The power of caring and generativity in building strategic adaptability

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In this study, we integrate relational theory and the upper echelon perspective to explore how and why caring and generative relationships in top management teams (TMTs) can be a source for building strategic adaptability. We argue that when TMT members care for each other’s inner needs, a generative psychological space (which allows members to experience positivity and produce enduring transformative outcomes) is nurtured. This generative psychological space, in turn, helps to build a capacity to respond proactively to the external environment and adapt well to environmental jolts. The results lend support to our hypothesized model in which caring among TMT members nurtures generativity, which in turn enhances strategic adaptability. In so doing, we aim to further cultivate discussion on the micro-foundations of strategic management in general and increase interest in the micro-relational foundations of strategic capabilities in particular.

Practitioner points

- Strategic adaptability is crucial for a firm’s viability, but top management teams (TMTs) struggle to navigate and adapt successfully in ever-changing environments.
- Caring defines those relationships in which TMT members show genuine interest in and concern for each other’s needs, and can be a conducive force for building strategic capabilities, such as the capacity to adapt to environmental jolts.
- Work relationships among members are powerful; thus, organizations should devote efforts to finding ways to go beyond instrumental-driven connections to cultivate more humanistic-driven connections where the inner needs of each member are considered, and to shaping a generative psychological space that helps to enhance adaptability and nurture growth.
- A focus on micro-relational mechanisms in a TMT is important for organizations, because the TMT plays a fundamental role in building strategic capabilities and helping organizations to thrive in the marketplace.

All organizations face the challenge of adapting to their environment, whether it provides contexts for growth or for decline (Aldrich, 1979). Firms seek to develop a fit with the environment, which often requires a change in their organizational system and practices (Carmeli, Gelbard, & Gefen, 2010; Siggelkow, 2001; Zajac, Kraatz, & Bresser, 2000). The ability to adapt – learn and change – to turmoil and jolts in the external environment

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clearly affects the performance outcomes and the viability of the organization (Cameron, Kim, & Whetten, 1987; Weitzel & Jonsson, 1989).

The importance of top management teams (TMTs) in making strategic decisions and navigating the organization through an ever-dynamic environment is anchored in strategic leadership or upper echelon research (Boal & Hooijberg, 2001; Finkelstein, Hambrick, & Cannella, 2009). Through strategic decision-making, TMTs shape the orientation, structure, and context of the organization, thereby influencing the type and the sequence of responses to changes in the task environment, and by extension the organizational outcomes (Carpenter, Geletkanycz, & Sanders, 2004; Finkelstein et al., 2009).

A major question that remains unresolved in the strategic leadership/upper echelon literature is why some TMTs are more capable of navigating their organization in such a way that enables the development of a capacity to adapt to a dynamic and uncertain external environment, whereas others fail to do so and often face demise (Beer, 2003). In an attempt to unravel how TMT functions, researchers have used demography as a proxy for cognitive processes. This has paradoxically led researchers to overlook the opportunity to develop theorizing on psychological processes that underlie TMT processes and outcomes (Hambrick, 2007). An effective strategy depends on the firm’s ability to make fast and high-quality decisions on a frequent basis. Hence, exploring the processes that underpin strategic responses is of considerable importance (Eisenhardt, 1999). A number of processes involving the TMT have been examined by upper echelon theorists (social integration: Smith et al., 1994; consensus: Bourgeois, 1980; communication quality and frequency: Smith et al., 1994; interpersonal conflict and consensus seeking: Knight et al., 1999; interdependency: Michel & Hambrick, 1992; and behavioral integration: Carmeli & Schaubroeck, 2006; Hambrick, 1994, 1998; Li & Hambrick, 2005; Lubatkin, Simsek, Ling, & Veiga, 2006) (see Carmeli, 2008). Nevertheless, further studies that examine micro-relational processes (Eisenhardt, Furr, & Bingham, 2010) are still needed as they can shed more light on their role in building strategic capabilities (Felin & Foss, 2005; Foss, 2011) and the processes that TMTs use to achieve their goals (Hambrick, 2007).

We expand on this emerging stream of research to develop a deeper understanding of the processes that underpin strategic adaptability (Mahoney, 2005; Powell, 1992; Zahra, Sapienza, & Davidsson, 2006; Zajac et al., 2000). We are particularly interested in the micro-relational processes within the TMT that lead to adaptive or maladaptive strategic responses that influence the performance outcomes of the organization (Hambrick, 1994, 1998; Mooney & Sonnenfeld, 2001). We draw from research on positive work relationships (Dutton & Heaphy, 2003; Dutton & Ragins, 2007; Stephens, Heaphy, & Dutton, 2011) to expand and apply micro-relational foundations to the strategy literature in general and upper echelon research in particular. In so doing, we respond to the call for a more extensive dialogue between micro- and macro-perspectives in strategy (Ling, Simsek, Lubatkin, & Veiga, 2008) and management (Hackman, 2003; March, 1996; Rousseau, 2011), as this can help to unravel ‘the actual psychological and social processes that serve to transform executive characteristics into strategic action’ (Hambrick, 2007, p. 337).

Relational dynamics among TMT members evoke a range of emotions that influence the strategic decision-making process (Brundin & Nordqvist, 2008; Huy, 2005; Kisfalvi &

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1 The term ‘upper echelon perspective’ is used to refer to a broader management entity, but note that our focus here is on the TMT (CEO and senior executives with whom he or she makes strategic choices).
Pitcher, 2003; Liu & Maitlis, 2014; Samra-Fredricks, 2004). The literature indicates that emotions as well as cognitive and behavioural processes underlie group dynamics (Brundin & Nordqvist, 2008; Kisfalvi & Pitcher, 2003; Samra-Fredricks, 2004). The ongoing dynamics among TMT members impact how team members relate to one another as well as how emotion impacts their collective ability to determine firm strategy. For example, Liu and Maitlis (2014) showed that TMT members who interact energetically with each other create an open conversation, which results in either multiple proposals or the thorough exploration of a single proposal; they coined this ‘a generative strategizing process’. This suggests that micro-interpersonal dynamics influence the strategy processes enacted in executive teams. We draw on relational theory, which explains why and how relationships may help individuals (Dutton & Ragins, 2007; Fletcher, Jordan, & Miller, 2000; Jordan, Kaplan, Miller, Stiver, & Surrey, 1991; Stephens et al., 2011) to grow (i.e., growth in relationships), as a theoretical lens for examining micro-relational processes in TMTs and their role in building strategic capabilities. Specifically, we examine the implications of caring (as a specific form of interrelating which builds positive work relationships) for generativity and strategic adaptability. We develop a model, shown in Figure 1, in which we suggest that when team members care for each other’s inner needs and look after them, a generative psychological space is shaped in a way that allows them to see new, positive opportunities and thus take a fuller account of their surroundings (Dutton & Carlsen, 2011). Generativity, in turn, is a key mechanism that helps develop the capacity to strategically adapt to environmental jolts, because in relationships that are generative, an optimal psychological space is cultivated. We theorize that these generative relationships act as a key mechanism which enables a team to develop new ideas and see the positivity in a changing environment. Instead of developing a defensive response, a generative psychological space enables TMTs to identify emerging opportunities, change, and adapt. Thus, caring and generativity are seen here as the micro-relational mechanisms that underlie the building process of strategic adaptability (Eisenhardt et al., 2010; Felin & Foss, 2005; Foss, 2011; Hitt, Beamish, Jackson, & Mathieu, 2007).

