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THE IMPACT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON KNOWLEDGE SHARING THE CASE OF PORO BANK

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ABSTRACT:

The main aims of this study were to examine the extent to which human management practices facilitate and enhanced knowledge sharing, and how human resource management practices impact on knowledge sharing in a regional branch of a Finnish bank.

The theoretical part of the study was based on the literature on human resource management practices and three socio-psychological theories perceived as having impact on knowledge sharing were discussed to provide a broader understanding of socio-psychological factors that affect individuals' behaviour in knowledge sharing in the organisation.

The case study part of the research analysed the findings of the study concerning the link between HRM practices, organisational culture, and socio-psychological determinants perceives as facilitating knowledge sharing. This study adopted a qualitative retrospective approach based on a single case study employing semi-structured interviews to examine the knowledge-sharing features of the regional branch of a Finnish commercial bank. Using theoretical concepts drawn from socio-psychological and HRM domain regarding knowledge sharing behaviour, this thesis demonstrated that shared language, weekly meeting, trust, team work, long-term employment, and promoting equality and fairness at the work place have facilitated knowledge sharing. Furthermore, the findings of this study revealed that in-house training, job rotation and fair promotion and compensation system have impacted on knowledge sharing at Poro Bank. In addition, the organisational culture of the Bank has also facilitated knowledge sharing at Poro Bank.

1. INTRODUCTION

1.1. Study Background

Over the years, the field of strategic management has seen a shift towards the resource-based view of the firm (e.g. Barney 1986). At the fundamental level, the resource-based view focuses on the differences based on resource endowment. According to this view, resource heterogeneity exits among firms. Furthermore, according to this view, superior firm performance based on valuable and rare resources may prolong over time if firms can protect themselves from the copying and distribution of these resources. According to the resource-based view, in order for a firm's resource to provide a sustainable competitive advantage, the resource must be valuable, rare, complex and ambiguous, and there cannot be strategically equivalent substitute for this resource that are valuable but neither rare nor imperfectly imitable (Barney 1991:105-111).

Consequently, there is a growing body of literature (e.g. Drucker 1993; Nonaka & Takeuchi 1995; Grant 1996; Argote & Ingram 2000) addressing the issue of knowledge as a source of the firm's competitive advantage. In particular, in the emerging knowledge-based society, competitive organizations are increasingly seen as key generators and transformers of different kinds of knowledge (e.g. Davenport & Prusak 1998). This may be partly due to the shift from resource-based to a knowledge-based economy and the awareness that managing knowledge successfully can create competitive advantages (Boisot 1998 as cited in Marshall, Nguyen & Bryant, 2005:41). Building on the resource-based view of the firm, scholars have suggested that complex knowledge that is tacit and dependent can be protected from imitation and diffusion (Berman, Down & Hill 2002; McEvily & Chakravarthy 2002). This is because highly complex knowledge that is hard to codify and dependent on specific context or a system of knowledge is difficult to transfer (Teece, 1977:259). Consequently, valuable and rare complex knowledge can be an important

source of superior performance and sustainable competitive advantage (Spencer & Grant, 1996:8). Human capital resources meet all of these criteria (Wright, Mcmahan & McWilliams 1994:305-313). Not only does higher quality human capital provide value for a firm, but higher quality human resources are also rare, causally ambiguous and socially complex, making them difficult to imitate or substitute (Wright, et al. 1994:305-313). Human capital refers to the skills and abilities of individuals or the stock of knowledge within the organisation. While human capital is necessary for achieving competitive advantage, the knowledge held by individuals which must also be passed along to others in knowledge flows is necessary for increasing the knowledge stock that will sustain organizational success (Cabrera & Cabrera 2005:720.) Thus, knowledge sharing has become a key concern to organizations, not only because of the growing importance of the value of knowledge work (Hansen 2002; Reagans & McEvily 2003), but also because of the increasing recognition that tacit 'non-codified' knowledge is of more value than explicit 'codified' knowledge to the innovation process (Leonard & Sensiper, 1998, as cited in Marouf 2007:110.)

Researchers have recently argued that knowledge sharing and knowledge acquisition are important factors for organisational success (e.g. Grant & Spencer, 1996). Thus, in recent years, interest in organizational learning, knowledge sharing, and knowledge acquisition has been increasing. According to Cabrera and Cabrera (2002:687-689), knowledge sharing, or the contributions by individuals to the knowledge of an organisation is increasingly acknowledged as an important research topic. According to these authors, an industry survey by KPMG in 2000, 81 percent of the leading organizations in Europe and the United States say they have, or are at least considering adopting, some kind of knowledge-management system. The majority of these firms became involved in knowledge management initiatives with the goal of gaining competitive advantage (79 percent), increasing marketing effectiveness (75 percent), developing a customer focus (72 percent), or improving product innovation (64 percent).

According to Lu, Leung & Koch (2006:15), within an organisation, knowledge is often shared among employees in the form of various job-related documents, organizational rules, working procedures, personal experience, and know-how. Knowledge sharing is important because it helps organizations promote best practices and reduce redundant learning efforts or 'reinventing the wheel' (Hansen 2002; McDermott & O'Dell 2001:79). Valuable complex knowledge often originates in individual experiences and of perceptions (Polanyi 1996). Such individual knowledge must therefore be shared throughout the organization for it to become a source of competitive advantage. Hence the process of sharing complex knowledge within an organization becomes important (Lu et al. 2006:15.)

1.2. Research problem and research gap

Although it is suggested that valuable, rare and complex knowledge can be an important source of superior performance and sustainable competitive advantage, the failure of firms in their effort to promote knowledge sharing has been documented in many cases because employees are reluctant to share their knowledge with others even when knowledge sharing is actively promoted (e.g. Davenport, De Long, & Beers 1998). A number of reasons have been given for these failures, such as luck of trust and the influence of organizational culture, (e.g. Davenport, De Long & Beers 1998:50-56; McDermott & O'Dell 2001:76-85) or personal concerns of power and self-interest (Jarvenpaa & Staples 2001:164-173). Furthermore, the transfer of best practices inside the firm can be "sticky" or difficult. Szulanski (1995) asserted that stickiness may be derived from causal ambiguity, that is the absence of know-why…why something is done, and why a given action results in a given outcome. Szulanski's research also supports the notion that stickiness may be derived from lack of source motivation to engage in knowledge transfer, the source may be reluctant to share for fear of loosing ownership or privilege, they may perceive inadequate rewards for sharing, or they may be unwilling to commit the time and resources to the transfer. Overall, Szulanski's (1995) empirical results from the study of the origin of internal stickiness

suggest that the major barriers to intra-firm knowledge transfer were lack of absorptive capacity on the part of the recipient, causal ambiguity with regard to the knowledge itself and an arduous relationship between the source and the recipient. Thus, in order to succeed in a knowledge economy, organizations need to understand the socio-psychological factors that affect individual's behaviour in knowledge sharing and develop systematic processes that create an environment that encourages knowledge leverage. In spite of the growing volume of research on knowledge management and the effect that it has on competitiveness and innovation (e.g. Drucker 1993) at the international level (e.g. Inkpen & Dinur 1998), most studies on knowledge sharing have been based on manufacturing organizations. Thus, a major research concern has been with process versus product innovation (cf. Abernathy & Utterback 1978), or practitioner-oriented literature on knowledge management referring mainly to Western experience, which pays attention to tools and methodologies based on the technical dimension of managing knowledge.

