TRUST AND KNOWLEDGE SHARING WITHIN ORGANISATIONAL CONTEXT

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Abstract

Nowadays in many organisations knowledge is viewed as crucial strategic factor in gaining competitive advantage. This article focuses on the process of knowledge sharing as part of creating new knowledge in organisations. Knowledge sharing is determined to a large extent as social interaction between individuals and groups. Therefore, the concept of trust cannot be neglected in the knowledge sharing research. This article investigates into the concept of trust from the theoretical point of view in order to develop understanding about what kind of role trust plays in the process of knowledge sharing. This paper begins with discussion of the term trust and further classification of trust in the knowledge sharing process. Then, it examines existing thresholds of trust and the concept of risk referring to the potential for giving benefit without receiving something similar valued in return. Furthermore, the trust-building process and in particular the process of making decision to trust is focused on. Finally, the paper discusses the question to what extent the mechanism of trust have an effect on encouraging knowledge sharing within organisational context.

Introduction

The concept of trust has become the focus of interest in a range of social science disciplines and economic discussions. F. Fukuyama [1] considers that higher level of trust in society leads to increasing welfare; he concludes that if mistrust starts to prevail in a society, this is equal to introduction of additional tax on all forms of economic activities so that transaction costs increase. Financial markets call for trust to the management which is reflected in the price of shares. On the other hand financial globalisation and rapid pace of technology development have integrated the world towards knowledge economy and led to increasing uncertainly in the economies and societies. In organisations trust is supposedly said to be the

crucial basis for enabling flexible organisational structures, knowledge sharing, faster reaction onto the market and customers, employee engagement, cooperation and so forth. However, in practice trust is not so present in everyday activities of organisations. It seems, as R. Sprenger [2] concludes, that one starts to speak about trust when it is missing. In this context the question arises, what is the role of trust responding to dynamic environment and facilitating intra-organisational knowledge sharing?

Knowledge has become a strategic organisational resource for maintaining competitive advantage presently and in the future. In large and modern organisations such as virtual organisations and networks success especially goes along with organisation's ability to utilise and share intra-organisational resources – in particular knowledge – more efficiently than it would be possible though external market mechanisms [3, 4].

Organisation is not only an economic and technical, but primarily a social institution. In organisations social relationships are based on structures of mutual dependence which makes the actors vulnerable to each other's actions. In this context the process of knowledge sharing reflects an inherently risky situation. The practice shows that employees are rarely willing to share their knowledge with others. Various reasons are possible as for example the sharer is afraid to reduce his power or feels the risk of being replaceable. In other words employees would share their knowledge if they could be certain that there is no danger for them. The question is to what extent the mechanism of trust can make an effect on encouraging knowledge sharing.

Defining the Term Trust

Any literature review reveals many different views and dimensions of trust. However, there is still lack of consensus about what actually trust is, and undefined term cannot become a useful instrument for further research. Therefore, here we investigate how trust can be defined within organisational context.

Trust is a social common phenomenon. The existence of trust is considered to be a crucial component of social relationships [e.g. 5, 6, 7, 8] and thus trust is a close associate of social capital (e.g. 9, 10, 11, 12].

The notions of risk and uncertainty as well as the notion of vulnerability are central to the most of the concepts of trust are [6, 13, 14]. Rousseau et al. [14, p. 398)] define trust as a 'psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour for another'. In the management literature an often cited definition of trust is given by Mayer, Davis, Schoorman [6, p. 712] in which trust is defined as 'the willingness of a party to be vulnerable to the actions of another party on the expectation that the other will perform a particular action important to the truster, irrespective of the ability to monitor or control that other party'. A definition given by Zaheer et al. [8, p. 141-143] highlights that trust is an expectation that a partner can be relied on concerning his obligations, predictability of his or her behaviour and fairness in negotiations and actions if opportunistic behaviour is theoretically possible.

Luhmann [13, pp. 9-10] argues that the concept of trust is closely connected with the issue of time. In fact, the human being is not able to be sure about what will happen, i.e. the future keeps uncertain. Nevertheless, the human being needs to reduce the complex future back

to the present in order of being able to act. This point allows him or her looking further at the aspects of certainty versus uncertainty. Uncertainty can be classified further into objective exogenous and subjective endogenous uncertainty [15, p. 56]. While the objective exogenous uncertainty lies in the randomness of happenings and reflects environmental uncertainty, the subjective endogenous uncertainty concerns happenings caused by actor's behaviour and occurs by mistake. In regard to organisations the latter (behaviour) uncertainty appears especially during interpersonal interactions and it is connected with a risk, because the actors have a free choice of behaviour meaning that actor A cannot be completely certain about the mode of behaviour of the actor B. This risky situation let the actor A feel uncertain.

