IJIRR

International Journal of Information Research and Review
Vol. 03, Issue, 01, pp. 1625-1629 January, 2016

ResearchArticle

ORGANIZATION TRUST, AFFECTIVITY, KNOWLEDGE ACQUISITION, AS FACTORS AFFECTING ORGANIZATIONAL LEARNING OF MANAGERS

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ARTICLE INFOABSTRACT

Article History:

Received 27th October, 2015
Received in revised form
19th November, 2015
Accepted 25th December, 2015
Published online 31st January 2016

Keywords:

Organizational Trust,
Knowledge Acquisition,
Affectivity,
Managers,
Insurance Companies.

This paper discusses organizational trust, affectivity, knowledge acquisition as factors affecting organizational learning of managers in any entrepreneurial organization. To provide a model that defines and links the concepts of intellectual capital, organizational learning, affectivity and organizational trust to efficiency and effectiveness of managers in an entrepreneurial organization. The paper intends to know and have a strategy on how to invest in intellectual capital and provide an overview of the principles for effective implementing strategic knowledge initiatives for managers in insurance companies. It concludes by encouraging employees within the insurance organization to mutually learn and cooperate with one another as this is required to reposition the organization to greater height of economic growth and development. Also, every employee within the organization is encouraged to promote his/her culture in order to mutually learn and cooperate with one another in building and developing the industry in the human society especially in the highly competitive financial industries.

INTRODUCTION

It has become apparent that with increasing specialization and individualization changes in industry, information technology has become more significant in the twenty-first century. Knowledge acquisition is obviously the key resource to this process. This is because the economic growth of industry mostly comes from the knowledge creation by professionals. The post-industrial era has gradually shifted from physical asset management to intellectual capital and knowledge asset.

According to Liao *et al*. (2012) the objectives of business today have focused on seeking various channels/sources to obtain new knowledge to maintain sustained competitive advantages (SCAs). Therefore, knowledge acquisition (KA) has become an important issue in today's business management. Seemann*et al*. (2014) opine that there is growing recognition among executives today that intellectual capital, that is, the sum total of a firm's skills, knowledge and experience is critical to sustaining competitiveness, performance, and shareholder value.

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This paper starts its discussion by looking at the overview of the main constructs in the title; delve into briefly relating each construct with the organizational learning of managers in the organization and then conclude by recommending what to be done in promoting growth and development of the organization.

Overview of Organizational trust, Affective Trust, Knowledge Acquisition and Organizational Learning

Rousseau, Sitkin, Burt, and Camerer (1998, p. 395) in McClellan (2014, n.p) defined trust as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another". Furthermore, trust typically comes in two forms: cognitive trust, which is based on logical conclusions regarding the trustworthiness of another, and affective trust, which is based more on emotional and intuitive perceptions of trustworthiness (Chan, Taylor, & Markham, 2008; McClellan, 2014). In addition to these logical and emotional foundations for trust, trust has also been found to be dependent upon the interactional frequency and relationship length, effective information sharing, value congruence, interpersonal confidence associated with assessments of another's integrity, credibility, competence, and/or character, openness, concern for others based on loyalty, caring, and/or benevolence, predictability/consistency, self-sacrificial behaviors, shared meaning and contribution goals, appreciative and respectful interaction, perceived similarity, emotional competence, positive social interaction, and physical touch (Bar-On, Maree, & Elias, 2007; Bass &Riggio, 2006; Cadwell&Clapham, 2003; Cameron, 2008; Covey, 2004; Galford&Drapeau, 2002; Goleman, 2004; Johnson & Grayson, 2005; Kramer, 2009; Lyman, 2003; Mayer, Davis, &Schoorman, 2007; Thomas, Zollin, & Hartman, 2009; Willemyns, Gallois, &Callan, 2003; McClellan, 2014).However, knowledge acquisition and organizational trust cannot be divorced from each other it is obvious that organizational trust is an important input to effective knowledge management (KM) and organizational learning. Just as knowledge acquisition and organizational trust are closely related so also are knowledge acquisition and affectivity. Affectivity has to do with the emotional stability of individual hence it has a significant impact in individual knowledge acquisition which invariably affects individual performance positively or negatively and invariably affects industry.