![Figure 1. The hypothesized research model.](image-url)
Theoretical background and hypotheses

Caring in teams

In positive work relationships, people are supportive and helpful and show genuine interest in each other’s needs, expectations, and welfare (Harris, Harris, & Harvey, 2007; McAllister & Bigley, 2002). Caring is a particular form of interrelating between people that represents the essence and building block of positive human relationships (Kahn, 2001; Solomon, 1998). Caring has been defined as ‘any thoughtful human response (or non-response) that enables others to thrive (Noddings, 1984)’ (in Wrzesniewski & Dutton, 2004, p. 5) and thus is likely to require some emotional, cognitive, and behavioural resources (Kahn, 1993). Noddings’ (1984) influential writing suggests that morality is built on acts of caring; caring is both a prerequisite for entering into relationships and is central to ‘the dynamic potential for growth in relation’ (p. 703). Acts of caring can be conveyed naturally (i.e., ‘natural caring’) or they are derived from a sense of obligation (i.e., ‘I must’), but as an ‘active virtue’ requires these two sentiments to be enacted. In that sense, ‘in caring, we accept the natural impulse to act on behalf of the present other. We are engrossed in the other. We have received him and feel his pain or happiness, but we are not compelled by this impulse. We have a choice; we may accept what we feel, or we may reject it’ (p. 701).

We focus on caring between members in teams and conceptualize it as the way in which members interrelate with each other by paying attention and showing genuine interest in each other’s inner needs. This set of behaviours includes three key elements: (1) being attentive and showing genuine interest in the other person; (2) expressing empathy with what is occurring in the other person’s life; and (3) acknowledging that the interest and empathy one shows in another person’s world go beyond the mere work role within an organization. Our definition is consistent with Kahn’s (1993) conceptualization of caring as a process of witnessing another person’s journey (see Noddings, 1984), as well as Solomon’s (1998) view that caring for another person is about expressing concern about him or her. Care in relationships among organizational members is characterized by mutuality, active empathy, access to help among team members, lenient judgment towards participants in the team, and courage. Care encourages organization members to give feedback as part of a process to help others (Von Krogh, 1998).

For example, in an interview on 16 November 2012, Kevin Coyne, the former McKinsey Worldwide Strategy Practice Co-Leader, reflected on the mentors who made an impact on him and his career. He shared his view about the essence and substance of caring, noting that caring goes beyond what managers need ‘to care about others for the job’. He explained that ‘it is always about [the fact] that your relationship extends beyond just getting the job done, just helping you be more successful on the job – When there is a genuine interest in you’. In a series of interviews we conducted with TMT members of a biotechnology firm, caring behaviours were shown to bond and connect them. For example, when one of the members had health issues in his family, he mentioned how the CEO and other TMT members showed true care for him and his family members by expressing interest and concern for his situation. This experience instilled a deep sense among all the members that caring is a cornerstone of what makes them a unique and quality team (Carmeli, Tishler, & Edmondson, 2012).

Caring, however, is conceptually different from cognate constructs such as support, benevolence, helping behaviours, and compassion. Support provided by team members can be instrumental, such as offering professional help. This professional help can range from providing technical resources (e.g., quality assurance device) to conveying...
appreciation for one’s work (e.g., granting financial and non-financial rewards). Nevertheless, providing such support does not tap the essence and substance of caring, because it involves neither displaying genuine concern to the other’s person inner needs nor empathetic behaviours.

Helping has been discussed in the context of organizational citizenship behaviour and refers to ‘the extent to which individuals orient newcomers or help others who have heavy workloads, even though their jobs do not explicitly require it’ (LePine & Van Dyne, 2001, p. 79). Helping is conceived as promotive, non-controversial, affiliative behaviours that contribute to building and preserving relationships (Van Dyne & LePine, 1998, p. 109). Although helping is likely to be the outcome of caring behaviours, it does not tap the involvement of one’s genuine concern and full attention to the other person’s inner needs. Caring also differs from benevolence. Benevolence can be defined as an aspect of trusting relationships, in which ‘a trustee is believed to want to do good to the trustor’ (Mayer, Davis, & Schoorman, 1995, p. 718) or as a sense of humanity ‘to do good, kind, or charitable acts’ (Karakas & Sarigollu, 2012, p. 539). Finally, caring should be distinguished conceptually from compassion. In essence, compassion is about responding to pain (Kanov et al., 2004; Liliius et al., 2008). A compassionate person demonstrates ‘a sustained and practical determination to do whatever is possible and necessary to help alleviate (the other person’s) suffering’ (Rinpoche, 1992, p. 187), and not only showing genuine concern or understanding of the emotional state of the other person (Cohen & Strayer, 1996, p. 988). Our view is that one can exhibit genuine care towards another person’s needs but does not respond to his/her pain. Rather, we believe that caring relationships help to cultivate ‘a psychological space that provides an environment in which people have an opportunity to grieve and to regroup (Frost, 2003; Heifetz, 1994; Kahn, 2001)’ (Frost et al., 2006, p. 849).

Caring and generativity
Generativity is defined as ‘stripes of experience that bring a feeling of energy and aliveness to people and also have the potential to produce more enduring expansive and transformative consequences’ (Carlsen & Dutton, 2011, p. 15). Generativity enables members to ‘see differently’ (Dutton & Carlsen, 2011) or develop ‘a new sense-making’ (Bushe, 2010), which opens up alternatives and possibilities that expand opportunities of knowing and acting. As Dutton and Carlsen (2011) put it: ‘Seeing anew mostly spawns acting anew’ (p. 217). Building on this literature, we define generativity as the extent to which the relationships between team members provide them with the opportunity to generate, learn, and seek new things. Generativity taps the quality of relationships formed and cultivated between team members that injects more positive energy and aliveness and thus potentially has transformative implications (see Dutton & Carlsen, 2011).

Caring behaviours that organizational members display towards each other build and constitute the fabric of positive work relationships. Caring falls within an informal context (Rynes, Bartunek, Dutton, & Margolis, 2012), but is likely to have a major influence on members of an organization (Frost, Dutton, Worline, & Wilson, 2000, p. 26). For example, caring is a key to developing the psychological conditions of safety, meaningfulness, and availability through which better outcomes can be achieved (Kahn, 2001; Kahn & Heaphy, 2014).

