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A TRUST-BASED ROADMAP TO INNOVATION:

PUTTING THE PIECES OF THE PUZZLE TOGETHER

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Abstract

Various models of trust, knowledge sharing, knowledge transfer and knowledge absorption have been published in the knowledge management literature. Despite this, we do not know what relationships and sequence of these constructs are required for innovation. In this paper we propose a holistic framework to study the relationships between these constructs by marrying the model of trust with the models of knowledge sharing, knowledge transfer and absorptive capacity. This framework provides a trust-based roadmap to innovation. To further develop and validate the model, a qualitative research methodology will be employed through exploratory case studies, using semi-structured interviews as the method of inquiry. The final model will be evaluated in the Healthcare industry in Australia. This paper presents the work in progress.

Keywords

Knowledge, Trust, Innovation, Absorptive Capacity

Introduction

Organisations deal with large amounts of data and information. However, this data and information is not transformed into knowledge until/unless the organisation is aware how value can be extracted out of it. For this reason knowledge management (KM) is an essential topic to explore and research.

Knowledge is created in organisations through knowledge life cycles (Firestone & McElroy, 2004) that enable organisations to adapt the knowledge to their environment (Mishra & Bhaskar, 2011). Birkinshaw and Sheehan (2002) regard knowledge as a non-static asset for organisations. Further to this, organisations that wish to take advantage of their gained or stored knowledge, begin to handle knowledge differently (depending on the present stage in the lifecycle). The knowledge life cycle can be illustrated with a simple S-curve where the knowledge develops along the curve in four stages: creation, mobilisation, diffusion and commoditisation (as shown in Figure 1).

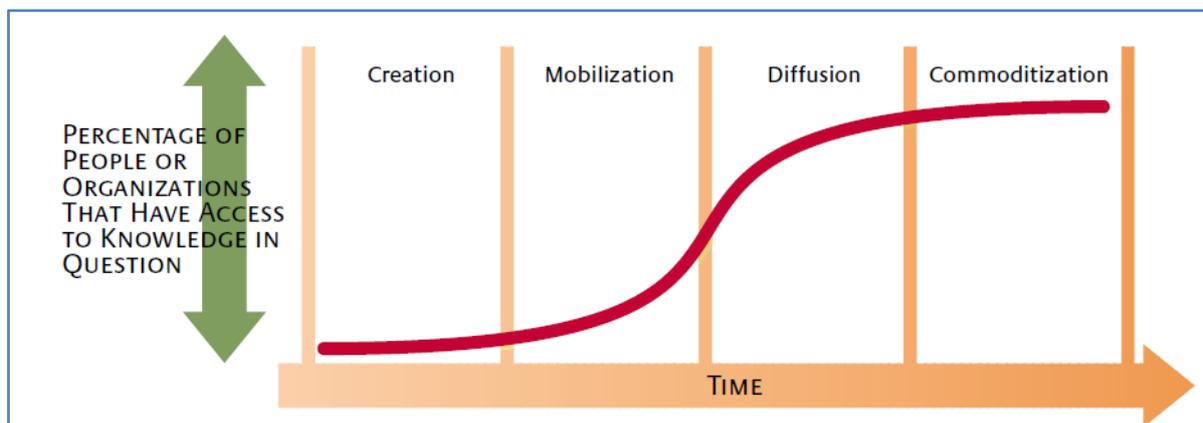


Figure 1: Knowledge Life Cycle – adopted from Birkinshaw and Sheehan (2002)

It is not realistic for an organisation to be active in all four stages at one point in time. Present research demonstrates that those who attempt to execute all four stages at once are usually unsuccessful (Birkinshaw & Sheehan, 2002).

Knowledge as power was described by the early researcher and writer Francis Bacon in 1597. The classical Latin phrase '*nam et ipsa scientia potestas est*' translates to "for also knowledge itself is power". Mishra and Bhaskar (2011) discovered the capability of an organisation to learn, create, or gain knowledge and hence creating brand equity for an organisation. Smith (1983) used the expression 'learning how to learn' to refer to a state of acquiring knowledge and skills in order to learn effectively. Therefore, learning abilities and the ability to generate new ideas can be seen as 'transforming dynamics' of an organisation that will transform them into so-called 'learning organisations'.

Senge (1990) defines a learning organisation as an organisation where the employees are in continuous expanding mode and are willing to expand their capacities to accommodate the true desired objectives. It is an institution where people continuously learn "how to learn together". Basically, Senge (1990) emphasises the need for collaborative growth and collective learning processes.

Mishra and Bhaskar (2011) assert that learning organisations do not remain in a 'waiting state', but they are initiators and creators of their knowledge. Their culture has been setup according to their pace of knowledge creation. This property helps them to remain sustainable and competitive in the long run.