However, according to Kubo et al. (2001:466), the importance of the social issues (e.g. Nonaka & Takeuchi 1995) related to knowledge sharing, which forms the main focus of some of the knowledge-creation studies of organizations, has received less attention. Most existing studies pay particular attention to manufacturing industries (e.g. Nonaka & Takeuchi 1995), and, by contrast, the service industry, especially banking, has received less attention. As observable, the current trend in employment seems to show that one in five individuals is currently employed in manufacturing, and this proportion may continue to shrink. In addition, the service sector, especially the provision of financial services is growing remarkably. Its growth is partly due to the increase in the adoption of information technology, which has enabled many of the firms in this sector, including the banking sector to deal with the growing size in information processing requirements. Furthermore, the service industries are more knowledge intensive; therefore, more knowledge-related studies at the micro-level processes of assimilation and learning are needed, as these processes are central to knowledge management (Scarbrough & Swan 1999, as cited in Kobu el al. 201:466). Thus, examining the conditions under which knowledge is shared in a

small Nordic commercial bank will provide added understanding of how implicit and complex tacit knowledge is shared in the organization.

1.3. Research question

The purpose of this study is to examine knowledge sharing practices employed by a Finnish commercial bank. The study aims to examine the extent to which human resource management (HRM) practices facilitate and enhanced knowledge sharing at a micro-level in an organization. Thus, the main research questions of this study are:

1. To what extent do human resource management practices facilitate knowledge sharing, and
2. How do HRM practices impact on knowledge sharing at Poro Bank[1]

1.4. Scope and benefit of the study

The paper focuses on HR practices and the social dimension of knowledge management at Poro Bank. It provides an emphasis on understanding the interactions between knowledge sharing and (HRM) practices and the role of socio-psychological factors in organisational knowledge sharing. This discussion is limited to the internal analysis of knowledge sharing at the bank. The findings from this study may contribute to the literature on knowledge sharing at the micro-level from the Finnish perspective. The results of study may also serve as a learning point for Finnish commercial banks strategizing to develop effective HR practices that enhances organisational knowledge sharing.

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[1] Poro is a pseudonym; the name of the Bank used in this thesis has been changed to ensure anonymity.

1.5. The structure of the thesis

The rest of the thesis is organized as follows: Section 2 provides a review of the literature on knowledge and knowledge sharing (KS) and HRM practices. In Section 3, the research site and research methodology are described. Section 4 discusses the findings of the case study, focusing on the factors that are critical in the bank's ability to collaborate and share knowledge. Finally, Section 5 concludes the thesis and discusses management implications and the need for further research.

2. LITERATURE REVIEW

The literature reviewed for this study can be divided into three areas: (1) knowledge sharing, (1a) the role of human resource management practices, and (1b) the role of socio-psychological theories in knowledge sharing. HRM practice in knowledge sharing being a relatively new concept, made a review of the literature on human resource management important, while the literature review on the knowledge sharing process within organizations was undertaken to develop the theoretical background and rationale for the study. This section reviews the human resource management knowledge sharing literature, which forms the basis of this study. It begins with basic a definition of knowledge and a discussion of explicit, tacit knowledge, and knowledge sharing. Following this, a discussion of HRM practices that according to theory and research should be most effective in facilitating knowledge sharing in organizations is discussed. Finally, a theoretical analysis of the socio-psychological aspects of knowledge sharing behaviour is provided and the variables that facilitate or mediate knowledge sharing and related behaviours are identified to raise the importance of the difficulties associated with sharing knowledge. In this study, the socio-psychological factors are presented as 'mediating' the impact on knowledge sharing.

2.1. Knowledge

Different authors define knowledge differently. For example, according to Anh, Baughn, Hang & Neupert (2006: 465), it is described as 'justified beliefs'. Polanyi (1958) defines it as 'valuable information in action'. Davenport & Prusak (1998: 5) proposed a quite comprehensive definition of knowledge:

> Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It

originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms.

A review of the literature identified two knowledge conceptualizations: tacit and explicit knowledge. The tacit/explicit knowledge distinction (Nonaka 1994; Polanyi 1966), examined at either an individual or collective level is well known in the knowledge transfer literature. Knowledge has also been categorized as declarative (know-what), procedural (know-how), and causal (know-why) (Brown & Duguid 1998; Garud 1997; Ryle 1949; Sanchez 2001), as well as embodied, embedded, embrained, encultured and encoded Blackler 1995, as cited in Volkoff, Elmes & Strong (2005: 281.)   Tacit knowledge was defined by Polanyi (1966) as knowledge that is non-verbalizable, intuitive, unarticulated. Tacit knowledge is highly context specific and has a personal quality, which makes it hard to formalize and communicate (Nonaka 1994: 22).

By contrast, explicit knowledge is knowledge that can be codified, expressed and easy to be communicated. Explicit knowledge is defined by a company's policies, systems, guidelines, and procedures. Gooderham (2007: 36) implied that as explicit knowledge is easily transmitted, it is readily copied by competitors and therefore unlikely to be a source of competitive advantage. In contrast tacit knowledge, because it cannot be codified, it is difficult to measure from the outside and has therefore a stronger potential to generate distinctive competitive positions (Gooderham (2007: 36). Tacit knowledge is the direct opposite of explicit knowledge, in that it is not easily codified and transferred by more usual mechanisms such as documents, blueprints, and procedures. Tacit knowledge is derived from personal experience; it is subjective and difficult to formalize (Nonaka, Toyma & Nagata 2000: 15) and as such, tacit knowledge is often learned via shared and collaborative experiences and as such, learning knowledge that is tacit in nature requires participation and doing. Tacit knowledge is difficult to transfer particularly when the knowledge overlap between the source and recipient is limited (Szulanski 1996). Kogut & Zander (1992: 386) employ a similar distinction between tacit and explicit knowledge. They use the terms 'know-what' for relatively articulable knowledge, (i.e. explicit

knowledge or information), and 'know-how' for 'the accumulated practical skill or expertise that allows one to do something smoothly and efficiently' (i.e. tacit knowledge). Gupta and Govindarajan (2000: 483) have also further elaborated this distinction by viewing 'know-how' as 'procedural' types of knowledge including: (i) marketing know-how, (ii) distribution know-how, (iii) packaging-design technology, (iv) product designs, (v) process designs, (vi) purchasing designs, and (vii) management systems and procedures.

The second conceptualization of knowledge criticizes the first approach of categorization knowledge mentioned above as ignoring the mutually constituted nature of knowledge components (Tsoukas 1996). It views knowledge as not separable from the actions of 'knowers' as they engage in daily practices and the process of 'knowing', not knowledge per se, is the real issue in this practice-based view (Volkoff et al. 2004: 281.) These two views however are not all that exclusive from each other. Although, knowledge, that which we possess, and knowing, that which we perform through practice are separate, both are important and enhance each other when we carry out our tasks in the organization. In this integrated perspective, knowledge on its own, without practice, is incomplete, and according to Volkoff et al. (2004: 281), the process of 'knowing' requires knowledge, without which practice cannot occur. Furthermore, practice generates new knowledge, which is the foundation for further knowing (Volkoff et al. 2004: 281). Hence, this study also takes the integrated perspective, and considers both 'knowledge' and 'knowing' in the process of knowledge sharing in organizations.

In this thesis, knowledge is defined as the *explicit job-related information and implicit skills and experiences necessary to carry out tasks*. In other words, knowledge is perceived as more than simply information, and is seen as embedded in the skills and experiences of employees and constructed through social relationships and interactions (Nonaka & Takeuchi 1995). From this perspective, this thesis considers the theory of social capital, the theory of social dilemma, and the theory of social exchange as important in facilitating and impacting on employees' behaviour to share their knowledge with others. These three

theories are discussed later part of the literature review. In addition, this thesis also acknowledges the embeddedness of knowledge in social structures such as occupational groups and teams.