We suggest that caring behaviours help in building positive work relationships in which people experience mutuality and are able to flourish and proactively adapt. This is consistent with the Wrzesniewski and Dutton (2004) findings on employees’ narratives of
caring at work, as well as Noddings’ (1984) theorizing about the potential of acts of caring for increased reciprocity and mutuality (p. 703). Specifically, we theorize that acts of caring between members cultivate generative relationships within a team. Drawing on Winnicott’s (1965) concept of the ‘holding environment’ which ‘describes the nature of effective caregiving’ (in Kahn, 2005, p. 9), we argue that in a holding environment, team members can regain strength in anxiety situations. As Kahn and Heaphy (2014) put it, holding environments are effective relational contexts in which ‘people floundering in anxiety are caught up and secured by others – calmed, appreciated, understood, helped – until they are able to regain their equilibrium and continue on their way’ (p. 87). We posit that when TMT members care for one another, they create a context in which members individually and collectively can cope more effectively with difficulties, adapt, and grow. When members are confronted with work-related situations that they find disturbing, discomforting, or anxiety provoking, they seek a holding environment, because it allows them to better cope with these situations (Kahn, 2001). Caring provides the psychological brace to better cope with, adapt to, and grow from uncertainty and difficult tasks (Kahn, 2007). This is also consistent with research that points out that caring expressed among organizational members creates a safe environment that supports individuals through challenging circumstances (Frost et al., 2000), as well as with research on the interactions between care providers and parents, which help to cultivate psychological resources and improve psychological health and reduce work–family conflicts (Kossek, Pichler, Meece, & Barratt, 2008).

Experiencing caring relationships helps to create psychological conditions that are conducive to promoting the intrinsic motivation to engage in innovative behaviours (Vinarski-Peretz & Carmeli, 2011). When people feel others care for them so that they are able to grow, they are more likely to come up with new initiatives (Baer & Frese, 2003). This is because in caring relationships, members are connected such that they think about each other’s situation and respond (Noddings, 1984). The attention each person gives and receives shapes a more generative space in which members can learn, develop, and see opportunities both individually and collectively. Specifically, a positive way of relating by caring for each other’s needs nurtures generative relationships that facilitate a forward-looking attitude and underpins a safe environment in which people voice and share their ideas about possibilities or give feedback as part of a process of helping others (Dutton & Carlsen, 2011; Kahn, 2007; Von Krogh, 1998). A safe environment is developed, as caring drives greater readiness to express doubts and change the basis for new knowledge to develop (Von Krogh, 1998). In addition, Bushe (2007) associates the quest for new ideas and processes that alter the aspirations of the group. The ability to create a generative psychological space depends on the foundation of caring within the TMT that evokes the positivity in the process. In this regard, Liu and Maitlis (2014) theorized about the emotional dynamics that underlie the strategy process and showed that positive emotional dynamics facilitate stronger bonding and more collaborative processes.

Previous studies have pointed out that generativity is shaped by social forces (McAdams & de St. Aubin, 1992; McAdams & Logan, 2004) and is associated with changes in motives derived from a future time perspective (Kooij & Van De Voorde, 2011), as well as positive affectivity (Ackerman, Zuroff, & Moscowitz, 2000) which is embedded in positive relationships. We expand on Dutton and Ragins’ (2007) discussion about why generativity is likely to be nurtured in positive work relationships and suggest that (1) the capacity for positive work relationships involves generativity and openness to new ideas and influences; (2) positive work relationships have the capacity to enrich or energize and thus increase the resource-producing capabilities of individuals and groups; and (3) in
positive work relationships, people engage in actions that facilitate generative ‘alive’
dynamics (see Ancona & Isaacs, 2007).

Building and expanding on the emerging literature of positive relationships (Dutton &
Carlsen, 2011; Dutton & Ragins, 2007), we thus argue that caring cultivates generative
relationships between team members that allow them, individually and collectively, to
grow and adapt (Kahn, 2001; McAdams & de St. Aubin, 1992). A caring environment
builds meaningful experiences of being in community with others that allows members to
see and act in different and positive ways (Dutton & Carlsen, 2011; Zabelina & Robinson,
2010). Further, caring helps team members to develop their self, as well as to develop
commitment that extends beyond their self (Erikson, 1950), as they, for example, develop
a strong desire to nurture others (Stewart, Franz, & Layton, 1988). For a team to fully
understand its surroundings (Dutton & Carlsen, 2011) and see new prospects and
opportunities, even in difficult situations, members need to draw on their own capacities,
but mostly work collectively in a nurturing environment in such ways that enable them to
build on each other’s perspectives and capabilities.

In sum, caring relationships build what can be called a ‘reinforcing nurturing spiral’,
which enables members to expand and grow (Stewart et al., 1988). Caring underpins
holding environments that facilitate sustained positive experiences and outcomes for
members across situations (Kahn, 2001). In these environments, there is a process of
helping each other and regenerating in such ways that enable members to grow and
develop. As Kahn (2001) put it,

‘...people help others move further along the paths of dealing with anxiety-
arousing situations by helping them clear away the underbrush of troubling emotions, by
affirming their sense of themselves as competent, and by helping them see and engage their
next steps more clearly’ (p. 270)

This logic leads to our first hypothesis:

**Hypothesis 1:** Caring is positively related to generativity in teams.

**Generativity and strategic adaptability**

Strategic adaptability refers to the organization’s capacity to respond proactively and
adapt to market changes to achieve strategic fit (Lukas, 1999; McKee, Varadarajan, &
Pride, 1989). Adaptability focuses on proactive behaviours, rather than simply being
limited in a conceptual sense to reactive behaviours. Thus, strategic adaptability is
regarded as a source of competitiveness and success (Tuominen, Rajala, & Möller, 2004).

The capacity of a firm’s TMT to adapt to the environment is vital for avoiding decline
(Weitzel & Jonsson, 1989) and strategic erosion (Teece, 2002) on the one hand, and a key
for fostering growth and viability on the other (Aldrich, 1979; Beer, 2003; Zajac et al.,
2000). However, many organizations struggle to change and adapt to their environments,
thereby failing to create environmental fit (Beer, 2003). According to Miles and Snow
(1994), failure to adapt to the external environment means that an organization provides
inappropriate responses, which results in a misfit between the firm and its environment
(Gresov, 1989; Millman, Von Glinow, & Nathan, 1991), as well as misalignment between
organizational goals and strategies and organizational structure (Leiblein, Reuer, &
Dalsace, 2002).
Another reason for failure to strategically adapt to the environment stems from being overly committed to existing practices, which inhibits the ability to recognize and respond to changes in the environment (Brockner, 1992; Whyte, Saks, & Hook, 1997). This commitment to a particular course of action can escalate further such that it does not allow TMT members to see things differently or change their perspectives and actions. A commitment to a course of action is essential but can yield positive outcomes when it is coupled with some flexibility. As Ghemawat and Del Sol (1998) noted, ‘the flexible management of commitments involves either adaptation of the planned course of action to the feedback received about it, or if the news is sufficiently grim, its abandonment’ (p. 39).

This challenge of reconciling seemingly fundamentally opposing demands between generativity and stagnation also occurs in a micro-dynamic context (Calo, 2007; Zacher, Rosing, Henning, & Frese, 2011). Stagnation emerges when TMT members are self-centred or overly focused on a particular feature without paying adequate attention to others (Erikson, 1950), such as focusing on the internal environment of the organization without considering developments in the competitive environment, and vice versa. In contrast, generativity reflects a process that allows individuals to extend beyond themselves in ways that motivate the entire team to open up to new possibilities.

