Organisational Vitality:
THE LIFE LINE FOR YOUR COMPANY

BY DAVID DE CREMER

Where do you see your company many many many years from now? In this article, David De Cremer tells us the importance of passion, energy, company culture and more in cultivating organisational vitality. Where best to learn than from global telecom giant, Huawei.

No company lasts forever! As in life, corporate funerals are no exception. Of course, an important challenge of any founder is to create long-term visions that enable long-term survival. To sustain a motivation to survive in the contemporary complex world requires a dynamic and collaborative organisational culture. A company unable to deal with the rapid changes, while not being able to question and reinvent itself will lack this drive to contribute to its long-term robustness. Given this economic reality, it is no surprise that current debates involve discussing what leaders can do to create a sustainable work environment to meet these dynamic forces. One focus that seems to emerge from these debates is on establishing fertile ground to make one’s organisation and its employees more vital and energetic, or, in other words, focussing on promoting “organisational vitality”.

The Rise of Organisational Vitality
As a human species we can only survive if we can use sources of energy. In fact, one of the basic requirements for life concerns the availability of an energy source. Specifically, conditions have to be shaped in such a way that energy sources like sunlight can be being transformed into food (i.e. a process called photosynthesis). In a similar vein, to remain an active and living entity, organisations need to create work environments that energise rather than deplete human resources. Most of us will have experienced the difference between a high-energy versus a low-energy company. In a high-energy company you can feel the passion of the people and how it influences the way they relate and connect with their colleagues, bosses and customers. The energy seems to be in the air and feeds creativity,
excitement and eventually performance. Of course, implementing a drive associated with high-energy levels is one thing whereas another equally important thing to do is to maintain this kind of energy. This challenge requires that founders can build cultures that inspire the right kind of energy, which is intrinsic, genuine and long-term focussed. The ability to infuse the organisation with this type of energy makes for a company characterised as high in organisational vitality.

Being effective in managing energy in effective ways is not an easy task to do. The fact that burnout is considered to be one of the primary drivers of employee absence and widely considered to be the number one health threat to employees speaks for itself. To deal with these health issues, companies now deliver different types of mindfulness training, which all have a focus on mindfulness meditation. These training sessions have been shown to positively affect people's well-being and ability to deal with stressful situations. Of course, these training sessions are in a way reactive as they have been implemented after the problem emerged. A more direct and preventive way is to create leadership in combination with an organisational system that serves as an almost unlimited source of energy. In addition, leadership building the right conditions for people to blossom also requires that the purpose and ambition of the company is clearly defined and endorsed by its members. Being clear about the purpose will bring resilience when unexpected changes have to be faced. It is clear that such a work culture may succeed by beginning each new business journey with the necessary energy and at the same time work on the ability to continuously be successful in meeting new challenges to ensure stability and viability on the long-term.

As such, in my view the notion of organisational vitality includes a focus on two important elements. The first element concerns the state that organisational members are in. Do they feel strong and energetic to take up the challenges and be actively involved? The second element concerns the competencies to extend the energy that is present in all living things into the future. Can organisational members sustain their level of energy to show the needed resilience for future challenges? These two elements require a kind of leadership that is able to elicit sources of energy in their followers but at the same time also to teach those same followers to regulate their levels of energy in a sustainable way. Recently, these leadership abilities to install organisational vitality have been summarised in the notion of spiritual leadership. Spirituality can be seen as referring to leadership being open and empathic to others, concerned with people's growth beyond one's professional skills, and opposite of employing a controlling and sometimes manipulative way of leading.

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Critics have pointed out that the rise of a notion like organisational vitality combined with a stronger interest in the process of spiritual leadership has to be seen as a Western hype. Since the financial crisis in 2008, companies and leaders reached the point where they realised that the traditional Western management approach, which relies heavily on rational economics, needs to be modified to be able to come to terms with the uncertainty and unpredictability of the business world. The financial crisis was a powerful reminder that our life quality and corporate success cannot be sustainable by only focussing on the rational side of things. Instead, management theories need to embrace a more meta-rational approach that accepts human irrationalities and the spiritual life of employees. This perspective that organisational vitality may be a typical Western concern is, however, not entirely true. The notion of spiritual life and placing energy and stability as key concepts in effective leadership practices find its roots in more Asian philosophies and theories. At the same time, however, we have reached the stage of a global economy, making that effective leadership and building organisational vitality has to be looked upon by using an integrative perspective where East and West meets. One such company that fits these integrative criteria and is currently soul searching in a way that it aims to find
Ren Zhengfei turns his attention to what really matters to him: “how to avoid becoming arrogant, complacent and sustain innovation to survive as a company.”