2.2. Knowledge as an organizational resource

Prahalad and Hamel (1990:84-91) suggested that it is often the quality of people that personifies the core competency of an organization. This is because the knowledge and capabilities of people within an organization are important indicators of organizational competitiveness (Pfeffer 1994:18-19). Accordingly, organizational knowledge and its sharing has become a topic of great interest and produced a vast diverse body of research (McEvily & Chakranarthy 2002; Nonaka & Takeuchi 1995; Tsang 2002). Management literature suggests that the concept of knowledge is far broader and richer than the concept of data or information. Although individual knowledge is an important organizational resource, it is the collaborative knowledge that determines its sustainable competitiveness (Hoops & Postrel 1999:838).

According to Prahalad and Hamel (1990:18-19), an organizational core competencies are the collective learning of the organization in terms of production, marketing and technological knowledge that are hard to imitate by competitors. Leif Edvinsson and associates (2004, as cited in Chowdhury 2005:312) suggest that the developing an organization-wide system of knowledge-base and managing it with effective utilization and creation of new knowledge is important for innovation and performance. Hence, with an effective sharing process, an organization can develop its knowledge-base and competitiveness (Andrews & Delahaye 2000; McEvily & Chakranarthy 2002, cited in Chowdhury 2005:312). Consequently, according to Chowdhury (2005:312), sharing of complex knowledge becomes a challenging but essential task for developing organizational

knowledge. Both tacit and dependent natures of complex knowledge make it difficult to share. Complex knowledge sharing is considered to be a spiral process, which starts at the individual level and expands to greater organizational communities (Chowdhury 2005:312). According to Nokana (1998:42-45), socialization and combination are two of the important processes through which an organization develops its knowledge base that starts with individual knowledge. Socialization involves exchange of knowledge between individuals by observation, imitation, and practice through informal associations during close professional collaboration. On the other hand, combination involves conversion of disconnected shared knowledge into complex sets of knowledge-base for the organization (Nokana (1998:42-45). As both processes require effective collaboration between individuals, effective sharing of complex knowledge can only be achieved in the presence of a social environment that comprises trust and cooperation (Rastogi 2000:47). Thus, mutual trust promotes interpersonal complex knowledge sharing.

2.3. Knowledge sharing

Knowledge sharing can be defined as 'a reciprocal process of understanding, integrating and sense-making, which is embedded in the activities of the organization' (Willem & Scarbrough 2002: 4). Based on Storey (2001); MacNeil (2003: 299) stated that knowledge sharing occurs 'when people who share a common purpose and experience similar problems come together to exchange ideas and information'. A knowledge sharing intensive firm needs to recognize the variety of forms of knowledge and understand their properties, and most importantly, develop the ways in which 'best-practices' can be spread throughout the firm (e.g. Robertson & O'Malley 2000:245-251). Szulanski (2000: 10) suggests that 'mere possession of potentially valuable knowledge somewhere within an organization does not necessarily mean that other parts of the organization benefit from this knowledge'. Knowledge sharing is considered as an important knowledge management process within organizational settings and can be regarded as a system of high division of

labour, as it facilitates the integration and renewal of specialized fragmented knowledge all over the firm, thus making possible the production of difficult and new products and services. Although the benefits of the knowledge transfer process have been documented in both inter-organizational (Dyer & Nobeoka 2000) and intra-organizational levels (Baum & Ingram 1998; Epple, Argote & Murphy 1996), its optimization has proven a difficult challenge (Argote, McEvily & Reagans 2003; Szulanski 1996). Many organizations are faced with knowledge sharing problems, for example, studies have pointed out problems that cannot be overcome by investing solely in information and communication (Gupta & Govindarajan 2000; Michailova & Husted 2003; Ruggles 1998; von Hippel 1994).

From the literature review, knowledge sharing problems can be classified into four main categories: (1) obstacles related to the tacit dimension of knowledge (Polanyi 1966), obstacle resulting in the so-called knowledge 'stickiness' (Szulanski 1996; von Hippel, 1994); (2) impediments connected to the economics of knowledge sharing (Cabrera & Cabrera 2002; von Krogh 2003); (3) political frictions among organizational members caused mainly by knowledge status and power imbalances (Gardiner, 2003; Storey & Barnett 2000); and (4) psychosocial barriers originating from employees' behaviour (Husted & Michailova 2002). From the literature review, it is clear that knowledge sharing is a far more complicated social process, than just a technical, information technology (IT) regulated activity. It comprises a wide range of complex, highly contextual, and therefore difficult to control factors embodied in an organization's social environment, for example things like organizational culture, trust and the quality relationship among employees.

2.4. The role of HRM in knowledge sharing

Before discussing the role of HRM practices in knowledge sharing, it is important to define human resources and human resource practices. Wight, McMahan and McWilliams

(1994:301) defines *human resources* as the pool of human capital under the firm's control in a direct employment relationship. *Human* resource *practices,* on the other hand, are the organizational activities directed at managing the pool of human capital and ensuring that the capital is employed towards the fulfilment of organizational goals. This leads to recognizing two aspects of human resources, (1) the knowledge, skills and abilities of organisational members, and (2) employee behaviour as the mediator in the relationship between a firm's strategy and performance (Wight et al. (1994:304-305). It can be acknowledged that all types of work in organisations involve knowledge in the forms of employees doing what they know, and how to do what they know. Organisations can be classified as knowledge-intensive. However, the distinction between a knowledge intensive and non-knowledge intensive firm (KIF) is difficult to draw. It is suggested though that the key differentiator of a knowledge-intensive firm is the dominance of intellectual capital over physical and/or financial inputs (Swart & Kinnie 2003:63). Quinn (1992: 241) has expressed a similar view, suggesting that contemporary firm's core competencies lie more in its intellectual base than its hard assets. According to Quinn (1992, as cited in Swart and Kinnie 2003:61), all types of work and work organizations appear to involve knowledge: employees need 'know-what' and 'know-how' in order for any firm to create sustainable competitive advantage. Swart and Kinnie (2003:62), defines KIFs as the organizations within a knowledge economy that employs highly skilled individuals and therefore create market value through the application of knowledge to novel, complex client demands.

Consequently, considering the level of highly skilled individuals, and the complex process of managing customer-service and the sophisticated marketing research process needed to come up with novelty products that satisfy customer needs and increase market share, the banking sector can be considered as a knowledge-intensive firm. It can be noticed that virtually all public and private enterprises, including most successful corporations are becoming predominantly repositories and coordinators of intellectual capital. Hence, it can be argued that knowledge-intensive firm's competitive advantage potential resides in the development of its intellectual capital. Thus is argued that intellectual capital represents a valuable resource and a capability for action based on knowledge and knowing (Nahapiet &

Ghosal 1998:245) and can be defined as a combination of human and social capital (McElroy 2002:33). A recent stream of research has begun to highlight human resource issues of managing knowledge and some studies suggest knowledge sharing phenomena can be better understood by examining whether and how employment practices impact on employees' ability, motivation, and opportunity to engage in knowledge sharing activities which in turn depend upon cognitive, relational, and structural social capital. Not surprisingly, human resource management research offers a major contribution to the motivation element of knowledge sharing. Critical to this appears to be the extent to which knowledge sharing is embedded in reward and appraisal systems (Hansen 1999). It is agued that the relative effectiveness of a reward system depends on the type of employees engaged in knowledge exchange as well as the type of knowledge.