In general risk refers to the potential for giving benefit to another without receiving something similar valued or expected in return. Hypothetically, if there is an assumed entire rationality that there would be no possibility of doing a mistake (subjective uncertainty), then the risk is absent, therefore there is no vulnerability and thus trust is irrelevant. For example, an actor or institution cannot possess all and true information about the whole situation, therefore the notion of uncertainty and risk is always present. Missing information can be for example about the trustee's intentions or past behaviour. Consequently we assume that bounded rationality of actors is a prerequisite of capturing trust. The notion of bounded rationality is based on the New institutional economics (Coase 1930s, Williamson 1970s). Moreover, the possibility of opportunistic behaviour is a prerequisite of a risky situation. If there's no confidence about not being harmed, then an individual would prefer to control the possible events in advance instead of trusting others which in his or her opinion may bring serious trouble.

From those explanations it is possible to extract the following characteristics of trust: at first, trust is based on an individual's expectation that the counterpart will behave in well-being and interest or at least will not be harmful. This expectation considers bounded rationality and involves an internal feeling, but it also reflects social connections of a person with others and his or her understanding of the environment. Secondly, the revealed degree of trust changes depending on the context where the individuals can reveal it [16, 17]. Finally, trust displays itself when an opportunity of doing harm is present, and presupposes the conflict of interests in the environment as well as the conflict inside of an individual[1].

Classification of Trust

In organisational context trust has many dimensions; however, trust can be classified according to the objective of trust: personal trust and system trust.

The level of **personal trust** in the relationship between two parties is commonly viewed as a function of two factors: the perceived trustworthiness of the trustee and the truster's general propensity to trust others [6, p. 2, 19, p. 709-712]. The truster's general propensity to trust others is a generalised expectation that the other will act according to how he represents himself. The generalisation of expectations is viewed as a learning process by own experiences. If a

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[1] On the other hand, there is an opinion that both trust and mistrust are mechanisms of psychological defence coming from individual life experience: mistrust is protection of the human from "the other" and trust is protection of a human from him or herself [18, p. 14].

person is able to take and endorse trust from others, then he is also able to trust in others [13, p. 31]. On the other hand if a person confirms the way how he presents oneself (consciously and unconsciously) he is perceived as trustworthy.

It can be concluded that the basis of personal trust is the presentation of self-identity interacting with the environment. The prerequisite of being trusted by others is taking part in social interactions, offering learning possibilities and being able to embed external expectations in the self-presentation. Especially in difficult circumstances and time of changes the trust in oneself is tested, because continuity in behaviour and self-presentation is perceived as trustworthy. In contrast a person who only adapts himself is not obvious and thus he cannot be trusted [13, pp. 80].

Both factors of personal trust are acting interdependently: if a person trusts in somebody and gets his expectation confirmed, he will trust in the trustee next time. Simultaneously the trustee perceives the truster as more trustworthy and is more ready to trust in him or her.

Personal trust can be further differed by the type of trust. Many dimensions have been worked out, for example Lewicki and Bunker [20] distinguish between calculus-based trust, knowledge-based trust and identification based trust. Das and Teng [21] between fragile trust versus resilient trust, cognition-based versus affective-based trust, goodwill trust and competence trust. However, in organisational context it is often categorized in two main dimensions: work-related and relationship-oriented dimension [22, 23]. The work-related dimension is mainly cognition-based and includes a belief in the competencies, responsibility, dependability, integrity and reliability. Cognitive-based trust allows people to deal with one another even in risky situations and allows one to feel confident that the other colleague knows what he or she is talking about and it is worth learning from. The relationship-related dimension is mainly affective-based and is associated with beliefs in another's goodwill and about reciprocal concern and mutual respect. Affective-based trust allows one to ask a colleague without being afraid of damaging own reputation, because it is grounded not only in trustful expectations about reliability but also in feelings of interpersonal regard, for example, friendship.

The other main form of trust is called **system trust** referring to the theory of social systems with its basic concept of complexity. According to this, a system can reduce the complexity by increasing the complexity in the system with vest of differentiation. An organisation reflects a social system with various subsystems.

