



## Linking leader inclusiveness to work unit performance: The importance of psychological safety and learning from failures

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### ABSTRACT

Despite burgeoning interest in how groups and organizations learn from failures, little is known about how leader behavior influences these learning processes. We analyzed longitudinal data collected at a large hospital and found that leader inclusiveness was positively associated with members' perceptions of psychological safety at Time 1, and that this relationship was stronger for members in low-performing units. Unit psychological safety climate appeared to facilitate learning from failures within the work unit (Time 2), which was positively associated with subsequent unit performance (Time 3).

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### 1. Introduction

In an attempt to better cope with volatile and uncertain environmental conditions, many organizations have reorganized their structures around work groups (Ilgen, 1999; Kozlowski & Bell, 2003, 2008). Researchers have responded by making substantial strides toward understanding group leadership, composition, and processes in field settings (Mathieu, Maynard, Rapp, & Gilson, 2008). Accumulating evidence points to the importance of group learning for enhancing work group performance (e.g., Edmondson, 1999). In particular, theory concerning high reliability organizations (i.e., organizations that operate in trying conditions yet manage to avoid catastrophes) underscores the role of learning from past failures to ensure more reliable and effective systems (Weick & Sutcliffe, 2001). Learning from failures is essential because feedback from failure can catalyze change toward more adaptive practices (Carmeli & Sheaffer, 2008), as well as for improving strategic decisions (Carmeli, Edmondson, & Tishler, 2012). Failures are embedded in the processes through which organizations search and adapt to the changing environment (Lant & Mezias, 1990). The insights from past experiences of failure help to develop more reliable and crisis-prepared organizational systems (Carmeli & Schaubroeck, 2008; Tucker & Edmondson, 2003; Weick & Sutcliffe, 2001).

The present research was conducted in a conventional hospital environment. Hospitals are organized around clinical units or departments (e.g., Anesthesia, Critical Care, and Dermatology). They operate under demanding and unforgiving conditions, and thus learning from the failures they encounter can be a vital source of new knowledge needed to improve their practices. Nembhard and Edmondson's (2006) review of the literature suggests that we know relatively little about ways by which leaders facilitate learning in these work units. In particular, research is needed to understand how leaders encourage unit members to learn from failures (Cannon & Edmondson, 2005).

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This study extends this line of research by examining whether leader inclusiveness, defined as leaders' modeling openness and exhibiting accessibility in their interactions with followers (Nembhard & Edmondson, 2006), facilitates learning from failures in their work units and, in turn, is associated with better unit performance. Our study contributes to the literature in three basic ways. First, findings on learning from failures at the organizational level do not necessarily apply to work groups, and there is significant variation across work groups within the same organization (Cannon & Edmondson, 2005; Edmondson, 1996). Our study thus contributes to the organizational learning literature by providing a more granular perspective on the dynamics of collective learning. While researchers have called for deeper study of learning from failures (Baumard & Starbuck, 2005; Carmeli & Gittel, 2009; Tucker & Edmondson, 2003), this topic is still in a nascent stage and there is relatively little research on this phenomenon in work groups (Carmeli, 2007). Second, we examine learning from failures as an important mechanism that connects work unit psychological safety to unit performance. Although there is evidence supporting the linkages between psychological safety and learning from failures (e.g., Carmeli & Zisu, 2009; Edmondson, 2004), and learning from failures with unit performance (e.g., Cannon & Edmondson, 2005), whether learning from failures mediates this effect remains unclear. Third, by examining leader inclusiveness we follow recent research call to investigate leader behaviors that are specific to a particular work process or outcome (Schneider, Ehrhart, Mayer, Saltz, & Miles-Jolly, 2005). Whereas the linkage between leader inclusiveness and psychological safety has been examined previously (Nembhard & Edmondson, 2006), we also examine unit performance as a moderator, thus exploring a boundary condition under which a specific type of leader behavior – leader inclusiveness – is more or less associated with member's perceived psychological safety. Thus our study uses an interactionist perspective wherein group performance shapes leader behavior (Farris & Lim, 1969), as well as constraining the effect of leadership behavior on group outcomes (Hackman & Wageman, 2007; Piccolo & Colquitt, 2006; Smircich & Morgan, 1982). Thus, a primary contribution of the present study lies in illuminating boundary conditions of leadership influences and the manner by which the leadership behavior pattern of inclusiveness facilitates learning from failures and thereby influences work unit performance.

