Chapter I

Managing Knowledge-Based Organizations Through Trust

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ABSTRACT
This chapter provides a comprehensive basis for understanding the role of trust in knowledge management and systems in organizations. The point of departure is the resource and knowledge-based theories of an enterprise that place knowledge generation as the primary source of wealth and social well-being. The authors show the crucial role of the intangible factors of trust, knowledge and information as related to the social capital and the development of the intellectual capital of an organization. The multidisciplinary nature of the concept of knowledge management and of trust is examined by a thorough review of literature. Trust is seen as a situational and contextual phenomena whose impact on the development of an organizational culture and climate and on success with collaborating is explored as related to the relational, cognitive and
structural dimensions of social capital. The overall aim is to sustain strategic capability in the networked mode of performing. The importance of normative trust, shared values and shared meanings is stressed as a frame of reference to organizational behaviour and in communities of practice, but also the role of swift trust is highlighted. The authors provide ideas for empirical research to develop theory of the strategic management of knowledge and information and outline implications for practices for the organizational development.

INTRODUCTION

The knowledge-based society of the 21st century is characterized by knowledge generation as the primary source of wealth and social well-being. This economic development, facilitated by networked actions of a variety of global actors utilizing new information and communication technology (ICT) including Internet technologies, is fundamentally changing “the rules of the game” of performing in both private and public organizations. Accordingly, new concepts, frameworks, models and theories are required in order to increase our understanding of the principles of the creation and use of knowledge and information as a resource. These theories will find support from the resource and knowledge-based views of an enterprise (e.g., Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Grant, 1996; Spender, 1996; Spender & Grant, 1996). (See also Day, 2001, for a critical review of this economic development.)

This development both in theory and in practice is evident because, contrary to the traditional factors of production, knowledge and information are partly intangible in nature (see e.g., Buckland, 1991; Teece, 1998). It is therefore vital to provide a holistic view of contextual factors which have an impact on the creation, processing, storage, maintenance and use of information and knowledge as a resource. Moreover, we must know more about the means that affect processes related to knowledge and information. One such means is trust. This will allow us to communicate the outcomes of these processes as intangible assets whose value is difficult to estimate in the traditional economic, financial and quantitative terms (see e.g., Yates-Mercer & Bawden, 2002). Like knowledge and information, trust is an intangible factor that may either promote or inhibit these processes. It has even been argued that intangibles of this kind are gradually replacing traditional elements of power in states and the role of trust has been emphasized in the positive aspect of economic globalization (Rosecrance, 1999; Fukuyama, 1995; Putnam, 1993, 2000).
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