On the one hand organisations are characterised by enormous available complexity (technology, information, knowledge); the adaptive capacity of the single actor is limited [13, p. 60]. Thus the risky input of the employees is the uncritical utilisation of information and knowledge worked out by others with the uncertainty of being wrong or not as useable as expected. According to this trust in a system replaces the personal trust by trusting in the operation of the organisational system. One trusts that there are enough controls which are placed on an impersonal level.

Especially in large and modern forms of organisations employees have to trust more and more in people and information worked by others without being personally acquainted with them. In organisations with great extent on differentiation, it is even imaginable that intra-organisational relationships on lower level can be even programmed in a certain way so that personal trust among the employees is almost compensated because the uncertainty in behaviour

is eliminated by other internal mechanisms [13, pp. 120]. But even so, such differentiated system presumes that people have trust.

In general, both personal trust as well as trust in a system can complement each other by replacing the information gap through internal guaranteed certainty and generalised behavioural expectations, whereat mistrust equates to the functional equivalent. However, some situations and systems require a kind of mistrust to stay awake and generative and not to fall into a routine of (blind) trust. Finally, trust requires commitment, action and boundary setting; it does not just happen [24, pp. 1-5].

Trust-Building Process

Despite of the difficulty to completely characterise what trust is, the general mode of trust-building process can, as in Figure 1, be described by three phases: making decision to trust (or mistrust), social interaction and confirming expectation.
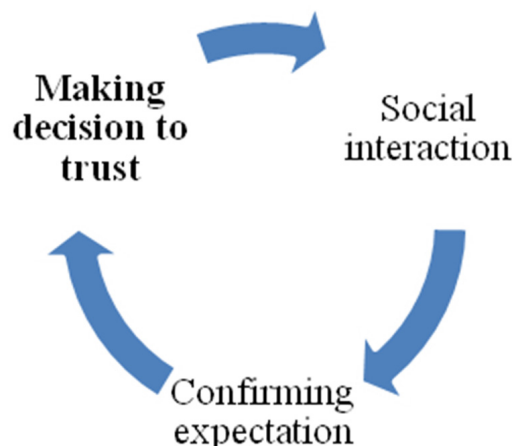

Figure 1. General mode of trust-building-process

The trust-building process is initiated by the truster who freely decides to trust (or to mistrust) in the counterpart in an uncertain and risky situation. If an actor decides to trust then he expects that the other wants and is able to fulfil his expectation, but at least that he will not harm him or her. For a successful trust-building process the trustee accepts the given trust, fulfils the expectation, meets conditions and constraints as well as uses trust a basis for his own influence on the truster in order to obtain a beneficial symbiosis for both dyadic partners in the future. Taking part in "social interaction" reflected by informal and formal networks, gives individuals an opportunity to represent themselves as trustworthy (or not) and offers learning possibilities. That means social interaction is a situational prerequisite of the trust-building process.

The trust-building process forces mutual action of both counterparts whereat the truster initiates the process. If a person trusts in somebody and gets his expectation confirmed, he will trust in the trustee next time. Simultaneously the trustee perceives the truster as more trustworthy and is more ready to trust in him.

Every actor can take the role of the truster and trustee for the other and both absorb the risk by the trustful expectation being aware of their mutual trust-relationship. In regard to organisations, truster and trustee must not reflect only a supervisor-subordinate-relationship; the truster as well as the trustee can belong to any hierarchy, because trust is a mutual process.

A trust building process forces mutual action of both counterparts. The decision-making process of the truster is the initial step of the trust-building process and therefore crucial. In more detail this process is conceptualised and represented in figure 2.
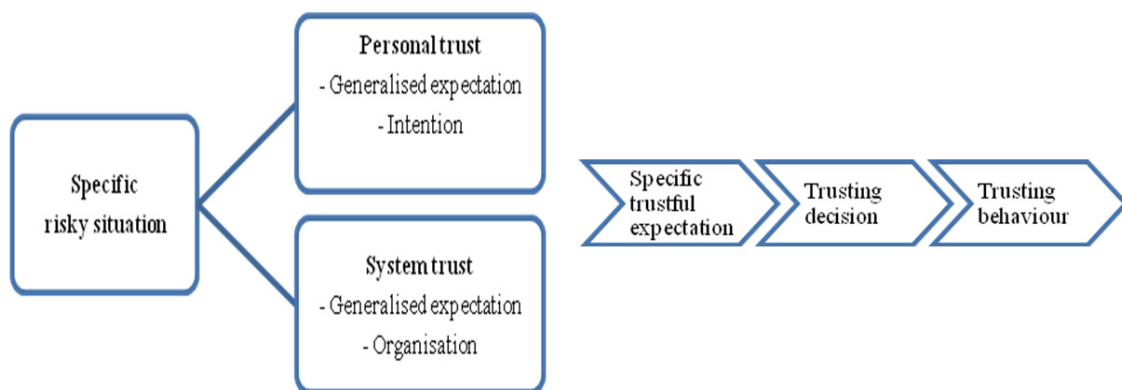

