

Winter Letter, December 2022

Dear friends, valued clients and business partners

In this year's Winter Letter, I would like to share my thoughts on the impact of psychological safety in teams, avoiding conflict, and the insufficient understanding of technology in management. As always, I look forward to your valued feedback.

Nurturing culture change

When I first came to my office at Roy C. Hitchman AG a good 16 years ago, there was a plant with limp leaves crying out for attention. I gave it to the plant, and soon new shoots sprouted. The plant is still in my office, and I am convinced that attention to living beings, be they humans, animals, or plants, has a positive effect.

In almost every assignment, we are told that the leader we are looking for needs to make a cultural change. Usually, the desire is to develop a workforce with a 'growth mindset.' In other words, the target image is employees with a positive attitude, constantly questioning the status quo, developing excellent and feasible ideas without being asked, and ideally consistently achieving or exceeding their goals.

These people exist, but they are often not available for the labor market since they - equipped with these attributes - work independently as entrepreneurs and find more creative freedom and satisfaction in this set-up. Therefore, it is primarily up to the managers to create the necessary conditions for the desired target culture to enable and develop a 'growth mindset' internally.

This is done, among other things, by creating psychological safety. If this term is new to you, I recommend the book 'The Fearless Organization' and the TED Talk 'Building a psychologically safe workplace' by Amy C. Edmondson. In 2016, Google wanted to uncover the secret of successful collaboration and examined over 180 teams from various functional areas. The results were surprising in that the most critical factor for successful collaboration was not the selection of the most suitable personalities but psychological safety. The decisive factor is not who works together in a team, but how they work together.

Psychological safety is a team phenomenon, and the shared conviction of all members that it is safe to take interpersonal risks within the team. Trust and respect are central elements. In practice, this means that all team members dare to take risks, expose themselves, speak up at any time and act proactively. Various studies show that psychologically safe teams perform better than average in continuous learning, process improvement, commitment, and promotion of innovation.

Warning signs of the absence of psychological safety are meetings in which half of the participants say nothing, meetings with stringent hierarchical communication paths, whispering, and individual small groups discussing business covertly. It's advisable for managers to take more time for conversations with insecure team members and to ask specific questions when insecurity becomes noticeable. The lasting positive effect will also be felt in the team.

Don't always try to be right

I wrote about this topic in my Winter Letter 2013. Since it is more topical than ever on a social, political, and company-specific level, I am taking it up again.

I'm sure that you have also asked yourself after an argument or dispute: How could it come to this? By far the most effective conflict management is to avoid destructive disputes that escalate to the point where there is no solution without loss of face. As simple as this thesis sounds, the recipe is easy: don't always try to be right! In your professional and private environment, you can observe daily that unnecessary arguments and conflicts usually arise from insisting on one's point of view.

The saying 'the wiser head gives in' is true - one should remember it more often. I am not suggesting that one should accept disagreements or accept them unconditionally. Still, a reflective attitude can mean that controversial opinions are respected and that one does not try to impose one's view of things at all costs. Just like beauty, truth is often in the eye of the beholder. I repeatedly notice that people unnecessarily get involved in destructive discussions because they - influenced by their experiences or socialization - cannot leave other opinions uncommented and fight for their views.

An elegant alternative to fighting is to invite the other person to examine your point of view. Pay attention to how often you or those around you get into wanting to be right, and test the concept of inviting reflection. You will be amazed.

Understanding technology

I am convinced that technology will increasingly determine the future viability of companies in practically all industry sectors. At the same time, I am astonished at how little boards of directors and executive teams deal with relevant technologies themselves. Let me give you a recent example from the world of the internet:

Five years ago, I called the blockchain a game changer, and I stick to this opinion even in the coldest 'crypto winter'. Web 3.0, the Metaverse, NFTs (Non Fungible Tokens), DAOs (Distributed Autonomous Organisations), and the tokenization of valuables or decentralized financial systems are topics that few executives or board members know about. Yet all of these technologies are game changers too and have the potential to disrupt virtually every industry.

A good example of this is the Metaverse, which many experts call the future of the internet together with Web 3.0 technology. Web 3.0 in this context means moving away from large centralized tech giants like Meta, Google, Apple, Amazon, and Microsoft, towards decentralized, democratic, leaner, and user-driven environments on the blockchain. Goldman Sachs forecasts the metaverse market at \$8 trillion.

The fact that Facebook (as a classic Web 2.0 company) changed its name to Meta without need and invests several billion annually in the further development of individual metaverse technologies shows how powerful and dangerous blockchain-based metaverse players like Spatial, Decentraland, Sandbox, and Co. are for the traditional tech world. Regardless of the platform: the Metaverse is happening, and there are already applications in nearly all industries today.

I would therefore like to suggest: Investing a few YouTube hours in technologies relevant to your industry, googling for metaverse use cases of your industry, putting on 3D glasses just once, visiting an NFT gallery, browsing a metaverse, or testing your company's presence in a metaverse as a learning effect.

I think the board and management need to take a timely and more profound look at the relevant technology and its implications to answer the following questions: Should we or do we need to use the technology for us? Do we have access to the necessary skills? Do we know the dynamics of this new economy, and are we prepared for it in terms of business models and market approach? Does it partially or entirely threaten our value chain and revenue mechanics? What are our opportunities? And: do we have the right leaders?

For the upcoming Christmas season, I wish you and your loved ones peaceful and reflective days and for the twelve months to come the security to be able to express yourself, the willingness to reflect, and the serenity to not have to be right for once, as well as some time to gain clarity about the implications of technological aspects on your business model.

Season's Greetings



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