

# How Do Institution-Based Trust and Interpersonal Trust Affect Interdepartmental Knowledge Sharing?

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## ABSTRACT

There are two typical forms of trust in organisational settings—institution-based trust and interpersonal trust. The role of interpersonal trust in promoting interdepartmental knowledge sharing has been investigated. The effect of institution-based trust, especially the joint effect of institution-based and interpersonal trust, on interdepartmental knowledge sharing has not been adequately described. This article builds a conceptual model to describe the independent and joint effects of these two forms of trust on the satisfaction and success of interdepartmental knowledge sharing. The moderating role of knowledge tacitness is also described in this model, which is tested on 294 collaborative task scenarios between departments within Chinese IT firms. The empirical results essentially support the proposed model and contribute to organisational trust and interdepartmental knowledge-sharing discussions by clarifying the substantial roles of these two forms of trust in the context of interdepartmental collaboration and knowledge sharing.

## KEYWORDS

Institution-Based Trust, Interdepartmental Collaboration, Interdepartmental Knowledge Sharing, Interpersonal Trust, IT Firms, Tacit Knowledge

## INTRODUCTION

Knowledge-sharing obstacles between departments are usually more prominent than those within a single department. The 'group consciousness' formed during the long-term collaboration between employees in a single department makes it easy to share knowledge within a department, but it also makes it difficult to transfer knowledge outside of a department. Communication gaps are more likely to appear between departments than within a department, thus forming barriers to interdepartmental knowledge sharing (Suckley et al., 2013). Therefore, social interaction is an indispensable channel for improving interdepartmental knowledge sharing (Noorderhaven & Harzing, 2009). Social interactions between employees from different departments promote knowledge inflows and outflows across departmental boundaries (Jasimuddin, 2014; Jasimuddin et al., 2006). In this process, trust is a core factor that influences the effectiveness of social interaction and knowledge sharing (Willem et al., 2006). As a social phenomenon, trust is almost ubiquitous in our social and economic activities (Lewis & Weigert, 1985). In dynamic and fluid work settings such as interdepartmental collaborative tasks, trust is particularly important to co-workers' collaboration and knowledge sharing (Rousseau et al., 1998).

DOI: 10.4018/IRMJ.2016010102

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The acknowledgement of the importance of trust has led to many studies that focus on the role of trust in promoting interdepartmental knowledge sharing (Willem et al., 2006; Willem & Buelens, 2007; Ford, 2004; Levin & Cross, 2004; Hsu & Chang, 2014). The primary form of trust that most of these studies mention, either explicitly or implicitly, is that of interpersonal trust. As a type of individual choice with social interactions, interpersonal trust primarily arises out of interpersonal relations and networks (Rousseau et al., 1998; Singh, 2012). Another important form of trust in the context of interdepartmental knowledge sharing is institution-based trust (Ford, 2004). Different from the ‘individual choice’ characteristic of interpersonal trust, institution-based trust is based on the belief that necessary impersonal structures—such as norms, regulations, contracts and guarantees—are in place to ensure individual members’ trustworthy behaviour (McKnight et al., 1998). In an interdepartmental context, interpersonal trust and institution-based trust jointly influence interdepartmental knowledge sharing. Many studies have shown that the level of interpersonal trust often determines the success or failure of interdepartmental knowledge sharing (Willem et al., 2006; Willem & Buelens, 2007; Mäkelä & Brewster, 2009). However, little empirical work has been undertaken to investigate the effect of institution-based trust and, in particular, the joint effect of institution-based and interpersonal trust on interdepartmental knowledge sharing. Therefore, there is a gap in the current research on the relationship among institution-based trust, interpersonal trust and interdepartmental knowledge sharing. To address this gap, this study conducts an empirical examination of the effects of institution-based and interpersonal trust on interdepartmental knowledge sharing and aims to answer the following research question: *How do institution-based trust and interpersonal trust independently and jointly influence interdepartmental knowledge sharing?* We also explore the role of knowledge tacitness in this process. The following section presents a literature review of the key concepts about interpersonal trust, institution-based trust and knowledge sharing in an interdepartmental context.

## LITERATURE REVIEW

### Interpersonal Trust and Institution-Based Trust in an Interdepartmental Context

According to Rousseau, Sitkin, Burt, & Camerer (1998), trust is ‘a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another’ (p. 395). In organisational settings, interpersonal interactions are the main source of this type of ‘psychological state’, namely interpersonal trust. Impersonal systems or structures are another important source of this type of ‘psychological state’—namely, institution-based trust—especially between unfamiliar individuals (Rousseau et al., 1998).

Table 1 compares interpersonal trust with institution-based trust in an interdepartmental context. As shown in Table 1, although these two forms of trust come from different sources, they jointly influence individuals’ behaviour in interdepartmental collaboration.

#### *Interpersonal Trust*

Interpersonal trust, following Zand (1972), is defined as one person’s willingness to increase his or her vulnerability to the actions of another person whose behaviour he or she cannot control. Mayer, Davis, & Schoorman (1995) similarly define interpersonal trust 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’ (p. 712). Interpersonal trust arises out of interpersonal relations and tends to be developed through repeated, positive interpersonal interactions (Shapiro et al., 1992). In organisational settings, interpersonal trust varies with the task, the situation, and the other person and is shown as individual choice behaviour, which has been described as either a rational choice (Kramer, 1999) or a non-rational choice (Hosmer, 1995).

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