody you'd never met before. You need to bring strangers together to spark hotspots. Often the people that you know the most and spend the most time with are not the places and times when hotspots arise.

One of the things that you need to think about is how do you create a place, and how do you create an organisation, where strangers meet? One of the examples I talk about in my book *Hotspots* is Nokia. Now, we all know Nokia. Many of us will be using their mobile phones. It's one of Europe's most successful companies and it's one of the top known brands in the world. The fascinating thing about Nokia is that the executive team has put a huge emphasis on encouraging people to work across boundaries. Let me give you some examples of what they actually do.

One of the things they do is every year the senior team of Nokia identify the six themes that they believe are going to be most important for the coming years. So, for example, a couple of years ago they thought about how are we going to use cameras in mobile phones, and they put together a team to look at that. At the same time they send a note out to the whole organisation saying, "If you're interested in this project, please join" and actually what they find is many hundreds of people are excited and want to join. What they've tapped into, by the way, is the power of the volunteer.

Just as an aside, you might want to think that often in organisations we give people too little opportunity to be volunteers. We keep on asking people to do things and not really giving them that wonderful feeling of volunteering. But Nokia is very good at that. What that means is that every year around those six themes, hundreds of people get together to talk about those themes. Many of them are strangers.

Another thing that it does is when you do a new job you're obviously introduced to the people in your current work group but Nokia also has a rule, as it were, that you get introduced to at least six people from different parts of the business that you've never met before and your manager is responsible for making that network. Another thing that Nokia does is that they have what they call the Big Coat syndrome. Now, Big Coat syndrome is that they move people into jobs that really look too big for you. I know, for myself, when my kids were young I often used to put them in blazers for school which were miles too big for them and I used to say to them, "Don't worry, Dominic, you'll grow into it". Well, Nokia's sort of the same. What it's saying is, "We're going to give you a big coat, we're going to move you across to a new job you've never done before, it's too big for you now, you can hardly do it but you'll grow into it".

How does that help cross-boundary working? Well, the reason it helps that is it means people move into jobs they've never done before. They move across boundaries they've never moved across before, they move into another function, they

go to another business, they go to another country. For example, one of the people responsible for the manufacturing base of Nokia had hardly ever walked into a factory before he took that role. It was a brand new job to him. It was a big coat. But what that meant is that Nokia is continuously introducing strangers to each other. And what my research and research of other people, both at London Business School and at Harvard University, has shown is that conversations with strangers are a marvellous place for innovation to take place. Much of the innovation that you see coming out of Nokia, for example, is created through strangers who are meeting each other, who are liking each other and who, together, create some marvellous innovation.

So, how do you create hotspots? Well, the first thing is you strive to create a co-operative mindset. Second, you encourage people to work together across boundaries. And what we know is that when you meet people across networks you're likely to be energised, you're likely to be excited, you're likely to want to work together. Does that create a hotspot? Well, sort of but there's one other thing you have to do. Because striving to create a co-operative mindset and encouraging people to work together across boundaries is a marvellous place where energy is created. But that's not productive energy. Why? Because it's not focused on anything. So the third element that we saw in a hotspot, and you may want to just think back to the example that you were thinking about at the beginning. The third element is that you have to create a point of ignition. You have to have something that people are excited about to work on.

Now, what can that be? Often professors like me talk about strategy and vision and we say, "Well, you know, the thing that ignites an organisation is a vision. A vision for the future" and sometimes it is. For example, one of the major pharmaceutical companies was absolutely ignited by a CEO saying, "We need to increase the health of everybody in the world". That's a very igniting vision.

But one thing we found when we looked at hotspots and we researched hotspots is although a vision is important, it is very often not the point of ignition. What we found was that very often the point of ignition was, what I would call, an igniting question. A senior person asked a question they didn't know the answer to but they threw that question out into the organisation and by doing so created an extraordinary amount of conversations. Let me give you an example of that.

About six years ago John Brown, then CEO of BP, asked the company an igniting question. This is the question he asked. He said, "How can we make BP a force for good?" Now, that's not an easy question for the CEO of a major oil company to ask because oil companies are seen as dirty places, places that ruin the environment, places that aren't really a force for good. So he was courageous in asking that question. But when he asked that question, "How do we create a force for good?" that actually ignited lots of hotspots right across BP. In fact I talk about one of them in my book. A hotspot that went from Poland to Chile. And that hotspot really was looking at how do we really create a retail experience that people really want to enjoy? But perhaps more importantly out of that igniting question that John Brown asked came BP's commitment to moving away from fossil fuels and towards new energy resources. And, indeed, BP is now one of the major investors in the world on new forms of energy.

So, hotspots need igniting. Visions can do it but often a really interesting question can be a marvellous place and way in which hotspots are ignited as we saw with John Brown.

Another great example of a igniting question is the creation of Linux. Now many of us perhaps don't really see what Linux is. I mean, many of our institutions use Linux. I know at London Business School we use Linux as our major platform; Goldman Sachs uses the Linux platform; Nokia uses the Linux platform. The extraordinary thing about Linux from the perspective of somebody like me, a scholar in organisational design, is that much of what we say about organisations, we say, "Well, people join organisations to get rewarded". Actually Linux has been a marvellous reminder to all of us of the power of the volunteer. Linux is built by 10,000 volunteers many of whom work many hours a day to keep that thing going. Wikipedia, by the way, is the same. The extraordinary thing, of course, about Wikipedia is that also is built by volunteers.