Osterloh & Frey (2000:544-546) suggest that firms can manage motivation better than the market (which relies only on relative prices) by choosing an optimal combination of both intrinsic and extrinsic rewards suitable for different types of employee groups, and thus compatible with the different types of knowledge (tacit or explicit) transferred across and within those groups. In addition, it is suggested that high levels of employee commitment can be associated with knowledge sharing tendency (Hislop 2002:194). Moreover, Leana & van Buren III (1999:544-545) suggest that a long term orientation to employment relationships, including the provision of job security and the promotion of collaborative work, can build relational contracts between employees and employer and also among employees. Empirical evidence supports this view, showing that a healthy or desired psychological contract can have a significant positive effect on employees' knowledge sharing behaviours (Patch et al. 2000). Finally, Robertson & O'Malley Hammersley (2000:247-248) underline the important role of job satisfaction and fulfilment of employees' expectations in encouraging the sharing of their knowledge. Based on these factors, the key question to answer now is: what human resource management practices will increase the likelihood that employees will exchange knowledge? Or: what practices will encourage and facilitate knowledge sharing? The next section of the paper discusses some

of the human resource management, or people management practices that have been identified in the review of the literature on human resource management.

2.5. HRM practices argued to enhance knowledge sharing

A review of the literature has found that the important knowledge-sharing factors include things like culture, procedural justice and perceived support which an organization might adopt in order to facilitate and promote knowledge sharing. This is because these factors go beyond traditional HR practices. Table 1 summarises HRM practices identified in the literature review as supporting knowledge sharing which this thesis propose will foster knowledge sharing among organizational employees.

Table 1. HRM practices identified as facilitating knowledge sharing.

HRM practice	How it facilitates knowledge sharing	Authors
Work/facility design:	Open offices, absence of physical barriers, co-location, water-cooler strategies	Mohrman (2003); Robert & O'Malley (2000); Noe et al (2003)
Hiring/staffing	Hire networks and not just on the basis of what people know, hire people who fit the organisation's culture, and promote communication skills	Chatman (1991); Robert & O'Malley (2000); Schneider, (1987); Lengnick-Hall & Lengnick-Hall (2003)
Training and development	Introducing cross-functional and team-based training, introduce formalized orientation and socialization programmes	Bandura, (1997); Kang, Morris & Snell (2003)
Rotation programs	Acting as natural vehicle for building networks that transfer knowledge across organizational boundaries and develop a global mindset	Besser (1996)
Communities of practice	Fostering, nurturing, and investing in the development of community of practice. A community of practice gives employees a home	Noe et al. (2003); Faraj & Wasko (2003); McDermott & O'Dell, (2001)
Performance appraisal	Adopt developmental evaluations, include knowledge sharing criterion in evaluation programme sharing	McDermott & O'Dell (2001);Oldham (2003); Kang et al. (2003)
Compensation and rewards	Combining individual and collective rewards; rewarding for knowledge	Robert & O'Malley (200); Cabrera & Cabrera (2002)

2.5.1. Work/facility design

The design of the work environment affects the structural dimension of social capital by establishing interdependencies, frequency of interactions and information flow requirements among jobs. Work design is, therefore, an important tool for enhancing knowledge flows by leveraging social networks. For instance, instead of designing stable, individualized jobs with concrete tasks, work can be organized as a series of assignments where employees work closely with other employees on various projects.

Designing work around teams can give employees the opportunity to work closely with one another and thus encourages knowledge sharing, especially when rewards are based on team results. For example, when teams are given real business problems to solve and are held accountable for the results, they would have the desire to learn because they know that achieving positive results requires that team members search for information and share what they find with one another. Hence, organizing work around teams would seem to increase the need for coordination and collaboration (Kang, Morris & Snell 2007: 249).

In addition, the interactions required would facilitate knowledge sharing by creating structural and cognitive social capital, as well as enhancing the development of close relationships that would have a positive effect on employee's willingness to share their knowledge. Furthermore, it is suggested that cross-functional teams may be especially useful for encouraging the creation of ties with employees from different groups (Kang et al. 2007:249). In their case study of a knowledge-intensive firm, Robertson and O'Malley (2000:251) argue that the use of inter-disciplinary project teams is one of the factors contributing to the firm's success. It is further argued that personal reciprocal interdependence of work tasks creates a strong incentive for employees to work together to achieve common goals in addition to facilitating strong, cohesive relationships (Kang et al., 2007:247-250). Thus, again, interdependency should enhance all three dimensions of social capital.

2.5.2. Hiring/Staffing

According to Schuler and MacMillan (1984:247), hiring practices should take into account candidates' values. In addition, Robertson and O'Malley Hammersley (2000:245-246) suggested that in the hiring process, the organization would have to consider how the potential employees' values will fit with that of the organization. Person-organization fit is a hiring practice where emphasis is placed on the compatibility between organization and employee characteristics. It is often measured in terms of the similarity between organizational values and beliefs and individual personality, values and needs (Chatman, 1991:469-479). In their case study, (Robertson and O'Malley 2000:245-246) mentioned the overriding importance that the firm attached to a candidate's potential cultural fit when making hiring decisions. They reported that the HR manager rejected most candidates as "not one of us". Selection interviews involved current employees from various disciplines and if only one employee had doubts regarding whether or not the candidate would 'fit in' that candidate was rejected.

According to Schneider (1987), attraction-selection-attrition model supports the idea that organizational members tend to hire people who are similar to themselves. Person-organization fit tries to organize this process by hiring people 'for who they are, not just for what they can do' (Lengnick-Hall and Lengnick-Hall 2003: 137). It is considered that this practice may be especially important for knowledge-sharing cultures not only because it creates a community of shared values, but also because the values emphasized can specifically include the importance of learning and developing more knowledge (Kang et al. 2003:248). Considering the fact the importance of hiring employees who share the organization's values, recruiting based on employee referrals is another important practice for organizations that rely on organization-based hiring (Lengnick-Hall & Lengnick-Hall 2003; Pulakos, Dorsey & Borman 2003). Furthermore, considering the facts from own working experience, it is most likely that potential applicants referred by current employees are more likely to share the values that the firm is looking for. For example, we choose

friends based on the values they uphold like ourselves; therefore, social capital will be greater when firms recruit based on referrals because upon entry into the firm, the new employees would already have ties with at least one current employee. In addition, it is most likely that the employee who referred them will include them in his or her social network as soon as they start working for the company or even before joining the organizational. In addition, there are additional skills that should facilitate the building of social capital, such as the ability to work with others and communication skills. For example, when we apply for jobs, or when we go for an interview, we are assessed for our written and oral communication skills, as well as facilitative team and collaborative behaviours. For example, in the case study by Robertson and O'Malley (2000:245), panel interviews were used to assess candidates' ability to communicate effectively, as well as their willingness and ability to share their knowledge.

2.5.3. Training and development

Training and education has long been the primary focus of human capital theory. More recently, researchers have noted the important role of comprehensive training in firms attempting to transform their workforces from touch labour to knowledge work (Snell & Dean 1992, as cited in Youndt & Snell 2004:340). Team-based training will also help build relationships that are vital for the transfer of knowledge. Cross-training will facilitate knowledge sharing among employees from different areas by increasing interactions, creating a common language, building social ties and increasing employees' awareness of the demands of different jobs Cabrera & Cabrera (2002:702). Thus, any training that emphasizes cooperation and builds relationships among employees should increase knowledge-sharing behaviours. Training in communication skills should also help employees to exchange information more effectively Cabrera and Cabrera (2002:702). According to Kang et al. (2003: 247-248), formalized orientation and socialization programmes are very useful for helping employees to acquire organizational values, norms and shared cognitive schemata These programmes will not only increase interactions

among employees, but is most like to result in a shared language, closer interpersonal ties, shared norms and identification with others. The trust that results from the relational social capital formed during socialization processes is necessary for the reciprocity beliefs that positively affect knowledge sharing (Kang et al. 2003: 245).

