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How Important Psychological Safety is in Supporting Strategic Management to Achieve Success: A Narrative Literature Review

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ABSTRACT

Psychological safety plays a crucial role in enhancing strategic management processes and outcomes. Psychological safety encourages open and honest communication among team members and leaders. When individuals feel safe to share diverse perspectives, it fosters the generation of innovative ideas, facilitates effective decision-making, and improves problem-solving capabilities within strategic management teams. Psychological safety cultivates a supportive and inclusive work environment. It encourages active participation and collaboration among team members, resulting in increased trust, stronger team cohesion, and improved overall team performance. Organizations can enhance their strategic management practices and ultimately achieve sustainable competitive advantage by creating an environment that promotes open communication, inclusivity, risk-taking, and employee well-being. Understanding and prioritizing psychological safety within the strategic management framework is crucial for organizations aiming to thrive in an increasingly complex and uncertain business landscape.

1. Introduction

In designing a long-term strategic plan, which is capable of being a map as well as a guide for an organization to achieve its success, the "people" and "culture" factor has always been very important. We can learn this from one of the giant global technology companies that has successfully built its business, Google. The origins of Google can be traced back to 1998 when Larry Page and Sergey Brin, who were Ph.D. students at Stanford University, founded the company. Initially known as "Backrub," Google started as a research project to create a more efficient search engine algorithm. The name "Google" was derived from "googol," a mathematical term representing 1 followed by 100 zeros, symbolizing the company's mission to

organize the vast amount of information on the internet.

During its early years, Google focused primarily on search, aiming to provide users with the most relevant and accurate search results. Its simple and user-friendly interface, coupled with its ability to deliver fast and precise search results, quickly made it popular among users. As time went on, Google expanded its services. In 2000, it introduced AdWords, an advertising platform that enabled businesses to display targeted ads alongside search results. This marked the beginning of Google's advertising business, which has since become a significant source of revenue.



In 2004, Google went public with its initial public offering (IPO), an important milestone in its history. This move made Google a publicly traded company and provided it with the financial means to further expand its operations and invest in new technologies. Google continued to innovate and introduce new products and services. In 2006, it acquired the widely used video-sharing platform YouTube, which has since become one of the largest online video platforms worldwide. Google also ventured into other areas, such as mobile operating systems with the development of Android and productivity tools with the introduction of Google Docs, Gmail, and Google Calendar.

Throughout its history, Google has cultivated a positive and innovative work culture. It is known for its unique employee benefits, including free meals, on-site gyms, and flexible work hours. The company fosters a culture of innovation and encourages employees to dedicate a portion of their time to personal projects. Today, Google stands as one of the world's largest technology companies, offering a diverse range of products and services, including search, advertising, cloud computing, hardware devices, and artificial intelligence. It remains a dominant force in the tech industry, playing a significant role in shaping the digital landscape.

Psychological safety culture in Google company

Google is a company that can be an example and reference for other organizations in terms of how they are very focused on building a "psychological safety culture" in their company. Work culture is not only complementary to them but also a strategic matter that must be seriously discussed. Referring to Tran (2017), here are some things that make Google a good example of implementing psychological safety; supportive work culture, work-life balance, career development, inclusive and diverse environment, and transparent communication. Google encourages a supportive work culture where employees are empowered to take risks, experiment, and learn from

their mistakes. The company values open communication, collaboration, and teamwork. Google recognizes the importance of work-life balance and provides flexible work arrangements to its employees. This includes options for remote work, flexible hours, and generous parental leave policies.

Google places a strong emphasis on employee growth and development. The company provides various opportunities for learning and skill development, including internal training programs, workshops, and conferences. Employees are also encouraged to pursue personal projects and allocate a portion of their time to innovative endeavors. Google strives to create an inclusive and diverse workplace. The company values diversity in its workforce and promotes equal opportunities for all employees. Google has implemented initiatives to increase diversity and inclusion, such as unconscious bias training and diversity-focused recruitment efforts. Google maintains a culture of transparency and open communication. The company holds regular town hall meetings where employees can ask questions and share their thoughts with senior leaders. Additionally, Google encourages feedback and provides channels for employees to express their opinions and ideas. Google's culture has contributed significantly to its success as a leading company in the online technology and digital advertising industry (Dimitrakaki, 2023).