We posit that the TMT’s ability to generate new alternatives and possibilities leads to improved strategic adaptability of the organization to its external environment. Generativity is crucial to the development of an organizational capacity to adapt in dynamic environments because it allows for opening up and seeing possibilities in a new and positive way, both of which are essential for learning and change. Behaviours that are generative involve the renewal of practices and development of ideas that connect to the future and ensure continuity over time (Erikson, 1982). This is consistent with research that points to generativity as an enabler for reconstructing reality and producing ‘infinite possibilities’ (Avital & Te’eni, 2009, p. 349). As noted above, generativity creates a psychological space that enables a more complete grasp of the surroundings (Dutton & Carlsen, 2011). Thus, we suggest that generativity allows TMT members to engage in multiple ways to provide leadership and guidance (Zacher et al., 2011), which in turn helps facilitate different, positive viewpoints about the competitive landscape and idea generation (Bradley & Marcia, 2008). Generativity is not limited to the short-term, but also contributes to a long-term positive perspective such that a TMT can search for new opportunities, notice, and act upon them in such a way that underlies adaptive systems. This leads to our second hypothesis:

**Hypothesis 2:** Generativity is positively related to strategic adaptability.

The mediating role of generativity

Caring manifests a holding environment (Kahn, 2001) in which team members are more energized and available to see things differently, in a positive way. Thus, team members are able not only to respond to emerging issues, but also to adapt by their enhanced capacity for learning and change. Hence, caring relationships are not merely defensive (i.e., enabling members to avoid paralysis; Kahn, 2005), but rather energizing, imaginative, and help make people capable of approaching things in different, positive ways (Carlsen & Dutton, 2011). This capability to see and approach things differently and positively underpins the capacity to adapt to environmental changes and ensure the viability of the organization.
In particular, caring denotes the fact that members act in positive ways to fulfil each other’s psychological needs and enable others to act through shared and communal mechanisms; members feel valued and become active and engaging participants (Kahn, 2001, 2007) who can develop more expansive and rich possibilities (Carlsen, 2006; Dutton & Carlsen, 2011; McAdams & de St. Aubin, 1992), thereby building an adaptive organizational system. In addition, caring in teams fosters the creation of a safe environment (Kahn, 2001, 2007) which helps to nurture generative relationships which are rich, strengthening, energizing, and developmental (Carlsen, 2006; Dutton & Carlsen, 2011). Kahn (2005) and Lawrence and Maitlis (2012) noted that caring relationships can help the team and its members to become more resilient, which entails an adaptive capacity to bounce back from setbacks and continue moving forward (Sutcliffe & Vogus, 2003). Building on Stephens et al.’s (2011) theorizing of the relational mechanisms that underpin positive work relationships, we suggest that when members experience caring relationships in their connection with others in the team, it likely to boost positive emotions, which broaden members’ thinking and expand cognitive and social resources (Fredrickson, 2001). For instance, caring is likely to elicit a sense of gratitude which occurs when members feel that others in the team have provided them with something meaningful (Fredrickson, 2001, 2004). Such positive emotions not only motivate members to work together, but also expand the thought–action repertoire of the team, and thereby help enhance the capacity to adapt. This logic provides the basis for our third and final hypothesis:

**Hypothesis 3:** Team generativity mediates the relationship between team caring and strategic adaptability.

**Method**

**Sample**

This study is part of a larger research project which involves the TMTs of 500 organizations operating in both high- and low-technology industries in Israel (Carmeli, Friedman, & Tishler, 2013; Carmeli, Tishler, & Edmondson, 2012). Through alumni of executive programmes, we contacted the CEOs of these organizations and asked them and their TMT members to participate in a research project on dynamics and processes in TMTs. In our cover letter, we provided a brief explanation about the study goals and solicited their participation. In addition, a promise was made to all participating TMTs to share the findings of the research upon request.

Following previous research (Hambrick & Mason, 1984), the CEOs were asked to specify those TMT members who comprised the ‘inner circle’ (Pettigrew, 1992). We received 312 questionnaires from 82 TMTs. The average tenure of the respondents in the organizations (CEOs and TMT members) was 8.57 years. The average tenure of members on the TMT was 6.02 (SD 4.35). Forty-six TMT members were female. The average team size was 5.12 (SD 1.03). However, we excluded five organizations for which fewer than 50% of the TMT members responded to our questionnaire, as well as TMTs that provided incomplete information. We tested for potential dissimilarities between the participating and non-participating firms in terms of size as measured by the number of employees and found no significant differences (p > .10). Subsequent analyses were conducted on data obtained from 77 TMTs (15.4% response rate).
Procedure and treatment of common method variance

Prior to administering the questionnaire, we asked 25 senior executives to review the measurement items and indicate to us whether the questions were clear and reflected the constructs they were intended to measure. Following Brislin’s (1986) guidelines, two scholars translated the items into Hebrew and then back-translated them into English to ensure that the content was accurately represented in the Hebrew items.

To reduce potential common source bias, we analysed the data provided by different sources as follows. We followed Podsakoff, MacKenzie, Podsakoff, and Lee’s (2003) recommendations and separated questions used in the study from each other to minimize potential biases. TMT members (excluding the CEO) provided data on team caring and generativity, whereas the CEO was queried on strategic adaptability and prior past performance. Data about the other control variables were collected from all team members, including the CEO.

Common method variance

As the TMT members (excluding the CEO) reported on team caring and generativity, we performed confirmatory factor analysis, using AMOS 19, to assess the discriminant validity of the research variables. The results indicated that a two-factor model structure indicated a good fit with the data; a chi-square of 11.3 on 8 degrees of freedom, and other goodness-of-fit statistics (NFI = .97; CFI = .99; TLI = .98; RMSEA = .07) were obtained and compared to statistics for a one-factor model ($\chi^2(9) = 56.3$; NFI = .83; CFI = .85; TLI = .76; RMSEA = .263).

In addition, we assessed a three-factor model (caring, generativity, and strategic adaptability) in which items loaded onto their respective measures (i.e., estimating a full measurement model that included a factor for each of our three key variables). A chi-square of 59.9 on 41 degrees of freedom, and other goodness-of-fit statistics (NFI = .89; TLI = .95; CFI = .96; RMSEA = .078) indicated that the model had an acceptable fit with the data. We then assessed a 2-factor model in which items assessing both caring and generativity were loaded onto the same measure, and items measuring strategic adaptability were loaded onto another factor. The results of this model structure did not show a good fit with the data (A chi-square of 104.8 on 43 degrees of freedom, and other goodness-of-fit statistics [NFI = .81; TLI = .84; CFI = .87; RMSEA = .138] were obtained). We also estimated a one-factor model where all the items were loaded onto the same measure. The results indicated that the one-factor model structure did not have a good fit with the data (a chi-square of 197.8 on 44 degrees of freedom, and other goodness-of-fit statistics [NFI = .63; TLI = .60; CFI = .68; RMSEA = .214] were obtained).