2.5.4. Communities of practice

Communities of practice represent another way of organizing work interactions that can also be very effective for leveraging knowledge flows. A community of practice is an emergent social collective where individuals working on similar problems self-organize to help each other and share perspectives about their work practice, resulting in learning and innovation within the community (Faraj & Wasko 2001:3). Communities of practice are usually self-forming groups that expand across business units, geographical areas and functional divisions to connect individuals sharing common tasks or projects. For example, most communities of practice use Internet or intranet discussion groups or other computer-mediated communications to facilitate the exchange of ideas and information.

It would therefore seem the interactions that communities of practice encourage should increase all three dimensions of social capital. McDermott and O'Dell (2001:82-83) suggested that human networks are one of the most important means by which knowledge is shared. Based on their study of five companies known for sharing knowledge effectively, the authors suggest that knowledge-sharing networks be built on already existing informal networks that individuals have formed to get help or to find out who knows what. These networks can be legitimized or enabled by giving them tools and resources to share knowledge more effectively.

2.5.5. Performance appraisal

Recognising the predicted impact of the perceived benefits of knowledge sharing, performance appraisal and compensation systems must be designed to encourage knowledge-sharing behaviours. Recognizing and rewarding these behaviours sends a strong message to the employees that the organization values knowledge sharing. In their study of five 'best practice' knowledge-sharing companies, McDermott and O'Dell (2001:81) cite a number of examples of acknowledging and rewarding knowledge sharing. For example, at American Management Systems sharing knowledge is directly included in the performance evaluation and knowledge contributions are recognized with an annual 'Knowledge in action' award. A better way of encouraging knowledge sharing is to make this type of behaviour a key for career success. At American Management Systems employees understand that sharing what they know by educating colleagues or helping others is the only way to build gain respect and be recognised as a leader. This reputation is important for those who want to gain a leadership position within the firm, There is a general belief within the company that it is what you share about what you know and not what you know that gives you power (McDermott & O'Dell 2001:81). In a second example, work in the knowledge intensive firms studied by Robertson and O'Malley (2000:251) is organized around interdisciplinary project teams, that is workers drawn from different functional areas. In this study, consultants are paid a percentage of the project revenue for each project on which they work. Any consultant who sells a project becomes the project leader and is responsible for choosing the consultants who will make up their team. This creates an internal market in which consultants sell their skills to each other.

Hence, consultants are motivated to communicate their knowledge base as widely as possible in order to build up their reputation to increase their chances of being chosen for future projects. Recognizing the value of knowledge-sharing behaviours in performance appraisals may also help to reduce the apparent cost of these behaviours.

2.5.6. Compensation and rewards

One of the reasons often cited for not contributing to knowledge repositories is a reluctance to spend time on knowledge sharing (Cabrera & Cabrera (2002:694). Employees believe that they should spend their limited time on what they think to be more productive activities (Husted & Michailova 2002). It is believed that when these behaviours on the part of employees are directly evaluated and rewarded, employees are more likely to see them as an important part of their job responsibilities. If this is the case, then the time spent on knowledge sharing will not be considered an opportunity cost or time that could have been spent on more productive activities. Even though there is general agreement that knowledge sharing should be recognized and rewarded (Cabrera & Cabrera 2002; Robertson & O'Malley Hammersley 2000), it must be done with great care.

There are a number of pitfalls that may make attempts to evaluate and reward knowledge contributions backfire. For example, performance evaluations should have a developmental, rather than a controlling focus (Cabrera and Cabrera 2002:697-698). According to Oldham (2003), employees will be more willing to share their ideas in organizational climates that are safe and non-judgemental. He cites research that shows that individuals who anticipate developmental evaluations share their creative ideas more than those who expect to receive more critical evaluations. There may be some danger though in using financial rewards to encourage knowledge sharing. For example, the danger may be that some employees may view financial rewards as means of controlling and, in some cases, financial reward have been shown to lessen creativity. Offering financial rewards low in salience may be a good way to show that the organization values knowledge sharing, but not using it as a means to control the knowledge sharing process. Non-financial rewards may also be perceived as less salient (Oldham 2003). O'Dell and Grayson (1998:168) maintain that intrinsic rewards, such as recognition, may be more effective than extrinsic rewards for engaging employees in knowledge-sharing activities. The biggest potential drawback of rewarding knowledge-sharing behaviours is that individual goals and rewards often lead to competition among

employees. For example, research in organizational citizenship behaviours (OCBs) has documented what is referred to as 'escalating citizenship', where employees compete to be viewed as better organizational citizens (Bolino & Turnley 2002). Therefore, while knowledge-sharing behaviours should be evaluated and rewarded, evaluation and compensation systems, in general, should be based on group and organization-level outcomes rather than on individual outcomes (Cabrera & Cabrera 2002: 697-698). According to Kang et al. (2003:248), appraisal and incentive systems based on group or firm performance and stock ownership programmes will reinforce collective goals and mutual cooperation that should lead to higher levels of trust necessary for knowledge exchanges.

2.6. The role of organizational culture in knowledge sharing

According to McDermott and O'Dell (2001:77-84), organizational culture can influence knowledge sharing in a number of ways. For example it can influence knowledge sharing by creating an environment in which there are strong social norms regarding the importance of sharing one's knowledge with others. De Long and Fahey (2000:116-125) consider that organizational culture plays a fundamental role in the creation, sharing and use of knowledge. They state that one of the major ways in which culture influences knowledge management practices is by establishing norms regarding sharing knowledge. Another example of the way in which organizational culture influences knowledge sharing is the creating an environment of caring and trust that is so important for encouraging individuals to share with others. According to McDermott & O'Dell (2001:77), knowledge-sharing behaviours can be carried out in a number of ways, for example through the organizational cultural process of socialization, storytelling and rituals Organizations that include knowledge-sharing behaviours into these experiences will express the importance of knowledge sharing to their employees. Examples set by other employees, especially managers who take the time to share their knowledge, clearly signal that there is a

knowledge-sharing norm (McDermott & O'Dell (2001:79). At both PricewaterhouseCoopers and Ford Motor Company senior managers strongly and visibly support sharing knowledge as the way business should be done. Direct pressure from peers to participate in knowledge exchange will also create norms for sharing (McDermott and O'Dell 2001:79).

Furthermore, according to (Lengnick-Hall & Lengnick-Hall 2003), having strong norms regarding the importance of knowledge sharing for the organization, encouragement of knowledge sharing requires the creation of a 'culture of caring or of trust and cooperation. In fact, there seems to be common agreement that individuals will be more willing to share what they know in an open and trusting culture (Davenport and Prusak. 1998; Faraj & Wasko 2001; Kang et al. 2003; Leana & Van Buren 1999; Robertson & O'Malley 2000; Zárraga & Bonache 2003). So the question then becomes; how can an organization ensure that it has an open and trusting culture? Among the most often cited people management practices believed to create this type of culture are fairness in decision-making processes, egalitarianism, open communication, and perceived support from the organization, co-workers and/or one's supervisor (e.g. Robertson & O' Malley Hammersley 2000:244-251). All of these practices are expected to affect the relational dimension of social capital positively, increasing trust and cooperation among organizational members and, consequently, increasing expectations of reciprocity.