In trying to sustain such a drive, in the last year, the company has started several initiatives and discussions to install the necessary confidence that they can inject vitality in their organisation. Those efforts are the ones that Huawei refers to as implementing a spiritual culture. According to Ren Zhengfei organisational vitality is spiritual culture. Why has Huawei sharpened its focus on this topic? People familiar with the company know that Huawei makes use of their “Contribute and Share” principle. This principle stands for the idea that employees receive the freedom to show themselves and if their entrepreneurial spirit pays off in the projects they undertake they are eligible to share in the wealth generated. This approach has been very successful to create a company culture in which a shared sense of dedication and entrepreneurship has emerged. However, at the same time, this same kind of success has also created a potential pitfall in which an increasingly amount of distributed wealth (among the employees) is not generating more happiness and intrinsic motivation towards future projects and undertakings. As one employee noted on the online communication platform of Huawei, called Yinsheng Community: “Nowadays, the canteens in our representative offices are bright and spacious, business vehicles are increasingly upscale, and we have fewer turnkey projects. Despite this, we are not as happy as before. The company has invested a lot in strengthening the material culture, but the investments in this regard have not had the same effect as before.”

Huawei as a company has always assigned much importance to building an intellectual climate where the spiritual and scientific world interacts. Symbolic messages combined with hard scientific facts drive many ideas and inspire the company to set its own path. However, in the transformation of Huawei from a local telecom leader to a world leader, the company also decided at one point to embrace the rational Western management styles. Specifically, in what we call their second phase of development, which ran from 1997 to 2007, Huawei hired IBM to implement a balance between materialistic and spiritual work conditions is Huawei.

Huawei was founded in 1987 by Ren Zhengfei and until today is still a private company owned largely by its employees (about 98.5%). This Chinese telecom giant employs more than 170,000 staff and serves more than 3 billion customers. In the fiscal year of 2016 Huawei’s revenue reached CNY521.574 billion (US$75.103 billion) and CNY37.052 billion (US$5.335 billion) in net profit. Although the company is nowadays run by a rotating CEO system, it is fair to say that the impact and influence of its founder is still very strong. Over recent years, Ren Zhengfei has transformed into an important thought leader, both within and outside the company. As a thought leader, one of the most important questions he talks about concerns the issue of Huawei’s survival. This is not surprising given the fact that Ren Zhengfei is known to be a person who after each business success or failure, turns its attention to what really matters to him: “how to avoid becoming arrogant, complacent and sustain innovation to survive as a company.” It is his drive as a leader to keep Huawei employees hungry in aiming for the impossible. For obvious reasons, setting such goals requires energy and an organisational culture that continuously feeds the drive to stay hungry.
management structures to eliminate the chaos of their first 10 years of existence and to learn from the West to start building a more global vision. It was a move that demonstrated the awareness of Huawei that if they wanted to meet their ambition to become a world leading company in the ICT sector, they would have to adapt. In the words of Ren Zhengfei, at that time it was needed “To cut off your feet to wear the shoe.” Together with better management and performance structures increased wealth arrived. But, as noted earlier, these changes installed a feeling that their spiritual culture was fading. Therefore, loyal to its Chinese philosophical roots, Huawei has since then tried to look for ways to bring in more creative latitude and room for spiritual leadership to take place. Its spiritual roots lie in their purpose statement, which is the sole focus on customer centricity. Indeed, the way survival can be achieved is to put the customer central and to be able to feed this focus on a continuous basis organisational vitality need to be ensured.

