

Winter letter, December 2023

Dear friends, valued clients and business partners,

In this year's winter letter, I would like to share my thoughts on entrepreneurship in the company, two underestimated qualities, and a possible new management cycle for the Board of Directors. As always, I look forward to your valued feedback.

More entrepreneurs in the company

This might sound a little exaggerated, but even with servant leadership, purpose workshops, agile setups, OKRs and CFRs, hybrid forms of working and working from home, many employees are still more or less happy in performing their work. There may be many reasons for this – after all, employment is just a 'work for pay' arrangement. Innovative food entrepreneurs have recently shown that by paying commission-based wages at rates hitherto almost unthinkable in the industry, they end up with fewer recruitment problems and can generate both more revenue and an attractive P&L, despite the higher labor costs.

After more than 25 years in the corporate world followed by 17 years as an entrepreneur, I have come to the conclusion that engaging employees as entrepreneurs wherever possible pays significant dividends.

In practically every briefing in which we're asked to find C-level executives and – increasingly often as of late – even in the case of specialists, entrepreneurial thinking and action is expected as a must-have. When asked what this means in the client's specific context, the response is often vague. In most cases, it means that an eligible candidate has to have the deftness and creativity to be able to make a significant contribution to the company's success, often despite non-delegated competencies, limited room for maneuver and being confined by rigid processes.

I would like to encourage people to rethink employment models and to switch to a genuinely entrepreneurial system wherever possible. This is no easy feat, and necessarily involves a high degree of autonomy and delegation in terms of how, where and when your co-entrepreneurs provide their services. Delegating professional competencies accordingly and adopting a remuneration model that is strongly linked to individual entrepreneurial performance is becoming essential.

Here at Roy C. Hitchman, 75 percent of our Executive Search Boutique's employees operate fully as entrepreneurs – that is, they don't receive a fixed, guaranteed salary, but do have the complete freedom to decide how, how much, when and where they work. The focus is solely on the customers.

Anticipation and smartness

There are two personality or management attributes that perhaps slip under the radar but which, in my opinion, have a massive impact on results. On the one hand you have anticipation, which requires courage, ability, and application; and on the other hand, there's smartness, which involves a greater degree of emotional intelligence as opposed to pure intelligence.

Anticipation, defined here as the ability to predict future events, is a powerful lever that can help companies to stand out from the competition. This can be seen in successful private individuals, athletes, and companies alike, and requires intuition, curiosity, and a passion for thinking ahead. Making careless decisions based on mere assumptions, with major implications for yourself, the team, or the company, is not good enough. In an entrepreneurial context, utilizing anticipation to achieve market success not only requires comprehensive knowledge of that market; it also relies on analyzing customer behavior and competitors' strategies, as well as evaluating the plausibility of and understanding relevant megatrends. Next comes the most important part: the 'bold move', i.e., the conscious decision to adopt an alternative strategy. More of the same results in mediocrity and little differentiation. I believe that managers and specialists with anticipatory skills create tremendous added value and should be sought out in a more targeted manner.

Smartness as an alternative to pure intelligence is not something that can be clearly measured and is mainly based on subjective perception. Intelligent people stand out due to their brilliant memory, astute logic, mathematical skills, marked rationality, and high IQ. Candidates perceived as being smart are people with a high degree of empathy, good communication skills, persuasiveness, social awareness, and a solid understanding of the consequences of their own actions. In a world of rapid change and great uncertainty, providing guidance and fostering engagement is essential. Organizations that do not possess these components cannot really progress. Smartness can also be described as shrewdness. There are countless good examples of entrepreneurs who have achieved excellence, prestige, and prosperity outside regular institutions, educational or training pathways, or career models. Smartness often manifests itself in the ability to get along with people with whom you don't necessarily see eye-to-eye. This is a powerful catalyst in tough negotiations, challenging management situations and structures and systems influenced by politics. I firmly believe that when it comes to complex, agile systems that depend on cooperation, smartness trumps intelligence.

Keeping track of time

Non-executive Board work in a Swiss company is both interesting and challenging as you are explicitly responsible for the company's strategy. The traditional business, built on hierarchy, driven by financial results, and designed for the past, tends to be risk-averse, innovates predominantly from within and owns most of the assets the company needs to provide its services. This organization worked well in the days of predictable business cycles. In a world in which everything will soon be networked and information itself will become a factor of production due to artificial intelligence and innovative analysis methods, we need more collaboration-based, agile structures. What we need now isn't ownership of resources and sheer size, but rather speed and flexibility. From a strategic perspective, it is important that the Board of Directors can anticipate the relevant changes to enable it to be proactive instead of reactive. One management cycle that lends itself to the governance and strategic management of a company involves keeping track of three specific timeframes.

The first timeframe is the quarter, in which you show employees, owners and analysts that the business is under control. The aim here is to know what position you'll be in at the end of the quarter at its very start. There can be bad quarters, but no surprises.

The second assessment period spans one to two years, during which the effectiveness of management and execution is examined: are your initiatives taking root; are changes having the desired impact; is your innovation rate increasing; is the strategy working; and is the company forming an identity and fostering engagement?

The third key period for the future of the company is the '5 years plus' phase. The question here is whether and how to scope out the next economic playing field – and the one after that – in good time, and ideally before your competitors. In addition to maintaining ongoing dialog with customers and continuing to monitor the relevant market and megatrends, structured research into the start-up scene, accompanied by targeted investments, can also be particularly advantageous. The proliferation of start-ups is a reliable early indicator of the current dynamics of a given market. Anticipating developments in relevant markets, a concerted buy-in at board level and brave decision-making in terms of which future areas to invest in (and above all, which not to invest in) and which new skills the company needs to develop are vital. The more stable the operations and the more reliable the predicted results, the more time the Board of Directors can (and should) devote to timeframe 3.

I would like to wish you and your loved ones a merry and peaceful holiday season, and hope that the next twelve months give you the courage to promote greater entrepreneurship in your company and the time both to focus more on the future and adopt a longer-term view when it comes to management and corporate governance.

Season's greetings



Roman Huber