Fairness In support of those decisions that management does make, the perceived fairness of these decisions is likely to affect employees' willingness to share. For example, employees' feeling about how they are fairly treated is likely to affect the levels of trust, an important part of relational social capital. Fairness of rewards system is included among the supportive human resource practices because it signals that the organization cares about the well-being of its employees and is willing to invest in them (Allen et al. 2003:108-114). Hislop (2002:189-197) suggests fair and equitable decision-making practices to be one of the human resource policies that should directly influence knowledge-sharing attitudes and

behaviours. Obviously there will be higher levels of trust when employees feel that organizational decisions are fair. Furthermore, Flood and his colleagues state that the 'perceived fairness of an organization's reward and recognition practices plays a very critical role in encouraging employees to part with the value-creating knowledge' (Flood, Turner, Ramamoorthy 2001: 1155). Their study of knowledge workers in the high technology and financial services industries provides empirical support for this idea. They found that equity perceptions led to higher perceptions of met expectations al work and that these perceptions were, in turn, positively related to feelings of obligation to contribute to the organization (Flood et al. 2001).

In addition, according to the organization citizenship behaviour (OCB) literature, justice perceptions play an important role in encouraging citizenship behaviours. One of the dimensions of organization citizenship behaviours is interpersonal helping behaviour, thus, a similarity may be drawn between knowledge sharing and organization citizenship behaviour if one think about knowledge sharing as a kind of interpersonal helping behaviour. In this case, the factors of organization citizenship behaviour may also be possible factors of knowledge sharing. In one organization citizenship behaviour study conducted by Moorman (1998:353-356), employees demonstrated more helping behaviours when they believed that outcomes such as pay and promotions were distributed fairly and when they thought the procedures used lo determine these outcomes were just (Moorman, 1991:353-356). In their study, justice perceptions were found to affect organization citizenship behaviour indirectly through the mediating variable perceived organizational support (Moorman, Blakely & Niehoff 1998). This leads us to the final variable expected to affect knowledge sharing by helping to build an open and trusting culture; perceived support.

Egalitarianism Robertson and O'Malley (2000:247-248) suggested that one of the main factors contributing to the success of the knowledge-intensive firm they studied was the highly egalitarian environment. The organization laid little emphasis on hierarchy, having

only one level of management, and the majority of decision-making process involved large numbers of consultants. Management communicated continuously with employees to keep them inform of all project developments, and stress the importance of open communication. For example, Snell, Lepak and Youndt (1999) agree that information is likely to be shared more freely in egalitarian work environments where employees are empowered and status barriers are eliminated. Previous research has suggested that supportive human resource practices have positive effects on a number of employee behaviours because they signal to the employees that the organization is willing to invest in them and recognizes their contributions (e.g. Allen, Shore & Griffeth 2003; Wayne, Shore, & Liden 1997). One of the supportive human resource practices mentioned is employee participation in decision-making. It is suggested that involving employees in important decisions-making clearly sends the message that the organization trusts them to make these decisions. Thus, in addition to open communication, an egalitarian environment in which employees actively participate in decision-making should encourage individuals to share what they know with others.

Communication Various researchers have suggested that communication is a valuable tool for establishing group identity (e.g. Dawes 1991; Messick & Brewer 1983; Van Lange et al. 1992, as cited in Cabrera & Cabrera 2002:702). Encouraging communication among employees regarding the information-sharing programme should promote their sense of belonging to the knowledge-sharing community. For example, a top-down, bottom-up face-to-face discussion provides a rich means for information exchange. Lengnick-Hall & Lengnick-Hall (2003) explains how co-location, or bringing employees together under the same roof, increases the frequency of interactions among workers. This not only leads to more opportunities during which information can be shared, but also increases familiarity, which can result in shared understanding and feelings of community, both of which increase the likelihood of sharing. In other words, co-location increases frequent interactions that results in more effective communication. The knowledge-intensive firm studied by Robertson and O'Malley (2000:248-250) recognized the importance of high band-width communication. The role of information technology in facilitating knowledge

exchange in the firm was limited and consultants preferred project teams to work face-to-face rather than via intranet discussion groups. The firm considered social networking to be far more important than using formalized databases. In other words, while technology is regarded as useful for facilitating the exchange of information, it should not altogether replace face-to-face interactions. This type of communication is important for establishing trusting relationships (Robertson & O'Malley (2000:250). Therefore, it can be said that any socialization activities that brings employees at all levels of the organization together in an informal setting, such as playing together on athletic teams, going to the sauna with colleagues, eating lunch with colleagues or providing a lounge where employees can take coffee breaks, will provide opportunities for increasing social capital through top-down, bottom-up communication.

Perceived support A number of the articles reviewed in this study agreed on the importance of support from the organization, supervisor or peers, for encouraging knowledge-sharing behaviours (Hislop 2003; McDermott & O'Dell 2001; Zárraga & Bonache 2003). For example, McDermott and O'Dell (2001:83-84), includes supervisor and co-worker support as critical work context determinant of creative idea formulation and sharing. While the authors suggest that supervisor and co-worker support should contribute to employees' positive mood states and should result in more creative ideas, one would also expect that willingness to share would be positively affected.

In considering the similarity between organization citizenship behaviour and knowledge sharing, a study by Podsakoff, Mackenzie, Paine and Bachrach (2000:527-547) found a significant positive relationship between perceived organizational support and helping behaviours. They also found significant relationships between interpersonal helping and both supportive leadership and leader-member exchange (Podsakoff, et al. 2000:527-547). Their findings point to the key role that leaders play in influencing organization citizenship behaviours. In fact, they suggest that supportive behaviour on the part of the leader may actually be what causes the positive relationship between organizational support and

citizenship behaviours. In addition, they stated that employees who feel they have a supportive supervisor or positive leader-member exchanges are more likely lo report perceived organizational support, given that in most cases one's supervisor is perceived to represent the organization. Feelings of support contribute to the creation of an organizational culture characterized by trust, respect and caring, all of which contribute to building relational social capital. Thus, employees working in this type of environment, where the organization recognizes and values their contributions and where they can count on fair treatment and reciprocity, should naturally be more willing to share and cooperate.

In this section, the thesis has identified HR practices that is expected will foster knowledge sharing by creating an environment favourable for sharing, as well as positive attitudes toward sharing. Each of these practices may all together affect a number of the socio-psychological factors identified below as facilitating or encouraging knowledge sharing

2.7. Socio-psychological determinants of knowledge sharing

This thesis takes the view that in addition to identifying HRM practices that may encourage and sustain knowledge sharing, it is important to identify the socio-psychological behaviours that may have impact on knowledge sharing. Earlier studies in this area simply looked at the impact of individual HR practices such as staffing, training, and compensation in isolation. This thesis attempts to describe the process through which HRM practices influence the principal intermediate variables that ultimately impact on knowledge sharing. In short, this thesis is of the view that there has been little research examining intermediating variables through which HR practices may ultimately affect knowledge sharing. Thus, this thesis takes the view that there exist a number of intervening variables that may affect the relationship between HR practices and knowledge sharing. Thus, this thesis suggests that socio-psychological factors play key mediating role in HR-knowledge sharing relationship. By introducing three theories drawn from a sociological perspective

namely: social capital theory, social dilemma theory and social exchange theory, this thesis hope to provide a better frame of *how* HR practices drive organisational knowledge sharing. Each of these three theories suggests a number of factors that may influence knowledge sharing attitudes, and in addition, they also help to identify factors that may facilitate knowledge sharing by creating an environment conducive to sharing. These theories are now discussed in turn.