In addition, following Podsakoff et al. (2003), we examined the potential increase in model fit by directly modelling a common method factor; we first allowed the method factor to correlate with the measurement items of the three latent variables, but it was not allowed to correlate with the other latent variables; we then compared the standardized regression weights of this procedure with the standardized regression weights obtained in the three-factor model structure (without the method factor). The results indicated that no path was affected by common method bias as there was no difference when we added the common latent factor, which extracted part of the variance that was explained by the indicators for the common latent factor.

We also assessed Fornell and Larcker’s (1981) test for discriminant validity between caring and generativity, following Farrell’s (2010) guidelines. We first calculated the average variance extracted (AVE) for each item, by its related construct. The AVE for
caring and generativity were .70 and .79, respectively. We then calculated the maximum shared variance (MSV) using the square of the correlation between the two constructs. If the smallest AVE is larger than the maximum shared variance estimate, then discriminant validity must hold for all constructs (see Farrell, 2010). The MSV was .54. The AVE estimates for caring and generativity (i.e., .70 and .79, respectively) were thus greater than the shared variance between the two constructs (.54), providing evidence for discriminant validity between the two constructs (Fornell & Larcker, 1981). These various methodological steps and analyses indicated that common method variance is likely not to have been a pervasive problem in this study.

**Measures**

**Strategic adaptability**

We used a five-item scale by adapting the measure employed by Carmeli and Sheaffer (2008) that assesses strategic adaptability as a way ‘to adapt and respond to dynamics and turbulence in its respective industry’ (p. 475), as well as incorporating two more items to comprehensively capture the essence of strategic adaptability in terms of willingness to engage in strategic change. The following items were used: (1) ‘This organization is having difficulties in responding and adapting to environmental turbulence’; (2) ‘This organization has been complacent with respect to dynamics in this specific industry’; (3) ‘This organization fails to evaluate environmental changes’; (4) ‘There is not enough willpower to make substantial changes needed due to changes in the industry’; and (5) ‘The strategy guiding our course of action does not address the real needs of the organization’. All items were reverse-coded. Responses were on a 5-point scale ranging from 1 = strongly disagree to 5 = strongly agree. The Cronbach’s α for this measure was .83.

**Team generativity**

We adapted three items aimed to assess generativity from the Carmeli and Spreitzer (2009) measure. Team members were asked to indicate the extent to which (1) ‘The relationships between TMT members enable us to generate new things’; (2) ‘The relationships between TMT members enable us to learn new things’; and (3) ‘The relationships between TMT members enable us to seek new opportunities’. Responses were on a 5-point scale ranging from 1 = not at all to 5 = to a very large extent. The Cronbach’s α for this measure was .91. The ICC1, ICC2, and Rwg values of .71, .91, and .81 were consistent with conventional standards for aggregating individual questionnaire responses about group-level analysis in field research (see Bliese, 2000; ).

**Team caring**

Following the literature on caring in organizations and in particular McAllister and Bigley (2002), we adapted a three-item scale to assess the extent to which TMT members engage in caring behaviours (show genuine concern for each other’s inner needs) while interacting with each other. The items were as follows: (1) ‘Members of this team pay attention to each other’s needs’; (2) ‘Members of this team are attentive to each other’; and (3) ‘Members of this team show empathy to each other’s needs’.
To further ascertain the validity of our measure of team caring, we conducted a pilot study on 72 graduate students who were taking a course on work groups. The results of a factor analysis indicated a one-factor solution that explained 71.43% of the variance (eigenvalue = 2.14; items loadings ranged from .82 to .89). The Cronbach’s $\alpha$ for the measure in the pilot study was .79. We also asked 25 executives to assess the extent to which the items reflected our conceptualization of caring in a TMT context and provided comments on the clarity of the items.

Responses were on a 5-point scale ranging from 1 = not at all to 5 = to a very large extent. Factor analysis results produced a one-factor solution with an eigenvalue of 2.37 and an explained variance of 79.20 (item loadings ranged from .85 to .91). The Cronbach’s $\alpha$ for the measure in the pilot study was .86. The ICC1, ICC2, and Rwg values of .57, .86, and .89 were consistent with conventional standards for aggregating individual questionnaire responses about group-level analysis in field research (see Bliese, 2000).

Control variables

We controlled for high- and low-technology industry, firm ownership (family firm vs. non-family firm), environmental munificence, past firm performance, average of team members’ tenure (average number of years the CEO and his or her inner circle of senior executives had served on the team), and team size (number of team members including the CEO). High-technology settings are often characterized by instability (Hambrick, Finkelstein, & Mooney, 2005), technological discontinuities (Tushman & Anderson, 1986), and high velocity (Eisenhardt, 1999), where adaptation to these strategic issues is critical. In contrast, low-technology environments are characterized by more stable conditions and continuous changes and thus require a relatively lower level of strategic adaptation. In addition, we controlled for differences between family firms (defined as family members who hold more than 50% of the ownership share) and non-family firms, because family firms may tend to adopt a more conservative approach and thus are less engaged in pursuing change.

We also controlled for environmental munificence, because of its potential influence on the capacity of a firm to adapt and change. Following Walters, Kroll, and Wright (2010), we defined munificence as the extent to which a firm operates in an environment where there is a sustained (current and expected) demand. This is because a high growth market, which is manifested in sustained demand, generally represents a more abundant environment (Wiersema & Bantel, 1993). Team members (including the CEO) were asked to indicate on a 5-point scale the extent to which (1) ‘demands in the industry have grown or declined over the past 3 years’; (2) ‘changes in demands in the industry have increased (or decreased) over the past 3 years’; and (3) ‘the prospects regarding the demand in the industry for the upcoming 3 years is positive’. The Cronbach’s $\alpha$ for this measure was .86.

In addition, we controlled for past firm performance (for an average of 2 years prior to our survey period), because firms that show enhanced performance may be associated with greater strategic adaptability. We used the average of 2-year profitability (return on gross, operational, and net income) of the firm as an indicator of its performance, as reported by the firm’s CEO. We controlled for team members’ tenure (the average tenure of members on the team), because teams with members who serve for a longer period in the team establish familiarity and work routines that may help them respond more efficiently and quickly to environmental changes. Finally, we controlled for team size, as
large teams tend to be more heterogeneous (Haleblian & Finkelstein, 1993) and this diversity may influence the ability to adapt to the environment.

Results

The means, standard deviations, and correlations between the research variables are presented in Table 1. Team caring was significantly associated with both generativity ($r = .67, p < .01$) and strategic adaptability ($r = .31, p = .01$). Generativity was significantly related to strategic adaptability ($r = .42, p < .01$). In addition, the results indicated a significant relationship between past firm performance and strategic adaptability ($r = .24, p < .05$).