According to Starnes *et al*. (2014), the term organizational trust can be used in several ways. One form of trust is best described as inter-organizational trust, or the trust between two organizations. For example, many organizations trust a company like United Parcel Service (UPS) to deliver their products in a timely manner. Organizational trust may be better described as intra-organizational trust, a term that can be used in different ways: some researchers focus on the relationship between workers and their immediate superiors (e.g., supervisors), while others look at the relationship between workers and those running the organization (e.g., senior leaders). The role of *interpersonal trust* within work groups and work teams can also be seen as an aspect of organizational trust. Organizational trust determines both learning (knowledge creation) and knowledge sharing (Leonard, 1995 in Starnes *et al*. (2014). While Lynn (1999) in Starnes *et al*. (2014) also noted that organizational culture will affect organizational learning and organization's capabilities and can guide it to change and innovate.

However, the researchers submitted in their study that Learning (both individual and organizational) is the process by which knowledge assets are increased over time. Every organization learns. But, to be successful, leaders must seek to align both individual and collective learning with the strategic intent of the firm. This means that as executives design their business strategies, they need to determine what, specifically – and when – their firms need to learn, and create mechanisms to do so.Therefore the purpose of organizational learning of managers is to pursue innovation so that an organization can obtain new knowledge to maintain sustained competitive advantages (SCAs) and to make an organization change and innovate through organizational learning. Acquiring knowledge successfully in management processes will affect organizational innovation.According to the OECD's definition as written by Liao *et al*. (2012), there are two types of Knowledge-intensive industries (KII): the first type is high-tech manufacturing industries, including the electronics, aerospace, and biotechnology industries; the second type is knowledge-intensive services, which include education, communications, and information services industries. Liao *et al*. (2012) noted that after Taiwan's entrance to the World Trade Organization (WTO) in 2002, foreign insurance companies simultaneously entered the insurance market by buying Taiwanese insurance companies and setting up their own branches. To maintain their market status and expand their market share, these banking and insurance companies devote themselves to absorbing new knowledge, developing a favorable culture for learning, promoting the organization toward learning progress, and introducing new products or services to adapt to the competitive environment. Furthermore, Liao *et al*. (2012) referred to Positive affectivity as a trait that reflects stable individual differences in positive emotional experience; high levels of the trait are marked by frequent feelings of cheerfulness, enthusiasm, and energy. Positive affectivity is relatively independent from negative affectivity, as these traits developed in response to different evolutionary pressures. Hence, a discussion of organization trust, affectivity, knowledge acquisition, as factors affecting organizational learning of managers in insurance companies are worthwhile venture at this point in time since banking and insurance are both financial and knowledge intensive industries. This is the major focus of this paper.

Relationship between Organizational Trust and Organizational Learning of managers

According to Starnes *et al*. (2010), Integrity, character, ability, faith, reliability, honesty, and justice are strong words to live up to in the modern workplace. Yet, it is these high standards that create a culture of organizational trust particularly when it involves the leadership of an organization like the manager of an insurance company. Chu *et al*. (2011) stated that Organizational trust is likely to be part of an effective approach to strategic alliance implementation when individuals are aware of the necessity of successful strategic alliance implementation. Organizational trust relationship needs to be emphasized because of the large contribution of employee interaction even during the planning stage of strategic alliance implementation. The authors opined that this is the logical reason why employees in the organization have mutual trust on one another in order to encourage growth and development of the organization's product and services.

Lewis (1992) noted the failures which are caused by unsolved problems, lack of mutual understanding and disappointing relationships resulted in a relationship of distrust among organizational members. Mayer *et al*. (2007) emphasized the need for trust in the organization. The researchers noted that employees working together in the organization often involves interdependence, and people must therefore depend on others in various ways to accomplish their personal and organizational goals. Thus, culture is a cyclical process created by leaders, employees, and followers within the organization and is bounded by individuals' character consistency of behavior, competency and communication.