Strategic management

In running a company, of course, we need a strategy, both long-term and short-term. If a company is likened to a vehicle, then the strategy is the fuel, which can bring the vehicle to its destination. Carter's (2013) "strategy" is the main concept of the contemporary era that has come to replace previous management activities such as "administration" or "planification". When we talk about strategic management, it refers to the notion of a process of formulating, implementing, and evaluating strategies that need to be achieved in the long term to improve



the performance and competitiveness of a company. It involves analyzing the organizational environment, setting goals, allocating resources, and making decisions to align the organization's actions with its vision for the future.

David (2017) mentioned that strategic management involves the formulation and implementation of major goals and initiatives taken by an organization's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization operates. Wheelen, et al. (2017) said that a strategic management framework provides a comprehensive approach to guiding an organization's strategic planning and decision-making processes. It typically includes components such as environmental analysis, strategy formulation, strategy implementation, and strategy evaluation.

Organization culture and strategic management

In discussions about strategic management, organizational culture often does not get too much special attention. Even though we know that in an organization, "people" and "culture" are everything, beyond any sophisticated strategic planning, people and culture will ultimately play a key role in achieving long-term goals in every organization. Organizations need to consider the role of organizational culture in their strategic management processes and develop strategies that align with and reinforce their desired culture to achieve their success. Rick (2013) revealed a framework that seeks to capture how "people" and "culture" are considered in formulating a management strategy (Figure 1). People and culture act as a "driving path" that drives, while matters related to business strategy as a "guiding path".

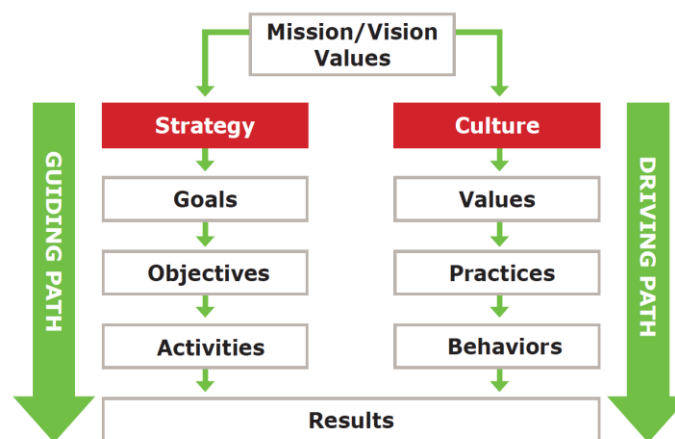


Figure 1. Management strategy.

In the "guiding path" section above, organizations often focus on strategic planning, which includes business ambitions, organizational direction, how to achieve profits, and what key activities (end-to-end) make a business profitable. Strategic planning on the "guiding path", no matter how sophisticated it is, cannot be achieved without a group of organizational members who are tough, collaborative, not afraid of failure, willing to keep learning, supporting each other,

and so on. All of these things are related to the culture, values, good practices, and behaviors that are shared by the entire organization.

When talking about strategy, we only talk more about vision and mission and long-term company goals, and most of it only revolves around matters related to business strategy – but discussions about "people" and "culture" are often missed in it. Even if we search for the keyword "strategic management" using



the word cloud search engine and AI generator (<https://www.voc.ai/tools/wordcloud>), of the many words that appear, there is no single term "culture"

there, for " people" can be represented by "strategic leadership".



Figure 2. Strategic management word cloud.

