

Excerpts from **HOT SPOT** by Lynda Gratton

Hot Spots Formula

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.

When Hot Spots arise in and around organisations, they provide energy for exploiting and applying knowledge that is already known, and genuinely exploring what was previously unknown.

HOT SPOTS – The Formula

$\text{Hot Spots} = (\text{Cooperative Mindset} \times \text{Boundary Spanning} \times \text{Igniting Purpose}) \times \text{Productive Capacity}$
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A cooperative mindset, boundary spanning and igniting purpose have a multiplicative effect on each other. The lack of any 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.

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.

- **Cooperative Mindset and the nature of Human Potential and Human Capital**
Three aspects combine to form a triangle of human capital and human potential.

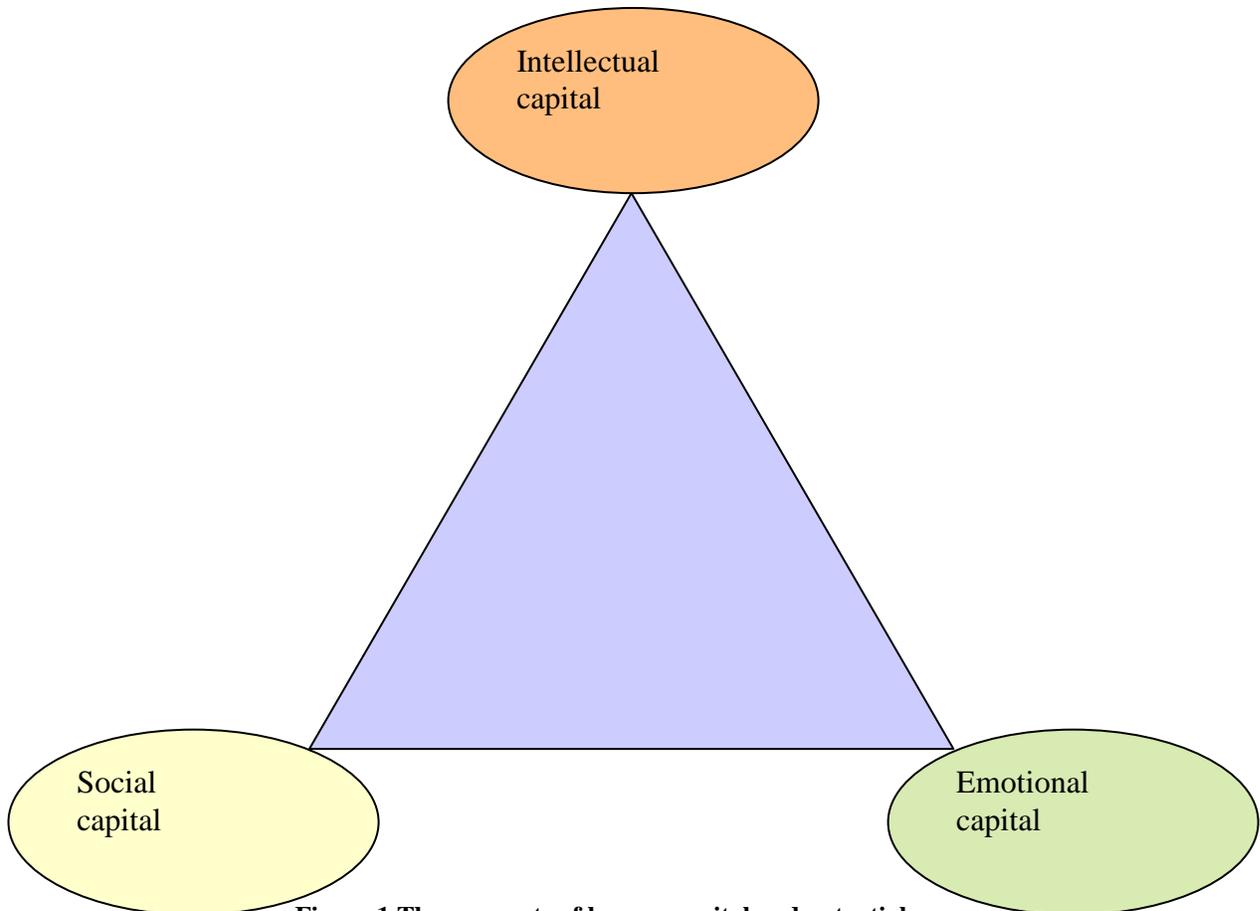


Figure 1 Three aspects of human capital and potential

Hot Spots emerge when all three aspects are engaged in a reinforcing cycle.

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 the human 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 ebbs and flows within Hot Spots are just as likely to be caused by emotional capital. This is the emotional insight which allows people to adapt and modify their behaviour. However, the potential energy of a Hot Spot is not simply the addition of the intellectual and emotional capital of the people 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.

The Second Element: Boundary Spanning

Within Hot Spots exciting and skilful collaborative 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 value created within the 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.

The *extent of boundary spanning* in the relationships differs between Hot Spots. Some relationships are within the group. Other relationships are with people outside the group, in other functions or even in other organisations. In this case the boundary spanning is high as these networks of relationships extend across team, function and organisation boundaries.

The real insight in the first element of a Hot Spot is that a cooperative mindset is essential to the emergence of a Hot Spot. The insight for the second element is that the nature of the value created within a hot spot differs according to the extent to which boundaries are crossed. 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 the group, or *explore ideas, knowledge and insights* with people outside their group.

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 in the Hot Spot is created as a result of the members exploiting and sharing knowledge they already have. This outcome is unlikely to be unusual or innovative because members of the Hot Spot know each other well and are probably rather similar in their competences and attitudes. Hence they are unlikely to learn things from one another that they did not already know.

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 marvellous 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 organisation. Hot Spots of boundaryless cooperation are particularly adept at the combination of ideas and insights, which open up the possibility of innovative solutions.

The innovation of these new combinations of ideas 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 relatively strangers, rather than those who know each other very well.

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, there is the third element – the igniting purpose.

The Third Element: Igniting Purpose

The flaring of Hot Spots is always accompanied by an *igniting purpose* – something that people find exciting and interesting and worth engaging in. The igniting purpose can take a number of forms:

- Propelled to the future through an igniting **question**
- Energised in the present with an igniting **task**
- Pulled to the future through an igniting **vision**

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 want to engage with it. An example of a big and expansive igniting question is the one that BP CEO John Browne asked of his people: “How can we, an oil company, become a force for good?” The question triggered “beyond petroleum”, the rebranding and repositioning of BP’s core business and innovations involving renewable energy sources.

Igniting visions

Igniting questions invite people to think about the future: the questions essentially propel them into the unknown. An *igniting vision* 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 towards. What ignites the Hot Spots at Linux is that every one of the thousands of people involved has a vision of what they are 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. 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. The challenge is that many organisations have often unwittingly created an environment where competition and self-interest negate a mindset of cooperation.

The good news is that much of this can be changed. You can craft a context that favours cooperation rather than competition. You can create the will and freedom to ask igniting questions. These elements are marvellous creators of energy. However, to focus this energy and ensure that it actually adds value, you need the fourth and final element, *productive capacity*.

The Fourth Element: Productive Capacity

Hot Spots that are capable of creating value through innovation are also potentially the most complex. Research has shown clearly that initially the most productive teams are those people who work with each other in the same location and have similar skills and attitudes. Hot Spots that remain productive do so because the people in them engage in what are called productive practices.

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 relationships between members, it now 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.