



# How to facilitate inter-organizational knowledge sharing: The impact of trust



Ying-Hueih Chen<sup>a,1</sup>, Tzu-Pei Lin<sup>a,2</sup>, David C. Yen<sup>b,\*</sup>

<sup>a</sup> Department of Computer Science and Information Management, Providence University, 200 Chungchi Rd., Shalu 433, Taichung, Taiwan

<sup>b</sup> School of Economics and Business, 226 Netzer Administration Bldg., SUNY College at Oneonta, Oneonta, NY 13820, United States

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## ABSTRACT

In this era of the network economy, inter-organizational knowledge sharing is one key driving force required to streamline value chain activities and maximize operational benefits. Knowledge sharing can be realized when the involved business partners successfully develop trust and build long-term partnerships. In this study, a model of knowledge sharing across the supply chain is constructed. Factors such as shared goals, social relational embeddedness, and influence strategy are investigated to determine whether they act as major driving forces to develop inter-organizational trust among the various supply chain members. The survey is based on 226 managers located in major industrial parks in Taiwan; the results suggest that trust is enforced when organizations develop shared goals, form social relational embeddedness, and initiate influence strategies. In addition, inter-organizational trust leads to better inter-organizational collaboration and knowledge sharing. Theoretical and practical implications are also discussed.

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## 1. Introduction

Inter-organizational knowledge sharing and leverage are strategic means to achieve competitive advantage in rapidly changing business environments [7]. Knowledge sharing refers to leveraging information assets across various business partners to concentrate on supply chain activities, identify market opportunities, and/or capture business value [35,39]. Effective knowledge sharing enables supply chain partners to streamline the flow of information, money, and products across organizational boundaries, in turn improving the agility, adaptability, and predictability of the supply chain [39].

Despite the strategic importance of inter-organizational knowledge sharing in supply chain management, effective knowledge sharing remains a challenge. Inter-organizational knowledge sharing is a complex issue built on inter-organizational relationships [3,11]. Trust is a catalyst that facilitates strategic business interactions and knowledge sharing among independent

firms [11,23,35]. For example, Ke and Wei [27] examine knowledge sharing from both the transaction cost and social-political theory perspectives and highlight the strategic importance of inter-organizational trust, as well as firm power, in facilitating knowledge sharing across the supply chain. Panteli and Sockalingam [36] note that trust is the cornerstone of knowledge-based collaboration. While these studies have identified key knowledge sharing issues, most studies in this area overlook the important questions of how and why organizations develop collaborative relationships and employ knowledge sharing in the supply chain context. Understanding the relational factors that drive knowledge sharing across various supply chain partners remains a major concern for both researchers and practitioners.

By considering knowledge sharing as a pattern of inter-organizational interaction and the resulting outcome of social relationships, this study seeks to explore the relational factors that drive effective business to business (B2B) knowledge sharing across supply chain members. Relationship marketing suggests that organizational relationships can be built, maintained, and enhanced by developing collaborative, trustworthy, and reciprocal business partnerships [35]; inter-organizational trust is a necessary condition for relational exchange [5,27,36]. The level of knowledge sharing in a supply chain is determined by the perceived benefits of information exchange, agreements among independent firms, social satisfaction, and dependence among partners [11]. Following this

\* Corresponding author. Tel.: +1 607 436 3458; fax: +1 607 436 2543.

E-mail addresses: [yhchen@pu.edu.tw](mailto:yhchen@pu.edu.tw) (Y.-H. Chen), [momoyes@ms54.hinet.net](mailto:momoyes@ms54.hinet.net) (T.-P. Lin), [David.Yen@oneonta.edu](mailto:David.Yen@oneonta.edu) (D.C. Yen).

<sup>1</sup> Tel.: +886 4 26328001x18115; fax: +886 4 26324045.

<sup>2</sup> Tel.: +886 37 728711x158; fax: +886 4 26324045.

vein of thought, we propose shared goals, relational embeddedness, and influence strategies as major relational antecedents of inter-organizational trust, which in turn diminish the probability of opportunistic behaviors, strengthen the social bond between supply chain partners, and secure exchange benefits. Shared goals are the fundamental force that lead to the formation of homogenous behavior logic in the B2B context [35]; relational embeddedness is a major factor that shapes economic behavior among and between trading entities [1] and influences strategy in terms of how organizational power influences the decision making process of business partners [3]. These factors capture the plurality of inter-organizational interactions and thereby provide insight into the driving forces of knowledge sharing.