Psychological safety culture

In today's business world, organizations increasingly need employees who can make concrete contributions on an ongoing basis, especially in improving organizational processes and practices through behaviors that enable learning to occur and be experienced by employees—for example, voicing new ideas, collaborating with other organizational members, and experimenting with new ways of doing things (Edmondson, 1999; Nembhard et al., 2011). This will be difficult if employees feel they do not get psychological safety at work. In a Google-caliber company, psychological safety is the main characteristic determining whether a team can perform highly and be successful at work (Bergmann et al., 2016).

Newman et al. (2017) found in several previous studies that from a practical perspective, psychological safety makes a positive contribution to organizational performance. However, the positive impact will be largely determined by the role of company leaders and their team managers. Whether leaders and managers can engage in supportive leadership behaviors, foster bonds between team members, and utilize

organizational practices that build psychological safety in the organization or not.

Apart from directly and strongly influencing performance at the individual (Singh et al., 2013) and team (Schaubroeck et al., 2011) levels, psychological safety can influence performance indirectly through learning behavior in individuals (Li et al., 2009; Li et al., 2012;) and teams (Brueller et al., 2011; Edmondson, 1999; Kostopoulos et al., 2011; Hirak et al., 2012). Beyond performance, there is increasing evidence of a link between employees' perceptions of psychological safety in organizations and their creativity (Kark et al., 2009; Carmeli et al., 2010; Palanski et al., (2011) also found a positive relationship between employees' perceptions of team psychological safety and creative thinking and risk-taking.

Psychological safety is related to high-performance standards (Edmondson, 2019). psychological safety allows honesty and openness to all members of the organization. Psychological safety is the belief that a person will not be punished or shamed for expressing ideas, questions, concerns, or mistakes. Thus, everyone will thrive in an environment of mutual



respect. In the end, they will form a work environment full of learning experiences and high performers.

Psychological safety as a “weapon”

Psychological security is related to high-performance standards (Edmondson, 2019). Psychological security allows honesty and openness to

all members of the organization. Psychological safety is the belief that a person will not be punished or shamed for expressing ideas, questions, concerns, or mistakes. Thus, everyone will thrive in an environment of mutual respect. In the end, they will form a work environment full of learning space and high performers (Figure 3).

	Low Standards	High Standards
High Psychological Safety	<i>Comfort Zone</i>	<i>Learning & High Performance Zone</i>
Low Psychological Safety	<i>Apathy Zone</i>	<i>Anxiety Zone</i>

Figure 3. How psychological safety affects organization performance.

Organizations that will be successful in the future are organizations that contain learners. We certainly understand that in running a business, uncertainty is something that we will continue to encounter—that's what we are familiar with in the term VUCA (volatility, uncertainty, complexity, and ambiguity). Before someone can learn from failure, every leader in the organization must first convince that they may fail, but after that, they can learn from the failure and become even better. That is one of the goals of implementing psychological safety in organizations.

Timothy (2020) explains that psychological security in organizations consists of 2 dimensions, (a) respect and (b) permission, with 4 stages in it, namely (1) inclusion safety, (2) learner safety, (3) contributor safety, and (4) challenger safety. The first stage of psychological security can only be achieved by acceptance—developing a culture of inclusiveness and non-discrimination. Everything must be appreciated as it should be. Then give everyone the same learning opportunity to try, make mistakes, and improve.

Everyone has the same opportunity to grow, contribute and make an impact on every task. Not afraid of being seen as incompetent, everyone has the same opportunity to make an impact. Finally, the highest level of psychological security is for the organization and all the leaders in it to allow everyone to challenge the status quo that exists in the company. Everyone can give suggestions, feedback, and improvements and innovate with confidence. One of the important roles held by the "psychological safety culture" in the organization is to create an organization that is full of innovation in it. Innovation in organizations is essential for long-term and sustainable good performance. Innovation is one of the most important concerns of every organization, and its role in business development is irreplaceable. Innovation in an organization can cover many things, such as when carrying out product development, developing certain management methods, doing a job, and so on.