In this paper, we refer to learning organisations and their organisational learning capabilities (OLC). Mishra and Bhaskar (2011) mention that organisational learning and knowledge management (KM) overlap, making it harder to distinguish between the two concepts. Learning in itself is a process in which input and output are constituted by knowledge (Duncan & Weiss, 1978); Kogut and Zander (1992); Nonaka (2007); Spender (1996).

KM is the study to aim “building and applying stocks of knowledge” (Mishra & Bhaskar, 2011); (e.g. Garvin, 1993; Leonard-Barton, 1992; Schein, 1993; Stata, 1989). The domain of organisational learning is therefore an antecedent to KM, i.e., to manage how learning occurs in an organisation. The relationship between the learning organisation, the firm’s knowledge-sharing behaviour and its innovativeness - that is depending on attitudes of its members- is varying in nature(Li-Fen, 2006). Uzzi and Lancaster (2003) studied the knowledge transfer (KT) phenomenon and identified that there are different types of ties promoting different forms of KT and learning. Their study concluded that “learning is located not only in actors’ cognitions or past experiences, but also in relations among actors, and that viewing learning as a social process helps solve problems regarding KT and learning in markets”. Furthermore, Gonsel, Siachou, and Acar (2011) presented the improved version of the KM cycle model (as shown in Figure 2) that is perfectly in line with the authors’ understanding of the phenomenon and provides a base to design an innovation framework.

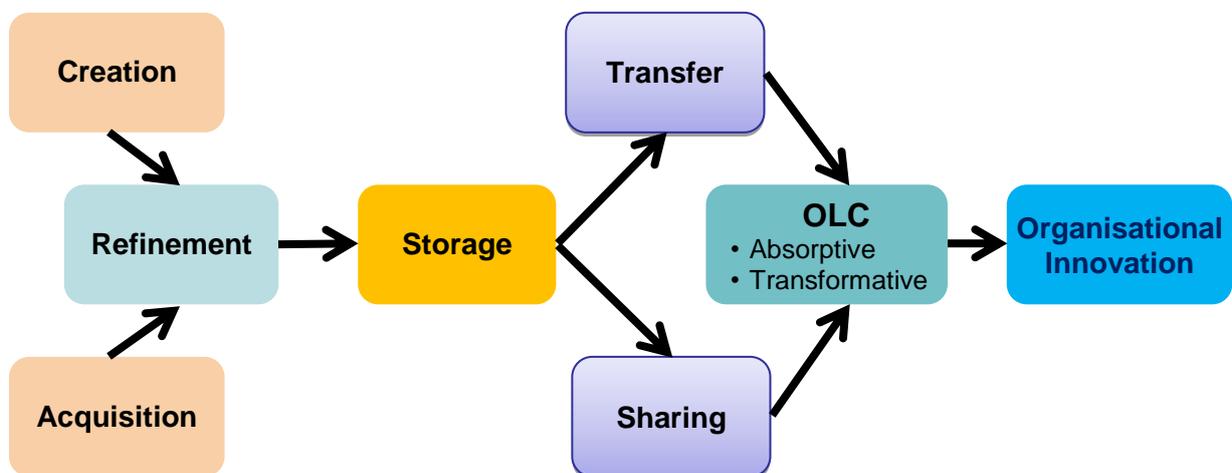


Figure 2: Improved KM Cycle Model – adapted from Gonsel et al. (2011)

This paper draws from the KM literature. The basic premise of this paper is that the roadmap to innovation actually starts with the learning culture of the organisation. In other

words, it is the knowledge sharing, transferring and absorbing capabilities of an organisation that will lead it to innovation, improved performance, success and competitive advantage.

Proposed Framework

In the current KM literature, the role of trust in the knowledge absorption capability or absorptive capacity (AC) is unknown. Cohen and Levinthal (1990) defined the concept of AC as the ability of an organisation to identify, assimilate, and exploit the external knowledge to commercial ends (also mentioned in Figure 1.0 as a construct of organisational learning capabilities). Furthermore, March and Simon (1958) asserted that inventions are not mostly due to innovations, but to the borrowing of knowledge. Underpinning this theory, Lane, Koka, and Pathak (2006) support the views of existing organisational AC literature that explains AC and applies it as an organisational ‘construct’ for innovation. This was also the viewpoint of Cohen and Levinthal (1989, 1990) who were the founders of the concept.

In this paper a roadmap to achieve innovation is proposed. In the framework, we strongly suggest that the foundations of the roadmap should be built upon the construct of ‘trust’. Trust is defined as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer et al., 1995). Trust directly influences AC and vice versa, as, it is the “glue for intra- and inter-organization relationships” (Ratten, 2004). Parra, Nalda, and Perles (2011) suggests that the higher the degree of trust among the employees, the more the level of organizational trust would be. Furthermore, organisations that are more trust-focused are more likely to have a high level of AC, and hence, innovativeness.