Hypothesis testing

Hypothesis 1, which predicted that team caring would be positively associated with generativity, was supported. Model 2 in Table 2 shows the regression of generativity onto both the control variables and team caring. As hypothesized, there was a significant positive relationship between team caring and generativity ($\beta = .68, p < .01$). The results of Model 3 in Table 2 support Hypothesis 2, which predicted that generativity would be positively related to strategic adaptability ($\beta = .39, p < .01$).
To test Hypothesis 3, which predicted that generativity would mediate the relationship between team caring and strategic adaptability, we followed Baron and Kenny’s (1986) and the Kenny, Kashy, and Bolger (1998) mediation guidelines using regression analyses and performed a bootstrap analysis. We first performed a series of regressions, which are shown in Table 2. Model 1 shows the regression of strategic adaptability onto both the control variables and team caring. The beta coefficient was statistically significant and positive in sign ($b = .28$, $p < .05$), supporting the first mediation condition. The results of the regression of generativity onto both the control variables and team caring (model 2 in Table 2) indicated that the beta coefficients were significant and positive in sign ($b = .68$, $p < .01$), thus supporting the second mediation condition. Model 4 in Table 2 shows the regression equation for strategic adaptability onto both the mediator (generativity) and independent variable (team caring). As can

<p>| Table 2. Hierarchical regression results for the mediating role of generativity in the relationship between team caring and strategic adaptability |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                 | Model 1 $\beta$ (t) | Model 2 $\beta$ (t) | Model 3 $\beta$ (t) | Model 4 $\beta$ (t) |</p>
<table>
<thead>
<tr>
<th></th>
<th>Strategic adaptability</th>
<th>Generativity</th>
<th>Strategic adaptability</th>
<th>Strategic adaptability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant*</td>
<td>2.07 (2.18*)</td>
<td>1.61 (2.52*)</td>
<td>1.31 (1.39)</td>
<td>1.32 (1.39)</td>
</tr>
<tr>
<td>Industry (1 = high technology)</td>
<td>$-0.2$ (-0.17)</td>
<td>.00 (0.01)</td>
<td>$-0.2$ (-0.16)</td>
<td>$-0.2$ (-0.18)</td>
</tr>
<tr>
<td>Firm ownership (family firm = 1)</td>
<td>.16 (1.27)</td>
<td>$-0.19$ (-2.09*)</td>
<td>.23 (1.97*)</td>
<td>.24 (1.94*)</td>
</tr>
<tr>
<td>Environmental munificence</td>
<td>$-0.08$ (-0.68)</td>
<td>$-0.12$ (-1.36)</td>
<td>$-0.04$ (-0.32)</td>
<td>$-0.03$ (-0.26)</td>
</tr>
<tr>
<td>Past firm performance</td>
<td>.25 (2.15*)</td>
<td>.16 (1.87*)</td>
<td>.18 (1.67*)</td>
<td>.17 (1.59)</td>
</tr>
<tr>
<td>Average of team members’ tenure</td>
<td>.14 (1.21)</td>
<td>$-0.06$ (-0.66)</td>
<td>.16 (1.48)</td>
<td>.16 (1.48)</td>
</tr>
<tr>
<td>R²</td>
<td>.11 (0.86)</td>
<td>$-0.04$ (-0.44)</td>
<td>.12 (1.06)</td>
<td>.12 (1.04)</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.125</td>
<td>.06</td>
<td>.125</td>
<td>.125</td>
</tr>
<tr>
<td>F for R²</td>
<td>1.55</td>
<td>.06</td>
<td>1.55</td>
<td>1.55</td>
</tr>
<tr>
<td>SE of the estimate</td>
<td>.691</td>
<td>.637</td>
<td>.691</td>
<td>.691</td>
</tr>
<tr>
<td>Generativity</td>
<td>.39 (3.58***)</td>
<td>.41 (2.61***)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ΔR²</td>
<td>.146</td>
<td>.146</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F for ΔR²</td>
<td>12.794**</td>
<td>12.794**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.271</td>
<td>.191</td>
<td>.635</td>
<td>.635</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.191</td>
<td>.191</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SE of the estimate</td>
<td>.635</td>
<td>.635</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team caring</td>
<td>.28 (2.30*)</td>
<td>.68 (7.46***)</td>
<td>.03 (0.18)</td>
<td></td>
</tr>
<tr>
<td>ΔR²</td>
<td>.067</td>
<td>.511</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F for ΔR²</td>
<td>5.31*</td>
<td>66.20**</td>
<td>.03</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.192</td>
<td>.538</td>
<td>.271</td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.104</td>
<td>.487</td>
<td>.179</td>
<td></td>
</tr>
<tr>
<td>SE of the estimate</td>
<td>.669</td>
<td>.450</td>
<td>.641</td>
<td></td>
</tr>
</tbody>
</table>

Note. *Unstandardized coefficients.
#p = .07, *p < .05; **p < .01.
be seen from the results in Table 2, the coefficient of team caring in relation to strategic adaptability decreased in magnitude and became non-significant ($\beta = .28, p < .05$ [see Model 1 in Table 2] vs. $\beta = .03, p > .10$ [see Model 4 in Table 2]), while the influence of generativity on strategic adaptability remained statistically significant ($\beta = .39, p < .01$ [see Model 3 in Table 2] vs. $\beta = .41, p < .01$ [see Model 4 in Table 2]). These results indicate that generativity mediates the relationship between team caring and generativity, thus providing support for Hypothesis 3. However, the Baron and Kenny (1986) strategy may not be the optimal test for mediation because of the use of the normal distribution for assessing significance (two-tailed $p$ value). A more stringent approach is to ‘bootstrap the sampling distribution of $ab$ and derive a confidence interval with the empirically derived bootstrapped sampling distribution’ (Preacher & Hayes, 2004, p. 721). Using Hayes’ (2012) PROCESS in SPSS (Model 4), a bootstrap analysis using 10,000 iterations with a 95% confidence interval (CI) (the bias-corrected confidence interval excludes zero) indicated that the direct effect of caring on strategic adaptability was not significant (coefficient $= .03, p > .10$; bootstrap CI (95%) $= -.31, .36$); the indirect effect of caring, through generativity, on strategic adaptability was significant [regression coefficient $= .30, p < .01$; bootstrap CI (95%) $= (.06, .67)$]. The normal theory test for indirect effect was significant (.30, $p < .05$; $SE = .13, Z = 2.37$). This lends support to our hypothesized mediation model.

**Testing alternative explanations**

We also tested an alternative explanation for why some organizations are more capable to adapt strategically to the task environment. Drawing on an extensive body of literature (e.g., Bunderson & Sutcliffe, 2002; Simons, Pelled, & Smith, 1999), we examined the effect of TMT diversity on both generativity and strategic adaptability, because diversity may be used as a proxy for explaining team- and firm-level processes and outcomes. We ran two regressions in which generativity and strategic adaptability were regressed on both functional and demographic diversity of the TMTs. TMT members’ role diversity (known as TMT dominant functional diversity) assesses whether a particular functional background of the TMT members is dominant. As in Cannella, Park, and Lee (2008), we first classified each executive dominant functional background into six categories (administration–management, finance, technology, marketing, human resources, and operation/logistics), followed by an index that captures this type of diversity at the team level. An index closer to 1 indicates a high level of diversity. We also computed professional diversity by classifying each executive’s profession into eight categories (economics and business administration, finance and accounting, engineering and technology, marketing and sales, human resources and consulting, advocating, medicine, and other). We also computed gender diversity ($1 = $female), as well as age and tenure diversity (in years), for each TMT member. Educational level diversity was computed by classifying each executive education level into five categories (high school, diploma, BA, MA/MSc, and PhD/DSc). Finally, we computed organizational tenure diversity and role tenure diversity, which were assessed by the number of years each executive works for his/her organization and assumes his/her particular role, respectively. We used the R program to compute all diversity measures. The results in Table 3 indicate that none of the diversity variables had a statistically significant effect on either generativity or strategic adaptability.
Discussion

Our study aimed to unravel micro-relational processes that help a TMT to proactively build strategic capabilities to adapt to environmental jolts. Our results indicate that caring relationships among TMT members are critical for cultivating a generative psychological space which, in turn, allows for greater capacity to respond and adapt to an uncertain environment.