2.7.1. Social capital theory

Social capital is a resource that is derived from close interpersonal relationships that exist among individuals, organisations, communities, or societies (Bolino, Turnley & Bloodgood 2002: 506). Social capital is considered to be a valuable organizational resource because it facilitates the interactions among organizational members that are necessary for successful collective action (Leana & Van Buren III 1999:540). Furthermore, according to Nahapiet & Ghoshal (1998:245), social relationships – and the social capital therein – can have an important influence on the development of intellectual capital. According to Nahapiet & Ghoshal (1998:244), there are three dimensions of social capital: (1) structural dimension, (2) cognitive dimension and (3) relational dimension.

The *structural dimension* concerns the overall pattern of relationship found among individuals. This includes the social ties or connections among network members as well as the overall network configuration, which considers factors such as structural holes, centralization and density of the network. In other words, this dimension involves the degree to which people in an organisation relate, or are connected to each other (Bolino et al. 2005:56). For example, do employees working in the organisation know one another, and do they interact and communicate? Social network theories (e.g. Hansen, 1999) show that the structural properties of social relationships constitute major resources of benefits derived from: (1) gaining access to valuable information and knowledge flows; (2) timing –

that is 'the ability of personal contacts to provide information sooner than it becomes available to people without such contacts' (Nahapiet & Ghoshal 1998: 252); and (3) referrals which provide 'information on available opportunities to people or actors in the network, hence influencing the opportunity to combine and exchange knowledge (Nahapiet & Ghosha 1998: 252-253).

The *cognitive dimension* of social capital refers to the extent to which employee within a social network share a common perspective or understanding. For example, a shared language and shared stories among network members can enhance strong bonding. Shared language and narratives increase mutual understanding among individuals and this helps them to communicate more effectively (Nahapiet & Ghoshal 1998: 252-253). The importance of shared language has been underlined by Tsoukas & Vladimirou (2001:985-991). These authors mention that individuals' ability to draw distinctions within a collectively generated domain of action is contingent upon the cultural tools they utilise with language being the most important one. The existence of shared language (in terms of both verbal communication and other forms of symbolic communication) is important not only for being able to transfer knowledge easily, but also for knowledge integration mainly through the establishment of common cognitive schemata and frameworks, such as metaphors, analogies, and stories, which act as the means for integrating individual understandings and experiences. Furthermore, the occurrence of a shared vision can facilitate knowledge sharing and integration among individuals or groups by providing a purposeful meaning to their actions (Tsai & Ghoshal 1998: 465). A shared vision embodies the collective goals and aspirations of the members of an organisation and therefore organization members who share a vision will be more likely to become partners sharing or exchanging their resources' (Tsai & Ghoshal 1998: 467).

Finally, the *relational dimension* concerns the kind of relationships individuals or groups of individuals have developed with each other through history of social interaction. The relational dimension of social capital is characterised by high level of trust, shared norms

and perceived obligation, and a sense of mutual identification (Bolino et al. 2002:510). Trust is defined as 'the willingness to be vulnerable to the actions of another party' (Mayer, Davis & Schoorman 1995: 712), where trustworthiness is 'the quality of the trusted party that makes the trustor willing to be vulnerable' (Levin & Cross 2003: 3). The existence of high trust in a relationship produces certain outcomes such as cooperation, and sensitive information exchange (Mayer & Davis 1995:712). Trust is the extent to which a person is confident and willing to act on the basis of the words, actions, and decisions of another McAllister 1995:25). The relational dimension of social capital deals with the nature or quality of interpersonal relationships between employees in which co-workers like one another, trust one another, and identify with one another. Interpersonal trust arises from a belief in the good intentions, openness, competence, and reliability of another party. Furthermore, research on organisational trust provides evidence that trusting working relationships are characterised by greater knowledge sharing as individuals are more willing not only to give useful knowledge but also to listen and absorb others' ideas and knowledge (Andrews & Delahaye 2000; Mayer et al., 1995). Since trust implies a willingness to engage in a risk-taking activity (Mayer & Davies, 1995:712), it has been also argued that it can lead individuals to a propensity for experimentation with accessing and synthesising diverse pieces of information and knowledge. This can result in the development of new intellectual capital (Nahapiet & Ghoshal 1998:245).

With regard to knowledge sharing, the first two types of social capital discussed above determine whether or not individuals have the opportunity to share their knowledge with others. The opportunity to share should therefore be increased when individuals spend more time together, not only because increased interaction leads to more frequent communication, but also because communication can be more effective due to the fact that these interactions also result in a shared language and codes. Hence, the more people interact with each other, the more they are able to understand each when they communicate and also learn about each others values and way of doing things. Thus increasing structural and cognitive social capital should help to facilitate knowledge sharing. Furthermore,

social ties and shared language should help to create an environment favourable for knowledge sharing and enhance knowledge sharing behaviours.

The third dimension of social capital, the relational dimension, influences whether or not individuals have the motivation to share what they know with others. Although the opportunity to share may exist, an individual may not be willing to share. The willingness or motivation to share will therefore be higher when employees trust and identify with one another. In addition, relational social capital should help to encourage knowledge sharing and therefore, trust and group identification should encourage positive attitudes toward knowledge sharing and enhance knowledge-sharing intentions and behaviours.

2.7.2. Social dilemma theory

The social dilemma theory describes a situation in which individual rational behaviour leads to collective irrationality (Kollock 1998:183). A social dilemma may be characterize as a situation in which members of a group are faced with two choices: a cooperative choice that maximises rewards for the group, and a non-cooperative choice that maximizes rewards for the individual. The cooperative choice always yields a higher payoff, but if all choose not to cooperate, all receive a smaller payoff than if all choose to cooperate (Chen, Au & Komorita 1996:37.) This behaviour can be seen in the voluntary provision of public goods. A public good is a product or service provided to benefit a group through a voluntary contribution of the group members (Kollock 1998:183). In the consumption of public goods, individually reasonable behaviour leads to a situation in which everyone is worse off than they might have been otherwise (Kollock 1998:183). According to this theory, as individuals, we are each better off when we make use of a public resource, such as public parks, or public television, without making any contribution (to free-ride on the contributions of others). However, the problem with public goods consumption is that if everyone acted on this conclusion of free-riding on the contribution of others, then the public source would not be provided and we would all be hurt. For example, if a fisherman

does his best by catching as many fish as possible, the sum of the total outcome of these individually reasonable decisions can be disastrous consequence- fish species would be depleted to the point of extinction. For example, the current fishing quota and embargo placed on fishing, and the fishing net requirement by the European Union is a typical example of the social dilemma.

In short, if this kind of strategy dominates people's behaviour, then no contributions would be made and therefore, the public good would not be provided. Some recent research has viewed shared knowledge in the organization as public goods in which individuals contribute with their ideas and benefit from the collective accumulation of knowledge (e.g. Cabrera & Cabrera 2002:692-694). According to the literature, shared knowledge meets two important public-goods criteria. First, shared knowledge is derived exclusively from employees' contributions. Second, employees other than the contributor can use the shared knowledge (Lu, Leung & Koch 2006:17). For example, in technology-intensive workplace, knowledge sharing is also often impersonal, as it is increasingly easy for organizational knowledge to be accessed by employees who have no direct relationship with the contributor and who may have contributed nothing themselves. An example in point is the case of Xerox, where the company has constructed a database to store contributions of solutions to problems by engineers which are accessible to all other engineers.