Function of Organisational Vitality: Serve the Customer
Companies scoring high on organisational vitality are populated by passionate and energetic employees. Their energy fills the air and creates a vibrant work culture that is felt when entering the company. Interestingly, employee passion is one of the key dimensions that predict positively their willingness to serve the customer. If energy is low no passion will be felt by employees with the direct result that the interest of the customers will suffer. The more energy employees feel they can extract from the work culture the more likely that employees will be dedicated to treat their customers well. In light of this specific relationship between energy, passion and customer dedication, it is no surprise that especially a company like Huawei is looking for new means to promote its organisational vitality. Indeed, according to Ren Zhengfei: “serving customers is the only reason Huawei exists.” Huawei sees innovation in the ICT sector as one way to help customers realise their dreams. Purpose at Huawei has thus one clear value proposition: “serve our customers.”

This passionate drive towards customers has been well documented over the years and is considered as a primary source of employee satisfaction. As one employee recently noted: “When the company first entered overseas markets, our colleagues in the field needed to overcome a lot of difficulties in their day-to-day life and work. We went to and from warehouses, built base stations, and lived in tents with our customers. Though life was difficult, we felt happy to work hard.” An important consequence of this focus on customers is that those employees who care most about their customers will be promoted faster. This philosophy is part of the spiritual culture the company aims to implement, because it signals clearly that not only your objectively rated performance matters but that also other ways beyond performance level are rewarded. As such, multiple forms of contributions matter. As Ren Zhengfei, puts it: “We want engines big and small to drive our team forward.”

How to Increase Energy and Vitality? Two Routes
When organisational vitality needs to be promoted an important mission will be to bring the level of energy that is going down up again. How to do this? In order to promote organisational vitality on the long-term it will be necessary to build a (a) foundation in which people’s basic needs are satisfied (i.e. a material culture taking care of the basic needs of people) and (b) more spiritual culture that creates shared values that sustain the intrinsic motivation to keep growing and innovating beyond financial incentives. As one Huawei executive put it: “Material culture and spiritual culture must complement each other and develop together. This is the only way to generate sustained and improved motivation. The principal goal of strengthening both cultures is to cultivate a disciplined, capable, united, and dedicated team with a strong sense of mission and responsibility.”

Route 1: Strength via Financial Incentives
Financial incentives are vital at any stage of both business and personal development as they satisfy basic human needs that are essential to survival. For example, money helps people to obtain clothing, food, shelter, and transportation; all services and goods that help employees to feel more comfortable in life and focus on their personal tasks at work. In this sense, financial incentives have a lasting and positive impact on human beings. Huawei has invested significantly in this route by offering a growing array of material incentives. For example, an average annual pay raise of at least 10% encourages employees to create more value. What is interesting is that research shows that financial incentives can actually help in making people more resilient to stress
and difficult conditions. These studies show that thinking about money or the presence of money can help people to withstand hardship – a much valued ability at Huawei – and feel strong. At the same time, the possession of money also helps employees to feel more autonomous, and in turn such a sense of autonomy has been found to be associated with higher levels of vitality and energy. So, financial incentives are needed to build fertile ground for vitality to grow out, but although it is a necessary tool it is not sufficient. Indeed, over-reliance on material incentives will cause negative results. In this respect, a post of a Huawei employee on the Xinsheng Community is very telling. The employee wrote: “Mercenaries receive only material incentives. Sometimes a mercenary army is much more formidable than a regular army. However, without a sense of mission, a sense of responsibility, or the spiritual drive, such an army cannot sustain its capabilities. Only the sense of mission and sense of responsibility of a regular army can drive long-term dedication.”

Route 2: Strength via Spiritual Life

To ensure that enough strength exists to sustain long-term passion and vitality, another lens is needed than only a financial one. If the view point that employees use to give meaning to their job is only a financial one, then by consequence only a short-term sense of motivation will exist. This other type of lens requires a high-order sense of meaning that gives spiritual strength and installs a strong sense of innate vitality. Once employees recognise and embrace this energising process, a long-term intrinsic sense of motivation will drive performance and decisions, which helps to realise untapped potential and capacities. Indeed, under such circumstances, other sources of energy will be tapped into that go together with a healthier life style and a mission to create value not only for oneself but for the greater community.

How to Lead Companies to Achieve Organisational Vitality?

In his typical style, Ren Zhengfei, makes a point to demonstrate in his own speeches that inspiring positive and upbeat energy in people is a necessary quality for leaders. In this respect he often refers to the observation that all successful people throughout history have had a spiritual yearning. So, what features make leaders effective to elicit energy in their employees and vitality in the organisation?