A marriage is therefore proposed between the model of trust by Mayer et al. (1995), the model of knowledge sharing and trust in organisations by Joanne and Inder Jit Singh

(2010), the model of antecedents of knowledge sharing by Kharabsheh (2007), the model of AC (Zahra & George, 2002) and the refined model of AC (Todorova & Durisin, 2007) to discover the role of trust in the roadmap to innovation and to achieve improved performance, success and competitive advantage. Figure 3 represents our proposed roadmap.

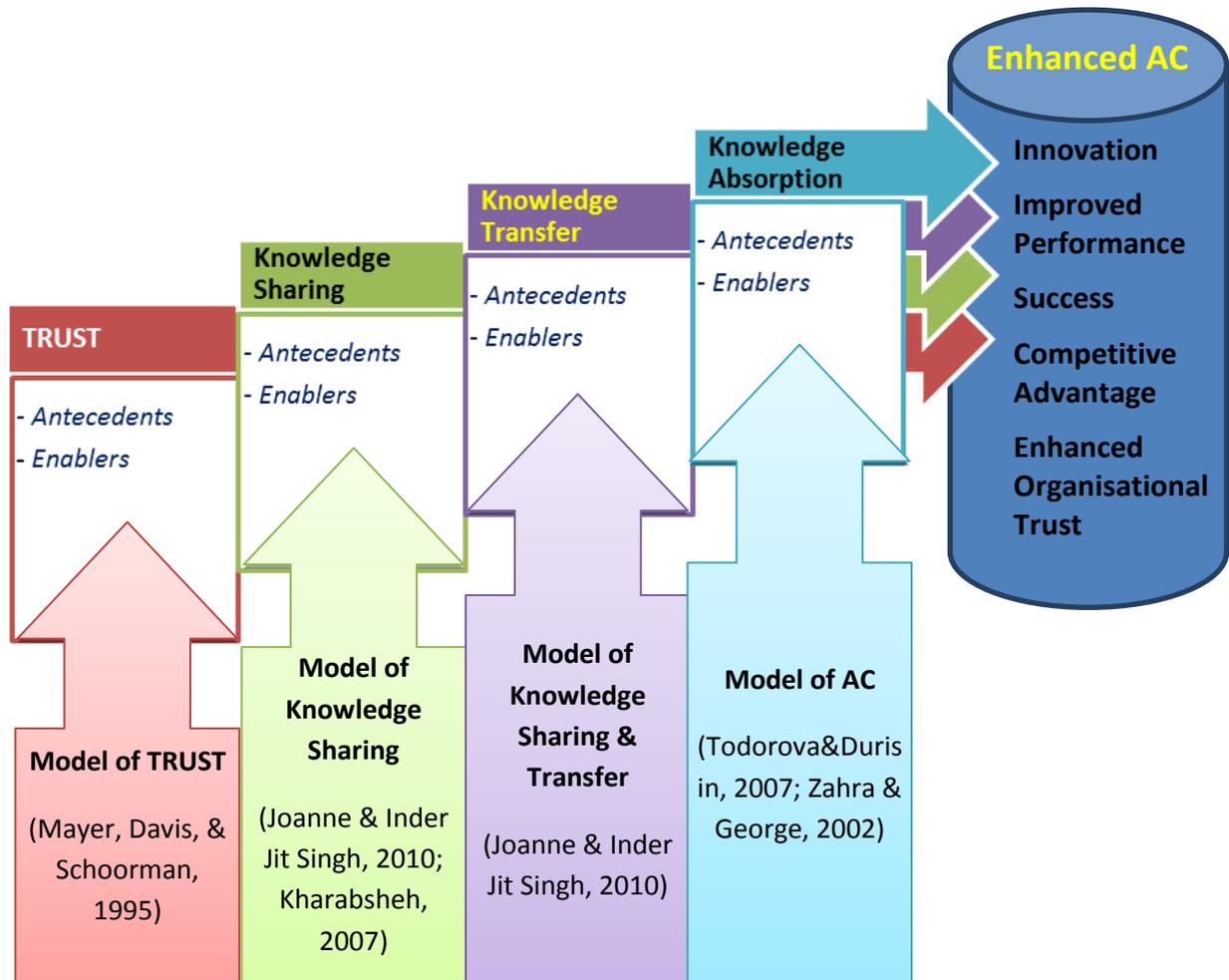


Figure 3 – Proposed Framework

Conclusion

In this paper a trust-based framework to achieve innovation, improved performance, success and competitive advantage is proposed. The basic premise of this framework is that trust is the foundation for innovation and innovativeness. It is the key ingredient in organisations' knowledge culture. Trust enables knowledge sharing and knowledge transfer mechanisms.

Such mechanisms then generate organisational learning and therefore, knowledge absorption takes place. The higher the degree of knowledge that is absorbed in organisations through knowledge sharing and transfer mechanisms based on trust, the higher the level of innovativeness. Hence, enhanced knowledge absorption, improved performance, success and competitive advantage will be achieved.

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