According to the empirical results obtained by Chow et al. [14], supply chain members constantly face challenges related to knowledge sharing and collaboration as they attempt to respond to changing customer demands and business competition. The current study focuses on Taiwan manufacturing firm supply chains for two reasons. First, according to the Industrial Development Bureau of Taiwan, Taiwan is one of the world's largest manufacturers of high-tech products and a major business partner of the US. Many multinational organizations have manufacturing firms or business partners in Taiwan. Understanding supply chain practices in Taiwan can enhance knowledge integration across business boundaries. Secondly, Taiwan is one of the major players in the Greater China Region (China, Hong Kong, Macao, and Taiwan) and a major trading partner of China/Hong Kong, the US, Japan, Singapore, and Korea. As such, a clearer understanding of supply chain practices common in Taiwan is useful for firms who wish to focus on the booming Asian economy.

This study, which utilizes a quantitative research method for model testing, is important for two reasons. First, while previous studies have highlighted the importance of inter-organizational relationships in terms of capturing the benefits of knowledge sharing, most of these studies focused on technological, economic, and/or political aspects that affect knowledge sharing behaviors [10,11,27,28]. Very limited research has explored the factors that drive inter-organizational trust and knowledge sharing through a relational perspective such as shared goals, relational embeddedness, and influence strategies. The current study identifies and empirically examines these salient aspects of trust development, and highlights the effects of trust on knowledge sharing across the supply chain. Second, this study complements prior research in this subject area in that the quantitative data and findings can be generalized to provide actionable guidelines for business partners looking to better coordinate and integrate information assets.

The remainder of this paper is as follows: the next section presents the theoretical background through a review of the related literature. Section three discusses the research model and hypotheses, while section four outlines the research methods. The final sections summarize the findings and provide research implications.

## 2. Literature review

### 2.1. Relational factors and knowledge sharing

In the digital economy, advanced telecommunication technologies provide communication platforms that enable business partners to jointly create, retain, transform, and transmit valuable knowledge [27]. Inter-organizational knowledge sharing is a critical factor for collaborative resource coordination, allocation and integration across different members of a supply chain [28,39]. Such knowledge sharing activities allow the organization to expand their resource pool, deliver value-added products or services, detect emerging opportunities and capture business

benefits in a hypercompetitive business environment [27,28]. The organizational motivation to develop in-depth, inter-organizational alliances and collaboration is truly essential to accrue such a value-added network [36].

Relationship governance is fundamental to knowledge-based network arrangements. Relationship governance refers to the maintenance of strategic partnerships among different supply chain partners [11]. In the context of supply chain relationships, B2B relationships are often reactive and subject to market pressure and changing competitive positions [23]. Effective B2B interactions depend on the social relationship and trust levels developed between business partners [23]. Developing a collaborative partnership is essential for inter-organizational knowledge sharing since partnerships sustain the competitive advantage of the supply chain as a whole.

While relationship governance unfolds the importance of maintaining and developing a collaborative relationship, “trust-commitment theory” explains the details of how the relationship is developed. Trust-commitment theory, which places the focus on establishing, developing, and maintaining successful relational exchanges, is one of major theoretical perspectives used to analyze collaborative relationships in terms of B2B interactions [34,35]. Further, trust-commitment theory highlights the importance of collaboration across networks of firms to compete effectively within dynamically changing business environments [35]. The major features of B2B relationships are composed of such factors as shared goals, cost vs. benefits of the business relationship, communication and reciprocal behavior. Relationship commitment and trust are two key factors that encourage organizations to resist opportunistically alternative actions and hence, preserve long-term exchange benefits [35].

Prior studies have identified several relational factors that facilitate information sharing and knowledge exchange activities. For example, Dayasindhu [17] studies knowledge transfer in the Indian software industry and suggests that relational embeddedness acts as a major social mechanism to coordinate and safeguard social relationships. Morgan and Hunt [35] propose that similarities in terms of goals, policies, and strategies are an important factor in enhancing the predictability of the counterparty and strengthening the inter-organizational supply chain relationship. Furthermore, Hausman and Johnston [21] show that influence strategy is a useful vehicle to promote inter-organization interactions, and affects decision-making across relational partners in the supply chain context. While these aforementioned studies have identified and proposed diverse factors related to knowledge sharing across business networks, trust remains a core element.

Two key points emerge from the above review. First, in the B2B context, collaborative relationships can be developed and nurtured either through creating a joint business goals or by employing tacit strategies. Secondly, both collaborative relationships and inter-organizational trust may be seen as detrimental factors that influence the effectiveness and sustainability of value-adding knowledge sharing within business networks. Trust is particularly important in terms of facilitating knowledge sharing to enhance the performance of inter-organizational partnerships [36].

### 2.2. Trust

Inter-organizational trust is the cornerstone of business partnerships, and nurtures the intention of knowledge acquisition and sharing outside organizational boundaries [36]. Pavlou [37] (p. 218) defines inter-organizational trust as the subjective belief with which organizational members collectively assess that a population of organizations will perform potential transactions according to their confident expectations, irrespective of their ability to fully monitor them.

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