There is the need for confidence in the integrity, character and ability of the leadership. According to Kululanga*et al*. (2001) in Liao *et al*. (2012), Organizational learning acts as a catalyst for implementing an Organizational learning culture and the learning culture systematically improves Organizational learning. Organizational Culture can be seen as a knowledge repository with the capabilities for storing and processing information, whereas Organizational learning plays an important part in ensuring that the knowledge repository is continually replenished and updated to enable efficient responses to changes in its competitive environment. Invariably organizational trust which is an offshoot of organizational culture is positively related to organizational learning of the leadership of the organization like the manager.Organizations with high levels of cultural trust tend to produce high-quality products and services at less cost because they can recruit and retain highly motivated employees. These employees are more likely to enjoy their work, take the time to do their jobs correctly; make their own decisions; take risks; embrace the organization's vision, mission, and values; and display organizational citizenship behavior and since Leadership within an organization is either *direct leadership* (supervisors or managers) or *top leadership* it is observed by Starnes *et al.* (2014) that trust in leadership significantly relates to the same work-place behaviors and attitudes as trust in the organization. Also, the authors noted that empirical evidence suggests that trust in supervisors is related to job performance, altruism, job satisfaction, interactional justice, procedural justice, and participative decision making.Therefore trust in organizational leadership is directly related to organizational commitment. Building trust takes time and commitment. When trust is lost, it is regained only by a sincere rededication to the key behaviors that earned it in the first place. Therefore frontline leaders must inspire loyalty and trust. To create a high place workplace for employees, Rogers and Riddle (2014) posit that frontline leaders must consistently and repeatedly apply a combination of essential skill sets as follows.

- Build an Environment of Trust
- Motivate others by encouraging employees and reinforce them positively.
- Value Differences. Show appreciation for the uniqueness of each employee and the skills, knowledge, style and ability he or she brings.
- Develop others. Invest in each employee's ongoing growth and development.
- Retain Talent. Check up on each employee regularly to ensure that he or she is engaged and productive
- Lead Change. Take responsibility for employees. Understanding why change is happening and necessary.
- Be an adaptive Leader. Understand the impact you have on others and the importance of adapting your approach to each employee on your team.

The authors further reiterated that some organizational factors that predict trust include the existence of risk and interdependence, empowerment-oriented and inclusive structures and processes, high cooperation vs. competition, and limited control mechanisms that delimit trust. With respect to the relationship between knowledge management and competition-creating organizational climate, the studies by the aforementioned scholars show that there is a significant correlation between the aspects of knowledge management and the amount of creativity and organizational competition; also organizational climate, career involvement, and organizational trust have a significant relationship to the culture of knowledge management.Seemann*et al*. (2014) in their paper "Building Intangible Assets: A strategic framework for investing in Intellectual capital" opined that managers often assume that trust must be built before knowledge will be exchanged. But building trust first is an uncertain and time consuming approach. In practice, we have found the development of trust actually will be accelerated when people work jointly on an important business problem which forces them to have a detailed exchange of knowledge to understand each other's perspectives. In other words, bringing two distinct types of human capital together, e.g., investment and insurance managers, to jointly address a concrete business problem in a project team is a more powerful way of building social capital, while at the same time creating new knowledge about the business. This view may not be totally true in today's global economy that is increasingly dependent on virtual organizations. Trust is essential because direct leaders often do not see their employees. Organizational trust in international business adds a dimension of cultural diversity.

Relationship between Knowledge Acquisition and Organizational Learning of Managers

Knowledge primarily depends on learning and a learning organization is a company that facilitates the learning of its members and continuously transforms itself. According to Alawamleh and Kloub (2013) knowledge is the most important strategic resource while learning is a more important strategic capability for business organizations, as many managers believe that the advantages will be achieved strategically possess more knowledge than owned competitors, even though they are not able to clearly define the link between knowledge and strategy. Bates (1998) as cited by Liao *et al*. (2012) argued knowledge is the basis of learning.

An organization cannot compete with others in this changeable environment if it lacks adequate knowledge and renewal capability. Therefore, organization learning represents a mix of all knowledge-related processes, including knowledge generation, knowledge refinement, knowledge promotion, and knowledge diffusion. Bellinger (2003) in Alawamleh and Kloub (2013) said knowledge management is the ability to translate information into the performance to achieve a specific task, or find a specific thing, which is only available in human minds and intellectual skills. Based on the forgoing one can conclude that knowledge acquisition and organizational learning of managers are closely related. Insurance managers need serious knowledge acquisition to perform effectively. The two are positively related.