Table 3. The effect of diversity on generativity and strategic adaptability

<table>
<thead>
<tr>
<th></th>
<th>Model 1 β (t)</th>
<th>Model 2 β (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Generativity</td>
<td>Strategic adaptability</td>
</tr>
<tr>
<td>Constant (1)</td>
<td>4.05 (9.97**)</td>
<td>2.08 (4.35**)</td>
</tr>
<tr>
<td>Role diversity</td>
<td>-.02 (-0.13)</td>
<td>-.06 (-0.40)</td>
</tr>
<tr>
<td>Professional diversity</td>
<td>.09 (0.65)</td>
<td>-.02 (-0.12)</td>
</tr>
<tr>
<td>Gender diversity</td>
<td>-.09 (-0.67)</td>
<td>.02 (0.16)</td>
</tr>
<tr>
<td>Age diversity</td>
<td>-.21 (-1.66)</td>
<td>-.07 (-0.55)</td>
</tr>
<tr>
<td>Organizational tenure diversity</td>
<td>.03 (0.03)</td>
<td>.11 (0.83)</td>
</tr>
<tr>
<td>Role tenure diversity</td>
<td>-.05 (-0.38)</td>
<td>-.05 (-0.41)</td>
</tr>
<tr>
<td>Educational diversity</td>
<td>-.11 (-0.87)</td>
<td>.07 (0.53)</td>
</tr>
<tr>
<td>R²</td>
<td>.08</td>
<td>.02</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>-.02</td>
<td>-.08</td>
</tr>
<tr>
<td>F for R²</td>
<td>.83</td>
<td>.19</td>
</tr>
<tr>
<td>SE of the estimate</td>
<td>.63</td>
<td>.74</td>
</tr>
</tbody>
</table>

Note. **p < .01.

Theoretical implications

Our research contributes to a better understanding of the microprocesses through which organizations develop strategic adaptability (Mahoney, 2005; Powell, 1992; Zahra et al., 2006; Zajac et al., 2000). In particular, our study advances theory and research by grounding strategy on micro-foundations (Bridoux & Stoelhorst, 2013; Eisenhardt et al., 2010; Felin & Foss, 2005; Foss, 2011; Hitt et al., 2007) by integrating relational theory (Dutton & Ragins, 2007; Fletcher et al., 2000; Jordan et al., 1991) and the upper echelon perspective (Hambrick, 2007) to unpack the power of micro-relational foundations of strategic adaptability.

This endeavour helps to enrich the literature on micro-relational foundations that underpin organizational capacity to proactively adapt to changing environmental conditions and thus contributes to an integration and expansion of relatively disparate realms of research. By specifying a more humanizing interrelation between TMT members manifested by acts of caring for each other’s needs where they can develop a ‘growth in connection’ (Jordan et al., 1991), we shed light on how they can enhance their collective potency for taking transformative actions that can help build adaptive capacity that improves the competitive position of the organization. In particular, our focus on micro-relational processes helps to explain why some firms and their TMTs are better able to adapt to their environment than others (Hambrick, 1998; Mooney & Sonnenfeld, 2001). Examination of the processes provides greater insights into firms’ pre-emptive and reactive strategic adaption to the external environment. Upper
echelon theory has been refined to include greater emphasis on understanding the processes and dynamics with a TMT (Hambrick, 2007; Li & Hambrick, 2005). Our study extends this line of research by integrating relational theory and more specifically by theorizing on the power of high-quality relationships in the workplace (Dutton & Heaphy, 2003; Ragins & Dutton, 2007; Stephens et al., 2011) and specifically how caring behaviours can be a source of a growth in connection (Jordan et al., 1991) and strategic adaptability.

Our study indicates that caring, as a humanizing way of interrelating in TMTs, enables members to more profoundly connect and achieve desired ends as a collective entity. We refer to caring as a conduit to the development of a fertile terrain where a ‘holding environment’ enables members to strengthen their capacity, individually and collectively, to cope and adapt (Kahn, 2001, 2005). The ‘holding environment’ may be particularly important in the context of TMTs. TMT members bear both individual and collective major task responsibilities and often face challenging issues. Major task responsibilities and a high level of interdependency are often reflected in individualistic and in certain cases self-centred and competitive behaviours, which can result in depletion rather than generativity. Fear of others’ negative actions can create an individualistic incentive system and escalate competition among TMT members, which can prompt them to care more about their own position and career than about others and the group as a whole (Von Krogh, 1998). However, caring can serve as a crucial mechanism for building emotional carrying capacity in which members are able to express both negative and positive emotions (Stephens et al., 2011) and handle conflicts more effectively. For example, in interviews we conducted with TMT members, we learned that two senior members had experienced negative emotions stemming from a meeting between the two executives and the R&D unit. In this meeting, Dan (fictitious name) made a few points that embarrassed David (fictitious name) and undermined his authority. David told us he was surprised and felt very disappointed with Dan. However, the caring they had conveyed to each other over the years helped them build a relationship in which they could express negative emotions and handle conflicts; this ability enabled them and the group as a whole to grow and adopt a forward-looking outlook. The results of our study on caring expand recent theorizing about work teams, which suggests that when members show and act with a sense of caring towards each other, they value relationships for their own sake and as a generative source for a more adaptive team capacity (Lawrence & Maitlis, 2012), rather than only as a means to reach desired goals (Blatt, 2009). Our study also expands on and provides further evidence for Liu and Maitlis’ (2014) findings on the relational-based generative strategizing process.