1 Emotional Intelligence (EI): This feature involves the ability to identify your own and others emotions so that you can make correct interpretations, regulate your own emotions and say the right things. It is thus no surprise that people with high emotional intelligence are seen as more effective and performing people. By their ability to work with emotions and focus on the positive, leaders with high EI are able to relax negative situations and install a focus on more comfortable and positive emotions. This ability stems from their skill of not holding on to anger over how others treat them and focus on a positive future instead. This way, leaders can thus help playing down situations that ask energy from you (negative emotions) and instead promote environments that help building vitality.

2 Compassionate Leadership

As negative work relationships demand energy and can lead to burn-out and other related work diseases, leaders need to be able to develop and foster positive relationships. Positive relationships indeed improve employees’ physical and psychological health and raise their feelings of optimism. This ability requires that leaders can take the perspective of their employees and...
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adopt a forgiving style in dealing with failures. Such kind of leadership is referred to as compassionate leadership. Individuals able to be compassionate toward others are masters in understanding the human nature. Because they recognise the primary drivers of human motivation, these leaders are able to understand employee needs better and build a fitting work environment that enhances inner drives and builds resilience over the long term.

**3 Trustworthy Leadership**

Great leaders are able to make their followers grow and achieve their potential. Trust plays an important role in this process in two ways. The first way is the ability to give trust to your employees so that they feel empowered. If employees feel that they are trusted by their leader, a sense of responsibility is elicited combined with a drive to develop one’s own potential. In that sense, the leader provides the employee with more freedom to perform and demonstrate one’s abilities. A second way of creating trustworthy relationships includes leaders demonstrating that they act in terms of the interests of the employees and they do so in competent ways. If employees are confident that their leader is competent and will take their best interests to heart then there is less fear and more optimism to work harder. In other words, rather than an energy depleting situation of fear it is important to create an energy evoking situation of optimism instead. At Huawei, Ren Zhengfei uses this psychology of trust in sophisticated ways as is clear in his portrayal of what leadership is about. According to Ren, leadership can be compared to a fire place in which trust plays a role. The fire represents the passion and potential of the employees that needs to be unleashed. Employees need to be empowered and be confident that they can earn that freedom. At the same time, however, Ren Zhengfei is somewhat hesitant to give complete freedom, because if fire cannot be constrained a dangerous situation will emerge. For this reason the constraining contours of a fire place exist – to keep the flames under control. As such, Huawei endorses a view that gives trust to employees to develop their own passionate entrepreneurial style, but at the same time wants to implement a system that can control self-interested impulses.

**4 Transformational Leadership**

Once in charge and being successful many people develop a habit to stick to the status quo bias. This bias reflects a tendency to be reluctant to implement corrections when they are needed. Because of the fear to make bad decisions and lose out on what has been built, a vast amount of leaders believe that it is better to keep acting in ways that made them successful rather than changing their decisions and strategy. An essential function of leadership – and what makes it different from the notion of management – is that it includes the ability to deal with change. So, the decisions and actions that made people successful will not necessarily sustain success in the future. For this reason, organisational vitality can be
sustained if the company leadership shows transformational qualities. These qualities include the willingness to experiment with the given situation and to assess which potential changes can be effective to sustain good future performance. A famous Western example of such leadership style concerns Amazon’s CEO Jeff Bezos, who considers it his responsibility to create a work culture in which the status quo basically does not exist. For that reason an important skill to work at Amazon is to display a willingness to experiment at all times. In a similar vein, Huawei is also undertaking efforts to create fertile ground to establish a mindset that risks have to be taken to promote innovation and sustainable successes.

As mentioned earlier, Ren Zhengfei demonstrated this skill himself when he hired IBM in the nineties to ensure that “Chaos was removed and structure entered Huawei.” This forceful decision turned out to be a tremendous success and transformed Huawei into the company that we know today. However, standing still is not an option for Huawei and therefore Ren Zhengfei and his executives are already planning for the next transformation phase in which the rigid management structures that have evolved over time need to be simplified to create conditions of breeding again more creative chaos.

In conclusion, with rapid changes taking place at the global level and the existence of an increasing competitive business climate, organisational leaders have to be concerned more than ever about ways that make their company survive on the long term. Being able to unleash the energy and vitality of what lives in the company will create value for all stakeholders involved and ensure a sustainable company future.

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