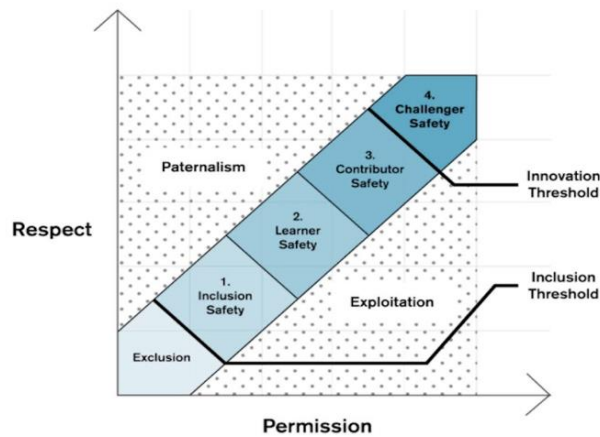


Figure 4. Psychological safety stages.

In all the definitions used to explain innovation, change, or improvement of a process or product, the same message always appears. Innovation plays an important role in the long-term growth, survival, and success of an organization (Tohidi et al., 2012). Innovation is one of the most important and complex things that organizations face today—amid increasing competitive advantage. Hill et al. (2014) mentioned that the purpose of strategic management planning is to set clear objectives and goals for an organization and to develop a roadmap for achieving those objectives. Strategic management planning helps organizations align their resources, capabilities, and actions with their long-term vision and mission. It involves analyzing the internal and external environment, identifying opportunities and threats, and formulating strategies to capitalize on opportunities and mitigate risks. The ultimate purpose of strategic management planning is to enhance the organization's competitive advantage, improve performance, and ensure long-term sustainability.

Psychological safety and the benefit of strategic management

According to Edmonson (2019), psychological safety in the workplace can be broadly defined as a comfortable climate where individuals can freely

express themselves and be authentic. Specifically, when people feel psychologically safe at work, they are at ease sharing their worries and shortcomings without fear or shame. They have confidence in their ability to speak openly without being embarrassed, ignored, or blamed. Moreover, they feel comfortable asking questions when uncertain about something.

A psychologically safe work environment yields several positive outcomes. Mistakes are promptly reported, enabling immediate corrective action. Seamless coordination across teams and departments becomes possible, and innovative ideas are welcomed and embraced by every team in the company. Employees also benefit from psychological safety by experiencing reduced stress and anxiety, increased job satisfaction and engagement, and opportunities for continuous learning and development. Kim et al. (2020) further corroborate the importance of psychological safety in the workplace. Their research reveals that in such an environment, every employee actively learns from failures, actively seeks feedback, and demonstrates greater adaptability.

Edmonson (2019) defines the theory of psychological safety as the belief that the work environment is conducive to interpersonal risk-taking, fostering trust and mutual respect among colleagues, and allowing for honest communication. This, in turn,



benefits organizations by enhancing performance, fostering innovation, and improving employee retention rates. Various barriers hinder the establishment of psychological safety in the workplace, including fear of negative consequences, lack of trust, and cultural norms that discourage open communication. Overcoming these obstacles requires leaders to exemplify the desired attitudes and behaviors, fostering a work environment that values openness, encourages feedback and diverse opinions, promotes respect and inclusivity, and provides ample opportunities for learning for all team members.

When employees do not feel psychologically safe at work, they are less likely to share relevant ideas, ask questions, or voice concerns. Additionally, their engagement and job satisfaction may decline while stress and anxiety levels rise. This can lead to

decreased performance, reduced innovation, and higher turnover rates. Therefore, organizations must prioritize the creation of a culture of psychological safety to enhance employee well-being and maximize overall performance.

Trust emerges as the most critical factor in establishing psychological safety in the workplace. When colleagues trust and respect one another, they can openly and honestly share concerns and shortcomings without fear or embarrassment. Trust forms the foundational cornerstone of a psychologically safe work environment, starting with the belief that everyone is capable of performing well, learning, and making valuable contributions. Trust is most effectively cultivated when it originates from the top, with leaders serving as prime examples.

