Research on Tacit Knowledge sharing in an insurance company

Ling Zhang

University of Shanghai for Science and Technology, Business school, Shanghai, China

Abstract:
how to encourage knowledge transfer and sharing within an organization, especially between headquarter and branches is more and more important because knowledge capital can help to gain competitive business advantages. As the meanwhile, Headquarter-branches as a special inter-organizations relationships type has the special characters on the transfer and sharing of tacit knowledge. In this paper the influence factors to tacit knowledge transfer and sharing were analyzed based on multi-relationships, which in an internal perspective based on principle-agent relationship, and in an external perspective based on inter-enterprises relationship, in dyadic level between Headquarter-branches. The insurance company with a typical Headquarter-branches system can be used to analyze the process of tacit knowledge transfer and sharing.

Keywords: Tacit knowledge, inter-enterprises relationship, headquarter-branches

1. Introduction.

In recent years tacit knowledge sharing has become an more and more important part of knowledge management. According to Nonaka and Takeouchi (1995), knowledge creation should be viewed as a process whereby knowledge held by individuals is amplified and internalized as part of an organization’s knowledge base. From this point of view, a lot of organizational knowledge is accumulated and managed at the individual level(Staples & Jarvenpaa, 2001). Compared with explicit knowledge tacit knowledge is deeply rooted in action, experience, thought, and involvement in a particular context (Alavi & Leidner, 2001), and thus difficult to be transformed into explicit, furthermore to imitate, formulize and transfer(Berman et al., 2002; Polanyi 1967; Nonaka 1994), so that it can be used to promote core competence of the organization. Tacit knowledge sharing is a natural process of social interaction(Shu-Chen Yang 2009). Employees have the abundant tacit knowledge which should be shared in the enterprise ( Bagshaw 2000; Rowley2000)). But an employee usually will not share his or her knowledge which is regarded as valuable to keep possible advantages (Bock et al., 2005).In addition, an employee is usually reluctant to share his or her tacit knowledge with others on account of possibility of losing advantages and lack of reword motivation (Osterloh & Frey, 2000). And different levels of tacit knowledge quality that a group can achieve can be represented as collective action, phronesis and improvisation (Z. Erden et al., 2008). Thus, tacit knowledge sharing can be only facilitated by intrinsic motivation, such as sociability and friendship (Osterloh & Frey, 2000). Choi and Lee (2003) also suggest that an individual can acquire tacit knowledge and personal experience only in a tacit oriented manner that emphasizes social interaction. Nonaka (1994) also considers that tacit knowledge can be shared through sharing metaphors or experiences during social interaction without substantial knowledge loss. Thus, social relationship especially inter-organization relationship, a kind of social relationship, may be the most important factor that facilitates tacit knowledge sharing among employees within an large scale organization with many branches.

Two types of factors affecting knowledge sharing exist: individual level and organizational level. Much of the prior research on management and organization theory has treated tacit knowledge on the

1 Zhang Ling, lecturer , business school in USST(University of Shanghai Science and Technology); PhD . candidate , Tongji University.
“individual” level (Gourlay, 2006). Individual tacit knowledge is comprised of technical and cognitive skills (Alavi and Leidner, 2001), and because it “resides” in individuals it is hard to externalize along the continuum of knowledge (from tacit to explicit), codify, and document (Grant, 1996). Individual level include internal resistance (Barson, 2000), trust (Barson, Foster, Struck, Ratcnev, & Pawar, 2000), motivation (Disterer, 2001) and a gap in awareness and knowledge (Buresh, 2003). Organizational level is comprised of language (Buresh, 2003), conflict avoidance (Buresh, 2003), bureaucracy (Disterer, 2001) and distance (Nonaka, 1991). Other non-individual level tacit knowledge is analyzed under different descriptions in prior literature, such as “group” (Cook and Brown, 1999; Kogut and Zander, 1992), “collective” (Alavi and Leidner, 2001; Gourlay, 2006; Leonard and Sindenper, 1998; Nonaka, 1994; Spender, 1996), “social” (Spender, 1996), “communal”(Brown and Duguid, 2001) or even “organizational” (Chou and He, 2004; Kogut and Zander, 1992; Nonaka and Takeuchi, 1995) tacit knowledge. Tacit knowledge in this paper refers to the knowledge which is not possessed by one individual but created and possessed collectively by more than one individual, namely, it is a kind of tacit knowledge in group level. As the meanwhile, such group level tacit knowledge cannot be allocated to parts or individuals, which makes it difficult to replicate or imitate (Szulanski, 1996). When groups are confronted with complex tasks, such as innovation in products, services, and processes, they need to integrate the knowledge of individuals for problem solving and decision making(Grant, 1996). Through knowledge integration and sharing new tacit knowledge can become collective for the group (Nonaka, 1994), so that individuals in the group begin to act in a collective and coordinated manner. This process is very important to the company with complex organization structure, especially branches of insurance company with the purpose of sales.