Figure 2. The process of making decision to trust

The need for trust grows in uncertain and risky situations. Furthermore the decision to trust in somebody is a process of rational thinking and internal feeling. A specific trustful expectation is based on both personal and system trust dimensions. A consistent tendency to trust is reflected in the generalised expectation arising from own experience. Further a trusting intention indicates the extent to which a truster is willing to depend on the other in a specific situation. Organisational factors, as for example trust atmosphere, play an additional role. From this the truster forms his own trustful expectation for a specific situation. If the truster decides in favour of trusting then he or she expects that the other is willing and able to fulfil his or her expectation, even though negative results are possible. The trusting behaviour is the transmission of the decision into action. In the long run the actions should correspond to self-presentation in order to be trustworthy for the others.

Finally, trust-building (equivalent mistrust-building) is an iterative reciprocal interaction process. The functional equivalent of trust as strategy to reduce complexity is mistrust. The dilemma of mistrusting is that this person needs more information, but there is not as much trustworthy information as he would need to. So that mistrust leads to stronger dependency on less information [13, p. 93]. There is also a conclusion revealed by the game theory that the long term result of interaction depends on the preliminary condition of the game. If the level of mutual trust is high in the beginning, then the social dynamics will have good chance to reach the balance with high level of trust and low transaction costs. If the level of preliminary trust is low, the interaction will strengthen it and getting out of the deep hole of mistrust is only possible with a big revolutionary shock [18, pp. 92-93].

Trust as a Basis Mechanism for Knowledge Sharing

In general, there are two mechanisms to stabilise certainty or rather reduce complexity: the mechanism of risk limitation and the mechanism of trust. Both mechanisms are functional equivalents; moreover they can complement each other very well [13, pp. 19-20].

The mechanism of risk limitation aims to reduce the probability of a disadvantageous happening and / or to reduce negative effects for an actor [15, p. 58]. The basic instrument of this mechanism is the explicit contract which appears in form of regulations, precaution, monitoring.

The mechanism of trust enables the social exchange, e.g. of knowledge, because of the lack of alternative mechanisms. The mechanism of trust embraces the circumstance that not all kind of actions can be regulated and controlled in advance and therefore uncertainty still remains. When an actor decides to trust somebody, then he acts as if the future is assured – he anticipates the future and therefore time. The risk is absorbed by a trustful expectation that the assumed dependency will not be exploited. In doing so the truster makes oneself vulnerable, because he abstains from establishing explicit measures of protection, regulations in order to secure something that should not happen [13, pp. 29-31].

Similar to trust knowledge is a resource which is not reduced while being used but increases. Furthermore they are both closely connected to individuals. Trust refers to an individual's willingness to react in a risky situation with trustful expectation with being aware of the other's possible opportunistic behaviour. Knowledge is held in the individuals' mind, and sharing of it within the organisation is said to be risky referring to the often cited aphorism "Knowledge is power" by Francis Bacon in the 16th century.

In the knowledge management literature importance for developing trust is often mentioned and examined. For example Mayer, Davis and Schoorman [6, pp. 710-711] and Putnam [12, p. 171] highlight that trust enables working together and interaction among people. From the economical point of view, if trust enables interaction across the organisation then transaction cost can be reduced [Williamson 1985, in: 25, p. 103]. Furthermore Zaheer, McEvily and Perrone [26, pp. 92-93] underline that trust smoothes decision-making process because of easier information collection. Moreover, the literature about trust within organisational context reveals that trusting relationships are crucial in enabling knowledge sharing. For example Levin et al. [27, p. 22] investigated the influence of the interaction ties strength on the receipt of useful knowledge considering trust (benevolence-based and competence-based) as mediator in multiple dimensions (relational, structural and knowledge). In their findings the role of trust as a mediator in effective knowledge sharing became evident for both strong and weak ties. Furthermore while benevolence-based trust is helpful in the exchange of both explicit and tacit knowledge, competence-based trust is critical when the knowledge is more tacit. Studies on trust of Nahapiet and Ghoshal [28] reveal that people tend to interact and to cooperate with each other if there exists a higher level of trust and trustworthiness within intra-organisational relationships which in turn increases knowledge sharing. Further trust is one of the underlying concepts in social exchange and thus may influence knowledge sharing behaviour of people within the organisation. Social exchange refers to voluntary actions, hence, knowledge sharing reflects a basically voluntary behaviour with unclear rewards (i.e. intrinsic, extrinsic, unilateral) [3]. Those studies below show that

trust is likely to be considered as a necessary condition for knowledge sharing, because without trust people will not be willing to share.