Our research also helps to enhance our knowledge about the ways in which positive work relationships may drive the production of new resources, strategies, and opportunities (Baker & Dutton, 2007). While psychologists have long been interested in generativity and its influence on individual lives, our study sheds light on the ways in which generativity is nurtured in organizational contexts (see Dutton & Carlsen, 2011) and why generative relationships are conducive for building strategic capabilities. The beauty and power of generativity concept lie in its wide-ranging applicability in organizations (McAdams & Logan, 2004), and our study helps pave new ways for theorizing about generativity in the workplace. Finally, our research goes beyond studies that focus on the individual level (Clark & Arnold, 2008; Zacher et al., 2011) by providing a first attempt to understand micro-relational processes that underpin the capacity to respond and adapt in dynamic environments.
Practical implications

Our research has several important implications for managers. One of the most challenging tasks CEOs and their TMTs face is how to create sustained growth in highly turbulent, intricate, and uncertain environments. Investing in the development of strategic adaptability is a key way that organizations can achieve both internal and external fit. Aligning elements in an organizational system and the internal system with the external environments is complex, as this is a dynamic, iterative process. Over time, TMTs often develop a strong commitment to existing practices or to a particular course of action. Their capacity to notice possibilities by approaching things differently is bounded, which is likely to result in inertia and decline. A lack of attention to environmental changes, coupled with a firm belief that a particular path is justifiable even in the face of conflicting information, is a recipe for losing a competitive edge. For example, SONY revolutionized the consumer electronic product industry, but their management team, influenced by the powerful engineers of the company who adopted an inward culture, did not take the necessary steps to make organizational systems more adaptive (see Finkelstein, 2006). The Danaher Corporation has adapted its organizational practices to manage these different forms of acquisitions at both the business unit and the corporate levels to respond effectively to changing conditions in the environment (see Brueller, Carmeli, & Drori, 2014). However, the CEO and the TMT play a major role in the firm’s capacity to adapt strategically. For example, Grove’s leadership of Intel was a role model for his continuing ability to adapt to shifting realities, thus allowing a compound annual growth rate of nearly 30% during his 11-year tenure as CEO (see Tedlow, 2005).

Our study also offers some practical insights to managers as regards caring relationships and generativity. We suggest that TMTs need to devote more effort to creating a generative psychological space in which the capacity to adapt is enhanced. The environment is enormously rich and complex and thus poses significant threats to many organizations and their senior leaders. One way to effectively address this richness and complexity in a competitive environment is to shape a generative psychological space, such that members can develop a fuller understanding of the landscape. This level of understanding may enable TMTs to develop intimate knowledge and a nuanced awareness of the evolutionary changes in an industry, thus enabling them to identify, recognize, develop, and seize new opportunities.

We also encourage organizations to devote efforts to finding ways to go beyond instrumental-driven connections to cultivate more humanistic-driven connections where the inner needs of each member are considered, and shape a generative psychological space that helps to enhance adaptability and nurture growth. We recognize that a generative psychological space is difficult to build and senior executives may develop different perspectives regarding how it should be created and sustained. While it would be difficult to train people to act with a sense of caring towards their colleagues at work, CEOs and TMT members can create social norms that encourage caregiving activities. Small acts of deep-level caring for the inner needs of other members can help facilitate generativity in TMTs. For example, if a TMT member is ill or experiencing a family issue, showing concern by speaking and visiting this member can make a fundamental change in the generative psychological space within a team. Within the TMT, caring is even more important because organizational members look up to TMTs and receive signals regarding what is encouraged and what is not desirable. Although TMT members are often seen as competitive, individualistic, self-centred (sometimes even lone wolves), and task-oriented, CEOs and TMTs...
members who act with a deep sense of caring towards their team members can make a significant positive change in their organization. These acts of caring vary but they have one thing in common – A concern for the needs of the other person.

A focus on micro-relational mechanisms to unpack processes within a TMT is important for organizations, because the TMTs play a fundamental role in building strategic capabilities and helping organizations to thrive in the marketplace. While ‘team building’ workshops have become popular, they are mainly designed to develop team members’ ability to work together effectively. However, we suggest that this activity can be a fertile terrain for facilitating caring and nurturing and, ultimately, the development of a generative psychological space. It may require CEOs to seek professional consultation and involve the HR managers and external experts in designing humane and nurturing practices. For example, asking each member on the team to share a caring act he or she has done or an act of care on the part of others towards him or her can shape norms and the kind of environment that senior executives attempt to design and build.

Limitations and future research directions
Although this research contributes to the literature on micro-foundations in strategic management, there are a few limitations that should be noted and some important questions that need to be answered. Although researchers have embraced a relational view to understand strategic issues (e.g., Dyer & Singh, 1998), the micro-relational processes that underpin strategic capabilities are new and require further study. For example, we do not know whether social skills or emotional intelligence play a role in the extent to which TMT members act with a deep sense of caring. We also do not know how a TMT’s act of caring transmutes into an organizational culture of caring. We have not examined CEO leadership behaviours, and thus, we know relatively little about how CEOs can shape a holding environment where caring is a core element. Similarly, we have yet to develop a good understanding of the role of followers in shaping holding environments and a generative psychological space. It is certainly a primary role of CEOs (or the top leaders of the organization) to design and build particular work environments; however, we need further studies aimed at unravelling why CEOs acting in similar ways yield different outcomes.

Future studies should also examine the long-term performance implications of caring and generativity. First, we cannot claim causation and future research is needed to use such a time-lagged approach. Second, our findings imply potentially positive outcomes derived from caring and generativity. We focused on the relational underpinnings of strategic adaptability, but we did not examine how this capability drives performance outcomes across different types of organizations. Future research should also address the need to delineate other mechanisms through which microprocesses can facilitate strategic adaptability. For example, mindfulness may be an important mechanism for adapting to changing environmental conditions. An interesting path would be to examine the relational ways in which mindfulness and adaptability are facilitated and enhanced. We believe that a longitudinal case study would provide rich insights regarding particular environments where caring and generativity are embraced. Examining the evolution of such an environment over time can help elucidate the micro-relational processes that underpin the ways in which both strategic capabilities are built and strategic orientations are shaped. Similarly, a longitudinal survey-based study can also help in making causal inferences.
We also believe that a more fine-grained examination should focus on different stages in the organizational life cycle. For example, we should identify whether and how generativity can be nurtured in declining organizations; it is likely that caring relationships are important in all situations, but they may be more crucial for organizations that experience a period of decline or a crisis situation, because these events pose significant identity threats and undermine the fundamental beliefs that guide individual and group behaviours.

In addition, we focused on caring for individuals, but future research can also concentrate on caring for the organization and explore how these two different forms of caring may help cultivate different mechanisms and their cross-level effects. This also raises the need for greater clarity and precision about caring. Scholars have suggested different definitions of caring. Our study took a narrower view of caring and did not intend to capture the construct in its entirety. Future studies on caring would benefit not only from crystalizing but also examining whether caring is a multidimensional construct for which a new operationalization is needed.

In addition, the challenges of collecting data from TMTs and the expected sample size in such settings need to be acknowledged. We believe that our sample was diverse, and thus, the findings are generalizable (see Cook & Campbell, 1979; Lubatkin et al., 2006; Rogelberg & Stanton, 2007), but one should interpret the findings with caution due to biases associated with the sampling procedure. Although we used separate informants to assess the independent variables and dependent variable and used multiple respondents, reliance on survey data requires caution as regards potential common method bias. As we explained above, we implemented various methodological procedures and analyses, and the results indicate that common method bias was not a pervasive problem in this study.

**Conclusion**

Strategic capabilities are a key determinant in the ability of a TMT to ensure viability and drive sustained success. This study expands on and integrates relational theory and the upper echelon perspective to offer new insights regarding the power of micro-relational foundations that underlie the capacity to adapt to environmental jolts, which is fundamental for the viability of an organization. Our findings indicate that when TMT members engage in caring behaviours where they display genuine concern for each other’s inner needs, a generative psychological space is nurtured within the team, which in turn helps to build a capacity to adapt to environmental jolts.

**Acknowledgements**

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