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The role of team trust and learning from failure

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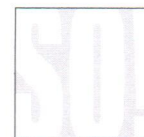
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Abstract

In this study, we examine a complex pathway through which CEOs, who exhibit relational leadership, may improve the quality of strategic decisions of their top management teams (TMTs) by creating psychological conditions of trust and facilitating learning from failures in their teams. Structural equation modeling (SEM) analyses of survey data collected from 77 TMTs indicate that (1) the relationship between CEO relational leadership and team learning from failures was mediated by trust between TMT members; (2) team learning from failures mediated the relationship between team trust and strategic decision quality. Supplemented by qualitative data from two TMTs, these findings suggest that CEOs can improve the quality of strategic decisions their TMTs make by shaping a relational context of trust and facilitating learning from failures.

Keywords

CEO relational leadership, learning from failures, strategic decisions, top management teams, trust

Introduction

Upper echelon research has amply illustrated the power of chief executive officer (CEO) leadership in driving organizational performance (Hambrick, 2007; Hambrick and Finkelstein, 1987; Hambrick and Mason, 1984). Yet a better understanding of the mechanisms and conditions that account for these leadership effects is needed (e.g., Peterson et al., 2003; Waldman et al., 2001). Upper echelon scholars have also called for an integrative approach to unravel processes at different levels (CEO, team, and organization), but this kind of research has been slow to accumulate (Boone and Van Witteloostijn, 2007; Boone et al., 1996; Carmeli et al., 2010; Hambrick, 2007). Research on CEO leadership, top management team (TMT) processes, and outcomes has been limited by the challenges of acquiring access to such teams and their processes. Much of the existing research has thus focused on CEO characteristics (e.g., age, tenure) and TMT (homogeneous and heterogeneous) composition – attributes that can be found in public data sources – and only a