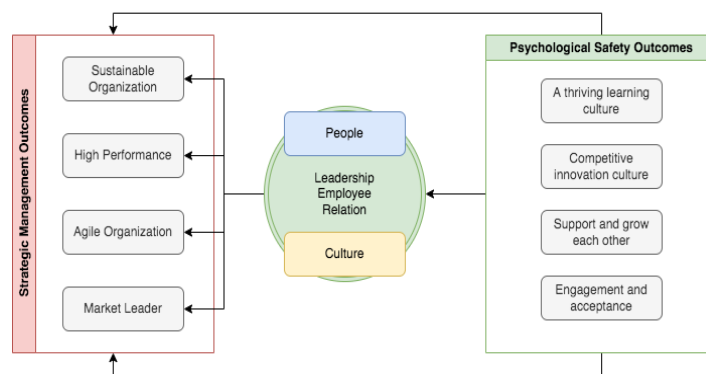


Figure 5. Psychological safety and strategic management.

Outcome relations

In doing long-term strategic planning, every organization will try to be able to achieve goals so that (1) the organization has a sustainable business; (2) everyone in it is a high performer who can make a positive contribution to the organization; (3) the organization is agile in facing various existing challenges; and of course (4) being able to become a market leader. In principle, an organizational environment that is psychologically safe for all its members will make them not afraid to fail and make

mistakes. These feelings are important to foster a learner mentality in them. When they failed, none of the leaders judged them, and on the contrary, the leaders instead provided support to quickly learn from the failure.

To be able to encourage innovative behavior and culture within the organization, everyone needs to be given the freedom to contribute to their color. Everyone should be allowed to challenge and question ideas. Without psychological safety, this is impossible to obtain. Feedback is important, just as important as



support. When something goes wrong, everyone should have the same right to provide feedback, including the leadership.

Finally, every organization should engage and accept one another—complementing each other. Zero egos become an important thing in building involvement and acceptance of all members of the organization. They will maximize their best performance when they feel accepted, appreciated, and involved without exception. Building a long-term strategic management plan cannot just talk about product-market fit, business challenges, marketing strategy, or sales activities. However, what is more fundamental and sustainable in building a great organization are the "people" and "culture" factors. No matter how tough the challenge, no matter how radical business changes, no matter how great the competition, and no matter how cool the strategy. "people" and "culture" are the final determinants—the success or failure of our organization today and beyond.

2. Conclusion

Psychological safety has significant implications in the context of strategic management as follows; Psychological safety encourages individuals to share new ideas and take risks associated with innovation. It supports strategic management by enabling organizations to generate new ideas that can improve organizational products, services, or processes. Psychological safety facilitates organizational learning by encouraging individuals to share their knowledge, experiences, and learning. This is important in strategic management because organizations need to be able to learn from their own experiences and create opportunities for innovation and continuous improvement. Psychological safety allows the formation of mutually supportive and collaborative teams. Effective collaboration enables organizations to design and implement strategies in a holistic and coordinated manner.

Psychological safety assists organizations in managing risk-taking better. In strategic management, the ability of an organization to take measured risks and innovate is very important to achieve a competitive advantage. Psychological safety facilitates open communication and participatory decision-making within the organization. This is important in strategic management because good strategic decisions require multiple perspectives and relevant information.

In making long-term strategic management planning, the factors of "people" and "culture" cannot be ruled out at all. In the context of "people", organizations in the long term need to plan, be able to imagine, as well as formulate how each member of the organization can become a true learner with several key criteria: not to be afraid when faced with challenges no matter how difficult; not afraid to make mistakes and willing to learn; agile in responding to change; happy to give each other feedback; not afraid to go against the status quo to bring about change for the better.

To be able to form organizational members who can become true learners, a "psychological safety" culture is important to be implemented and lived within the organization by all its members – from the highest level to the lowest. That way, everyone can give their best role with comfort and secure feeling. Therefore, a "psychological safety" culture is designed at a strategic level seriously and consciously that "people" and "culture" are the key to achieving organizational success.

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