## 2. Theory and hypotheses

### 2.1. Learning from failures and work unit performance

To improve work processes and enhance outcomes it is critical to learn from experience (Argyris & Schön, 1978; Edmondson & Moingeon, 1999; Reagans, Argote, & Brooks, 2005). Theory and research suggest that learning from experience involves detecting patterns of resemblance between past and current situations (Turner & Toft, 2006). For example, many organizations have adopted military evaluation practices aimed at routinely using after-action review sessions to gain insights from particular experiences in an institutionalized way (Morrison & Meliza, 1999). The use of this system of inquiry enables teams to better understand changes that are needed in future initiatives (Kawalek, 2004). Recent experimental research has found that the performance of individuals who participated in after-event reviews improved significantly compared to those who did not participate in such reviews (Ellis, Ganzach, Castle, & Sekely, 2010).

By confronting problems (Cyert & March, 1963), reflecting on previous failures (Weick & Sutcliffe, 2001), and training employees in error management (Keith & Frese, 2005), work systems can decrease subsequent accident rates (Haunschild & Sullivan, 2002) and risks of serious and/or catastrophic failures (Baum & Ingram, 1998; Weick & Sutcliffe, 2001). Error-based learning systems also cultivate crisis-preparedness (Carmeli & Schaubroeck, 2008) and may improve performance outcomes such as service quality, adaptability, innovation, and productivity (Baumard & Starbuck, 2005; Cannon & Edmondson, 2005; Sitkin, 1992).

Despite its importance, research directed toward understanding the effect of learning from failures on the performance of work groups has been slow to accumulate. There has been much research on learning in organizations but little is known about learning from failures (Baumard & Starbuck, 2005). Scholars have noted that organizations do not learn all they can from experiences of failure (Tucker & Edmondson, 2003), thus raising the additional question of what conditions best facilitate learning from failures.

Learning from failures occurs when unit members reflect on a failed experience, openly discuss why it occurred, and identify the work patterns that need to be modified or changed in order to eliminate the root causes of the problem. We argue that this mode of learning is more likely to emerge when members perceive a psychologically safe unit environment. Psychological safety refers to members' perceptions of an interpersonal context in which they "are comfortable being themselves" (Edmondson, 1999, p. 354). In a psychologically safe environment, unit members feel free to express concerns, self-doubts, and their needs for learning in order to perform effectively (cf. Kahn, 1990, p. 708). Members believe that they can speak up and inquire about a failure without repercussions from other unit members or the leader, and this is essential for units to learn from their failures.

Research evidence provides some support for linking psychological safety and learning from failures in groups. For example, Edmondson (1996) found that some teams of nurses reported more errors than other teams because they felt more comfortable speaking up. Tucker and Edmondson (2003) conducted an in-depth qualitative study of 26 nurses at nine hospitals. They concluded that "to learn from failures, people need to be able to talk about them without fear of ridicule or punishment" (p. 67). Thus, when group members perceive higher levels of psychological safety they may be more likely to engage in the processes associated with learning from past failure events and thereby improve their performance.

Learning from failures may be an important mediating mechanism through which unit psychological safety influences future unit performance. Effective work groups coordinate and combine members' skills and resources to enable better coping and adaptation to organizational and task demands (Kozlowski, Gully, Nason, & Smith, 1999). It ensures consistently good performance not only by rectifying the problem or error, but also by attending to its causes, identifying practices in need of improvement, and then determining how to improve (Argyris & Schön, 1978; Tucker & Edmondson, 2003). By taking advantage of a psychologically

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