This paper present a framework that classifies different perspectives of inter-organization relationships helpful to tacit knowledge-sharing, and makes analysis about how bureaucracy, motivation and interdependence among headquarter and branches affect tacit knowledge-sharing in a insurance company.

2. Social interaction in insurance company

Tacit knowledge transfer and sharing depend on social interaction under formal and informal mechanisms in an organization, especially an insurance company with multi-level of structure. Insurance company has a typical organization structure with headquarter and branches. Knowledge sharing will be realized between headquarter and every branch. There is a dyadic level between headquarter and branches. In dyadic level informal mechanisms and face-to-face communication can reduce the distances between workers and executives. However the main barrier of tacit knowledge sharing in this kind of insurance company is the relationship coming from the headquarter branches structure.

The character of the branch is vitally influenced by the philosophy of control by headquarters. The prior review of control between branch and headquarter classifies two opposing directions (Harry, 1923). One direction is the branch is merely a field extension of the headquarters for sale as a subordinate department in headquarter which is strictly controlled and directed. In this perspective, branch will be treated as the agent of headquarter, and headquarter therefore as the principle. Opposed to the policy of strictly control, branch with geographic diversification can be treated as a separate territorial organization nearly like an independent enterprise. The branch manager is fully responsible for results, such as profits. In this perspective, the relationship between headquarter and branches will be counted as inter-enterprises relationship.

An insurance company is a company with lots of branches which are complete and complex business
organizations including all ranks of both functional and line executives, such as a branch manager, assistant and departmental managers, agents, clerical assistants, and branch credit manager or branch accountant as functional branch executives. Therefore there are plenty of employees and groups subordinated to the whole company. Tacit knowledge transfer and sharing is more difficult.

So the approach to the study is facilitated with the relationship which is maintained between headquarters and branches. In the following analysis, two perspectives will be developed for the relationship between headquarter and branches: in an internal perspective based on principle-agent relationship, which is dependent on the multi-level hierarchy, like a pyramid; and in an external perspective based on inter-enterprises relationship, which is based on a network structure, like a spider web, between Headquarter-branches.(refer with: Figure 1)

![Relationship between headquarter and branches under Pyramid structure and Spider Web structure](image)

3. Principle-Agent relationship from an internal perspective

Based on the above analysis knowledge is shared through interaction between individuals at various levels in the organization. The knowledge is likely to have a limited impact on organizational effectiveness only when individual knowledge is shared with other individuals and the group(D. Hong et al., 2011). There are two influence factors in the sharing process.

**Bureaucracy.** Bureaucracy is an influence factor in the tacit knowledge sharing from the organization level because of multi-levels of hierarchy. When tacit knowledge is transferred from individual to branch, and headquarter, should be through the multi-levels hierarchy, that results in difficulty of transfer and sharing of tacit knowledge. Therefore high level of bureaucracy discloses worse knowledge sharing, because bureaucracy is based on formal organization structure and embedded in organizational routines and structure.

**Motivation.** Some employees do not anticipate reciprocal benefits from transferring their knowledge, so that they are reluctant to share their knowledge, especially tacit knowledge. Employees or groups from different branches in an insurance company are like a “community of practice” (Iverson and
Mcphee, 2002), which is a group of people who have worked together over a period of time and through extensive communication have a desire to share work-related knowledge and experience. The employees stay in different branches with geographical diversification, and should be on the same knowledge network (Lee & Lan, 2007). The knowledge network is a powerful driver for knowledge sharing interpersonal or inter-enterprises. Therefore how to motivate individual in a knowledge network to develop an interaction pattern is very important to the sharing of tacit knowledge.