Affective trust and Organizational Learning of Managers

Johnson-George and Swap, (1982) in Johnson and Grayson (2005) defined affective trust as the confidence one places in a partner on the basis of feelings generated by the level of care and concern the partner demonstrates. Johnson and Grayson (2005) stressed that affective trust is characterized byfeelings of security and perceived strength of the relation-ship. According to them reputation effects also influence affective trust, but affective trust is decidedly more confined to personal experiences with the focal partner than cognitive trust. The essence of affective trust is reliance on a partner based on emotions.

Furthermore, Warren Bennis and Burt Nanus in their book, *Leaders: The Strategies for TakingCharge* cite trust asa key element of effective leadership: "Trust is the emotional glue that binds followers and leaders together. The accumulation of trust is a measure of the legitimacy of leadership. It cannot be mandated or purchased; it must be earned.

Trust is the basic ingredient of all organizations, the lubrication that maintains the organization" (1985, n.p.). Trust means confidence—confidence that others' actions are consistent with their words, that the people with whom you work are concerned about your welfare and interests apart from what you can do for them, that the skills you have developed are respected and valued by your coworkers and the larger organization, and that who you are and what you believe truly matter in the workplace. Manager's affectivity and organizational learning capabilities plays crucial role in improving their managerial prowess.

Relationship between Organizational Trust, Affective Trust, Knowledge Acquisition and Organizational Learning of Managers

Elyasi and Motlagh (2013, p. 1616) submitted that "management of organizations should be based on broader knowledge, more reasonable decision-making in important issues, and improvement of performance dependent on knowledge". Also, the study of Mahmoud Salehi*et al*. (2012) show that organizational climate and culture have positive impacts on knowledge management of managers in the organization. Hence, organization needs stronger adaptive culture to encourage mutual competition and learning by its members. Organizational learning of managers is very important for Knowledge acquisition of managers which will invariably influence Organizational trust. Studies by Yaghoubi*et al*. (2010) show that there is correlation between organizational learning and the learning organization/institution, and the learning organization has a significant relationship to knowledge management. Similarly, Moorman and Miner (1998) in Liao *et al*. (2012), the success of knowledge acquisition is the key to an organization's overall performance.

Thus, the greater the depth of knowledge especially knowledge acquired by the interactions with external organizations the better the capabilities of thinking and affectivity. Positive affectivity will enhance organizational trust. Lyman (2003) suggested that organizational trust would affect organizational learning and organization's capabilities and thereby lead to innovation and change. In a long-term dynamic environment, such environment situations would have organization proceed to acquire knowledge and to integrate this knowledge into existing one. Facing changing business environment, a company has to constantly develop and utilize extent knowledge to innovate, maintain, and update its competitiveness. Okiki and Popoola (2013) submitted in their study that, managers in the modern day organizations are constantly collecting and sifting information from a variety of sources in order to produce value-added goods and services. They therefore recommend that managers in commercial bank in Nigeria should make concerted efforts in making intensive use of information to improve their creativity. This can only be achieved through knowledge acquisition and organizational learning.

Conclusion

Leadership style of insurance managers interacts positively with organizational trust. Organizational trust would affect an employee's responsibility and commitment to the organization. The manager will directly utilize organizational trust to indirectly influence his subordinates, and organizational trust will also affect affectivity of workers. Organizational learning culture predicted learning transfer climate, and these factors would account for significant variance in manager performance. It can be observed from the preceding discussion that culture encourages organizational change, especially in a rapidly changing insurance organizational environment and it is an important characteristic to Organizational Learning. Therefore, employees within the insurance organization are encouraged to mutually learn and cooperate with one another as this is required to reposition the organization to greater height of economic growth and development. Also, every employee within the organization is encouraged to promote his/her culture in order to mutually learn and cooperate with one another in building and developing the industry in the human society especially in the highly competitive financial industries.

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