

Social Capital, Psychological Safety and Learning Behaviours from Failure in Organisations

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This study explores failure-based learning behaviours in organisations. It examines the role of social capital and psychological safety in the development of failure-based learning behaviours. Survey data were collected from 137 members of 33 organisations in a variety of industries in Israel. The results indicate that in organisations where there is strong social capital, the development of psychological safety and failure-based learning behaviours is enabled. It was also found that social capital, through psychological safety, is directly and indirectly associated with failure-based learning behaviours. Follow-up analyses traced the practices organisations use for expanding learning capacities and their outcomes at both the organisational and individual levels. Finally, the implications for learning from failure in organisations are discussed.

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Introduction

How much do companies learn from their mistakes? In the introduction to the special issue on organisational failures in *Long Range Planning* in 2005, Wilkinson and Mellahi, the guest editors, noted that “while most managers know they are at risk of failure, they try to shun the subject, rather than actively seek to guard against it, or face up to it and be prepared to learn from it when it does occur. Managers need to understand two key issues concerning organisational failure. The first relates to understanding the causes and processes of organisational failure so as to help them design effective strategies to avoid or handle failure in the future. The second issue relates to understanding barriers to learning from failure and identifying strategies to overcome them.”¹ This paper is concerned with the second issue and examines the importance of social capital and psychological safety for enhancing learning behaviours or processes from failures in organisations.

These failure-based learning behaviours are treated as a unique component of organisational learning. Organisational learning is a complex process through which organisations seek to understand

and critique what is taking place.² Fostering and applying learning behaviours or processes in organisations is critical for survival and viability.³ In recent years, there have been two key developments:

- (1) scholars have increasingly focused on studying intra-organisational learning behaviours, suggesting that learning behaviours vary across work units within the same organisation⁴; and
- (2) emergent research interest has been devoted to a better understanding of the process of learning from failures.⁵

However, these two lines of research need further development. Specifically, although investigating learning behaviours at both individual and group levels are valuable, this line of research does not fully capture Cyert and March's argument that individual organisations can learn in ways that are independent of individuals (and by implication, intra-organisational work units or groups).⁶

Cyert and March, Edmondson and Weick and Sutcliffe indicate that organisations can learn a lot from failures or by encountering problems.⁷ This led to increasing interest among researchers in learning from failures. Yet "there have been so few studies of learning from failure" that this line of research is still only in an embryonic stage and requires considerable investigation.⁸ Edmondson recently proposed a comprehensive model of learning behaviours that introduces the antecedents (e.g. leader behaviour, trust) of psychological safety, which itself plays a key role in learning behaviours.⁹ However, though Edmondson used constructs such as informal dynamics, trust and quality of interpersonal relationships, to the best of my knowledge, no one has explicitly examined the role of social capital, defined as the resources (e.g. knowledge, ideas and opportunities) that flow through a web of internal and external relationships, in enabling the development of psychological safety and failure-based learning behaviours.¹⁰ In a context of positive social capital, where people share and exchange resources, they are likely to feel comfortable in expressing themselves, thereby expanding their capacity of learning. This is evident in team learning research that indicates that effective learning is likely to occur when members enjoy high-quality interpersonal relations.¹¹

Effective learning is likely to occur when members enjoy high-quality interpersonal relations

Yet, *how* organisations develop, facilitate and expand their capacities of learning as a result of failure remains unanswered. This study attempts to address these issues and contribute to management literature in several ways. I provide a theoretical conceptualisation and operationalisation of this construct. In addition, I present social capital as a key factor in explaining both psychological safety and failure-based learning behaviours. I examine two alternative models:

- (1) a mediation model in which social capital affects failure-based learning behaviours through psychological safety; and
- (2) a moderating model in which social capital interacts with psychological safety to explain failure-based learning behaviours.

Finally, using supplementary in-depth analysis, I investigated the practices organisations use to develop and facilitate these learning processes and expand their capabilities. In so doing, I hope to illuminate how leaders can foster and develop failure-based learning behaviours in their organisations and thus improve organisational processes and outcomes.

Conceptual Background and Research Hypotheses

Learning behaviours in organisations

Cyert and March proposed that individual organisations learn. Easterby-Smith and Lyles and Vera and Crossan indicated that the central issue in organisational learning research is how (the

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