4. Inter-enterprises relationship from an external perspective

From the external perspective, branches should be treated as independent enterprises. At this time the relationship between headquarter and branches is more like partnership, which can be called inter-enterprises relationship. In the context of this kind of relationship in an insurance company, there are two influence factors in the transfer and sharing process.

**Trust.** Trust between headquarter and branches depends upon sincerity of branches and employees, and is based on expectations and formed in the consciousness of employees in different level of insurance company. Two factors of trust are “affect-based trust” and “cognition-based trust” (McAllister, 1995). Trust is cognition-based in that “we cognitively choose whom we will trust in which respects and under which circumstances, and we base the choice on what we take to be ‘good reasons’, constituting evidence of trustworthiness” (Lewis & Weigert, 1985). While affect-based trust is based on the emotional relations, such as friendship, love, or care (Lewis & Weigert, 1985; McAllister, 1995).

The main trust problem is not only interpersonal trust, but also inter-enterprises trust. Therefore social interaction can contribute to develop trust while accessibility determines the type and frequency of interactions that occur (K.U. Koskinen et al., 2002). Accessibility in an insurance company can be defined as the ability of an employee in a branch to approach or interact with another employee in home office or another branch. Factors which influence the type and amount of interaction that occur between headquarter and branches include career training, out-of-office commitments and other such situational factors. The basis of all trust is interaction and corresponds to its environment. cooperation is imperative for the development of tacit knowledge and trust is imperative for cooperation (Weick et al. 1995).

The development of relationships between headquarter and branches directs the process. Trust has an indirect effect on the accessibility and efficient transfer of tacit knowledge. The greater the level of trust, the greater the level of accessibility and the more possible for tacit knowledge to be transferred and shared. Trust develops as the result of interpersonal and inter-enterprises relations in an insurance company. The relations base on headquarter branches system and the roles of employee in different hierarchy level, therefore contribute to the utilization of tacit knowledge within an insurance company. Previous experiences of cooperation and trust improve the possibilities to share tacit knowledge.

Trust as a barrier which hinders people from sharing and transferring their knowledge (Disterer, 2001) has been mentioned in the previous study. If an employee does not trust the received knowledge, they are clearly reluctant to make full use of it. Trust quality has received much attention in organizational and management research (McEvily, 2003). So an insurance company needs to develop a common set of patterns and values for headquarter and branches to solve their trust problems. Informal and face-to-face communication reduces the distances between workers and executives.

**Interdependence.** Interdependence are necessary to develop of trust (Rousseau, 1998), as the meanwhile itself always informal and unstructured exit. Interdependence in an insurance company can be defined as partner assistance between headquarter and branches, or among branches. It refers to the
extent to which headquarter provides assistance to branch management with respect to tacit knowledge, or a branch provides assistance to another branch management. This kind of interdependence will influence the effectiveness of branch operation. In order to maintain territorial competitive advantages in local market in which branches exit, headquarter must be prepared to transfer a significant amount of knowledge to the local employees through training programs or meetings. In developing or transitional economies, headquarter is a vital source of tacit knowledge (Danis and Parkhe, 2002). Headquarter may provide facilitating conditions to develop a climate that is featured by close social interactions and working collaborations which are associated with the transfer and sharing of tacit knowledge

5. Conclusions and future works

According to the above discussion we emphasize two direction: in an internal perspective, headquarter and branches can be treated as principle and agents, in this perspective bureaucracy and motivation are two main influence factors for tacit knowledge sharing; On the other hand, in an external perspective, headquarter and branches can be regarded as each independent enterprise, in this perspective trust and interdependence are two main influence factors for tacit knowledge sharing. Thus, we conclude that in different perspective, internal and external, there are different influence factors which affects the sharing of tacit knowledge in an insurance company with a typical multi-branches structure.

As the meanwhile, this study was limited in an insurance company context, therefore it is not easy to generalize to other industry. Thus, further study is needed to develop detail analysis and empirical works in another industry with headquarter branches structure.

Literature References.


Hau L. N., Evangelista F., (2007), Acquiring tacit and explicit marketing knowledge from foreign partners in IJVs, Journal of Business Research, 60, 1152–1165