The knowledge seeker must believe that the knowledge source is willing and able to share his or her knowledge. To be able to find the relevant source of knowledge, on the contrary the knowledge carrier must want to articulate what he or she knows and further must believe that his or her knowledge is relevant. Within organisational context the willingness to decide to trust in somebody depends on and is also influenced by institutional general conditions in the organisation. Then the question arises if trust is the right strategy to follow?

Existing studies on trust support this suggestion. For example, Mayer, Davis and Schoorman [6] propose that trust stands as predisposition to the willingness to be vulnerable, to cooperate and to commit oneself for group and organisational visions. Scholars as Gambetta [29] and Watson [30] advise trust as a pre-condition of cooperation and define trust as the employee's confidence that the organisation will perform actions which are beneficial to him or her so that employees feel attached toward and / or being proud of working in their organisation. In this spirit organisational trust is determined to be a key factor of employees' commitment to organisations. A higher level of trust in management and in the organisation makes employees less likely to leave a position or company [31].

In regard to this knowledge sharing is more about creating an environment in which people are "knowledgeable" [22, 27] as well as voluntarily willing to share their knowledge with others. Here, the notion of trust enters the stage. Incorporating trust as a basis mechanism for the development of a knowledge sharing environment can be a way to deal with the described dilemma. This leads further to the conclusion that the knowledge sharing behaviour of employees is mainly influenced by the management or rather "critical mass" [15, p. 232]. According to Ripperger [15] critical mass consists of people who are selected in order to perform the organisational strategy which is declared in the organisational vision and principles. We argue that finding the right proportion of the mechanism of trust and mechanism of external measures is supposed which depends on the specific situation.

In Conclusion

The concept of trust has been determined as a problem of risky input: on the one hand trusting excludes certain opportunities, while on the other hand trusting neutralises certain dangers which cannot be eliminated but which should not irritate the action [13, pp. 27]. For example a person preliminary trusts another that he or she will handle a difficult situation well, and based on this trusting belief the chance of being successful increases. Those experiences of venturing out lead to a process of learning. The learner generalises own experience and because he or she is ready to honour given trust in oneself, he or she becomes able to trust others.

In the context of knowledge sharing, risk refers to the potential for giving benefit to another without receiving something similar valued or expected in return. However, the truster can not possess all and true information to estimate the probability of the outcome certainly. Therefore the notion of uncertainty and risk is always present. Personal trust as well as the depersonalised trust in a system are mechanisms to reduce uncertainty by replacing the information gap through internal guaranteed certainty and generalised behavioural expectations, whereat mistrust equates to the functional equivalent. Trust requires commitment, action and

boundary setting; it does not just happen. Meanwhile trust in a system offers more possibilities in finding solutions for problems, missing or loosing trust minimises them. However, trust can turn into mistrust – a latent risk of which actors have to be aware of. All in all trust cannot be forced; it can only be presented (through input) and subsequently accepted [13, pp. 53]. According to K. Deutsch trust in this context means a performed intention.

The discussion about the role of trust in the knowledge sharing process should start with studying the environmental framework which is visible through behaviour of an individual. Despite of technical innovations helping to reduce technical risks and complexity, it can be expected that trust will be increasingly important to handle the technical produced complexity in a globalised dynamic environment. The social mechanism of trust will not be replaced, and consequently trust plays an important role in the management of knowledge in organisations. To be able to make a trust-based organisation operational the management may have to rearrange the process of management, because the concept of trust does not fit well with the "managerial tradition that believes efficiency and control are closely linked" [32, p. 41]. Yet many organisations tend to operate with the underlying assumption that "people cannot be trusted or relied on" [32, p. 44] which is expressed by systems of monitoring and control in order to prevent anyone from doing any mistakes. We argue that trust and a sense of belonging fosters an individual to commit oneself to more than only self-interest, but an interest in the growth of an organisation, and therefore in knowledge sharing.

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