Now, why did those 10,000 volunteers join the Linux platform? Well, in part that hotspot, and I believe it is a hot spot, was created through the igniting question of the founder. And the founder of Linux asked this question. He said, "How can we create an open source platform which allows people around the world to build it and to grow it?" At that time he was particularly concerned that the large multinationals were beginning to build platforms which meant that nobody else could use them. They were really creating property for themselves and they wanted to create property for the world. That igniting question, "How do we do that?" was the beginnings an extraordinary set of hotspots that's created what Linux is today.

To really ignite a question, you can have a vision, you can have an igniting question but there's one more thing that we found that could be a source of ignition. That is the task itself. You know, one of the reasons why hotspots occur is because the task is so interesting you're drawn towards it. My guess is that when you thought about the hotspot that you've been in one of the reasons you joined that hotspot is that you loved doing what you were doing.

I think sometimes in organisations we forget about how important tasks are. If you can create something that's really exciting for people, that they really want to be part of, that's really meaningful for them, then people will join a hotspot. One of the insights from our research, we found, which really we hadn't predicted but perhaps we should have done, is we felt tasks are better when people are clear about them, when they understand how to do them. But actually we found that wasn't the case. We found that often in a hotspot the things that people were asked to do were very complicated and rather ambiguous. And what we found is that one of the reasons that innovated hotspot was created was because people had the opportunity to invent something. You know, I wonder in organisations whether sometimes we do too much of the rule making and not enough space for people to invent.

So, how do you create a hotspot? Well, first you strive to create a co-operative mindset. Next you encourage people to work together across boundaries. Thirdly, you ignite that hotspot through a vision or a question or a task. Is that enough? Well, yes and no. It's sort of enough because now you've got lots of energy and you've got a hotspot created.

But there's one more thing you've got to do. What we found is that some hotspots were created very quickly and then they fizzled out. Other hotspots were never really as productive and as innovative as they wanted to be. So what do you do about that? Well, what we found is that when you manage a hotspot it's a very different thing than managing other things in organisations. What we found is that you need as a leader, and as a manager and as a team leader, the capacity to manage these complex teams. Hotspots often go across countries; they often go across functions; they often go across boundaries; they're very complicated. We find, for example, that fractures occur within them as one subgroup argues with another. We find that a

whole set of problems arise so you have to be a pretty skillful manager and team leader to lead a hotspot.

Let me give you some insights about some of the things that you need to think about doing to make sure the hotspot you've created is as productive and as innovative as possible. First, you need to help people appreciate talents. One of the things about hotspots is often they include lots of people. On average we found a hotspot had about 50 people in them, but some of them went up to 200 people. What does that mean? Well, it means that people don't know each other. Remember they are strangers. What do we do about that? Well, we help them to appreciate talent. One of the companies we looked at, for example, very early on in the hotspot, posted everybody's photographs and a short CV about everybody, which seems like such a simple thing to do but actually it can be incredibly important.

Second, hotspots are rule bound but people do need to know what their own role is and how they play that role. Don Sull, a colleague of mine at London Business School, has written a couple of great articles around making commitments. And I think he's absolutely right. One of the things we found in great hotspots is people were good at making commitment about what they were going to do. Commitments, by the way, are best made verbally rather than on an email, they're best made where other people are there to hear them, and they're best made when you think about the consequences. Appreciate talents, make commitments.

Thirdly, we found - and this was pretty interesting to us - that hotspots were places of conflict. People didn't agree about things, they didn't like the way people were doing things. They felt that things were going too slowly or too quickly and so on and so forth. The interesting thing about productive hotspots though was the way leaders worked with conflict. They surfaced them, they talked about them, they helped others to understand them, they thought about how you may really change what can be unproductive conflict into innovative productive conflict. So, appreciate talents, make commitments, resolve conflict.

The next thing we found, and I think this is a slightly deeper issue in many ways, is we found that often hotspots contain people of different personalities and people with different ways of working. For example, one of the hotspots we looked at was in a large advertising agency and the production people were very, very keen on getting things done quickly, moving fast, some of the creative people actually wanted to work at a different pace. They wanted to slow things down occasionally, they wanted time for reflection.

The challenge in a hotspot is if you let all the type As - and many MBA students, by the way, are type As who are very task driven, very time dependent - if you let that group take the lead then without you hardly realising it they push out the creativity, the time for reflection, the innovation. So one of the really important things about creating a productive hotspot is that you have to synchronise time between type As and people who want to work slower, and you have to establish a rhythm. You have to, in a sense, give people time to work fast and hard and task orientated and also provide opportunities for people to slow down, for people to think, for people to really reflect on what they're thinking about in their creativity.

Those four things: strive to create a co-operative mindset; encourage people to work together across businesses; really create a point of ignition, and finally think about managing those complex teams in terms of talents, commitments, conflicts and time.

Now, together those will create hotspots and, you know, the wonderful thing about

hotspots is not only do they create enormous value for organisations where good relationships flourish, where communication happens, where people have the opportunity to reflect, hotspots are healthy for you and healthy for your organisation.

If you want to know more about hotspots, read my book published in America by Berrett-Koehler and in Europe by the Financial Times/Pearson, or indeed go to my website www.lyndagrattton.com.