Consequently, contributing to organizational knowledge database creates the same type of dilemma found in other public good situations and may therefore be subject to the same social dynamics. Based on previous studies on social dilemmas, Cabrera & Cabrera (2002:695-703) identified three types of interventions that can help to decrease the probability of knowledge hoarding: *restructuring the perceived pay-off function/cost*, *increasing efficacy* perceptions and *increasing feelings of identification with the group*. The literature on social dilemmas has shown that the likelihood of an individual contributing to a public good increases as they associate a greater value with the public good or a smaller personal cost in contributing (e.g. Kollock 1998). Thus, knowledge

sharing should be less likely when costs are associated with sharing, whereas knowledge sharing should be greater when rewards are associated with sharing. Therefore, the probability of sharing should increase when individuals perceive that their contributions make a difference, in other words, their self-efficacy is high.

Self-efficacy refers to a person's belief in his or her ability to perform a specific task (Bandura 1997, as cited in Lu et al. 2006:17). It is suggested that the probability of individuals to share their knowledge will increase when people believe that their contribution makes a difference, that is, self-efficacy is high. Self-efficacy perceptions refer to the belief a person has regarding the value of his or her knowledge, in other words, the belief in oneself to perform a specific task. It is suggested that if a person believe that the information he or she posses would be helpful to others, they will be more likely to make the effort to share this knowledge with others. In general, perceived self-efficacy can enhance cooperation and reduce free-riding (Chen, Au & Komorita 1996:41-45) as well as promote the sharing of knowledge (Cabrera & Cabrera 2002:698-699).

Perceived cost refers to the cost involved in making one's knowledge available to others. One reason why people are reluctant to share their knowledge with other is cost verses benefit trade-off. For example, consider the choice faced by an employee who has had the opportunity to develop some new skills or methods that, she believes, could be very useful to other co-workers. With relatively little effort, this person could brain-storm on the nature of the new methods, put together a brief document describing its rationale and potential benefits, and distribute the document to her co-workers. The document could help other people save time, improve results or come up with yet more ideas that could add value to the company as a whole. But why should he bother? From an individual standpoint there are some benefits, but there may also be significant costs. On the positive side, he may gain expert status within the organization, may receive public praise from the top management or may simply feel personally fulfilled by having contributed to other people's professional development. Yet, as modest as it may be, there is a real cost in sharing the idea. For

example, putting the documents together and making the contribution consumes valuable time that he might otherwise invest in tasks with clearer returns (sales commissions, measurable performance). Also, in organizations with a competitive internal work environment, the contributor of an idea may be assuming a great deal of personal exposure by revealing the secrets of his or her own competitive edge. Depending on the relative weight of these costs and benefits, some individuals may feel that they are better off hoarding, rather than sharing, what they know.

According to Cabrera & Cabrera 2002:694) when managers were asked by the KPMG study (2000) what problems were preventing employees from taking part in knowledge-exchange systems in their companies, many of them confirmed that people did not seem to have enough time to participate, that they saw little reward for sharing their knowledge, or that they simply thought their efforts were wasteful re-inventions of the wheel. As happens in many other public-good situations, it is important to note that it only takes but a few group members to feel this way, for the group to get trapped in a non-cooperating deficient mentality. Thus, if the cost (e.g. time spent) of contributing to a database is lower, the benefits associated with defecting, (i.e. unwillingness to contribute) will also be lower. Likewise, an increase in the incentives associated with sharing one's knowledge will also increase cooperation. Hence, the closer one can bring net costs to zero, by either lowering the cost or increasing the benefits of contributing, the less profitable, and thus less tempting; defecting will be (Cabrera & Cabrera 2002:695).

It is suggested that one method to reduce perceived costs is simply to make it easier for people to share information. According to Jarvempaa and Staples (2000), people who feel comfortable with technology are more likely to engage in electronic information exchanges. Well-designed, user-friendly groupware simplifies the task and reduces the time necessary to distribute one's ideas. Another way to reduce the perceived costs of sharing information is for the organisation to make sure that employees have the time and resources necessary for making their knowledge available to others. For example, if a project manager in say

KPMG is allowed to incorporate into the project's budget the human resources needed to compile and share the lessons learned during the project, the 'opportunity cost' that would normally be associated with such a task is clearly reduced.

Perceived rewards refer to the benefit associated with sharing one's knowledge with others. Researchers in social cooperation have proposed that one way to increase individual pay-off is through offering selective incentive or reward which is based on individual's behaviour. Researchers suggest that in order to increase individual incentives to exchange knowledge, organisations can selectively reward individual contribution. The reward does not have to be monetary, and non-monetary rewards such as social recognition can be extremely useful incentive so long as they are public, infrequent, credible, and culturally meaningful (Lawler 2000, as cited in Cabrera & Cabrera 2002:696). A selective incentive of this kind can change the situation so that social dilemma no longer exists. In other words, cooperating with others becomes the normal and accepted way of doing things, as receiving the reward maximises the individual's gain. Under collective gain-sharing programme, employee contributes information to the discretionary database because he or she values the collective gain that would be received; the higher the collective gain, the higher the employee's bonus.

Furthermore, according to Lawler (2000, as cited in Cabrera & Cabrera 2002:697), one potential intervention to increase the value of the collective gain would be to combine a knowledge-exchange programme with gain-sharing or bonus based on the success of the knowledge-sharing programme. The reward thus depends on the combined efforts of the individual and the other employee's contributions should benefit the work of other group members, and hence, these contributions should also increase the potential value of the gain-sharing bonus the employee will receive. In this case, an employee is not rewarded directly for contributing to the shared database. The motivation to contribute comes from the fact that the employee will receive a reward if the knowledge-sharing programme is successful.

Perceived **group** *identity* refers to identifying oneself as being members of a group. It is suggested that individuals who have a greater sense of group identification are also more likely to contribute to their group. Van Lange, Wim, Messick, & Wilke (1992:20, as cited in Cabrera & Cabrera 2002:701) suggested that group identity leads to feelings of we-ness and personal responsibility, which enhances self-restraint. Thus, both group identity and personal responsibility act as forms of social control, which has been shown to be a powerful way of maintaining cooperation. Axelrod (1984, as cited in Kollock 1998:196) explained that the probability of cooperating increases when (a) interaction among participants are frequent and durable, (b) participants are easily identifiable, and (c) there is sufficient information available about each individual's actions. For example, it is suggested that if there are no records of individual's past interactions, there is likely to be an incentive to free-ride on others contribution because, there will be no way of holding people accountable for their actions. However, if individuals feel that they belong to a common group, both past and future interactions with other group members are more likely and the identity of other group members is more often known.

Specifically, researchers argued that positive interpersonal interactions can facilitate knowledge sharing (Newell, Scarbrough, & Hislop 1999:269) and that promoting a group identity, increasing the frequency of interactions, and enhancing communication are able to facilitate knowledge sharing (Cabrera and Cabrera, 2002:701). Zeng and Chen (2003:595-596) made a similar arguments for overcoming the public goods dilemma inherent in a multi-party alliance. These proposed strategies are, in a way, team-building strategies that promote a common identity. In summary, it can be said that teamwork is able to promote communal working relationships characterized by helpfulness and responsibility; thereby facilitating knowledge sharing behaviours. Considering knowledge as a public good within an organization, these factors would be expected to affect the inclination of individuals to share knowledge with others. Therefore, it can be concluded that low perceived cost, perceived rewards; self-efficacy and group identification will encourage positive attitudes toward knowledge sharing and will, therefore, enhance knowledge sharing intentions and behaviours.

2.7.3. Social exchange theory

According to social exchange theory (Blau 1964, as cited in Cabrera & Cabrera 2006:723), individuals regulate their interactions with other individuals based on a self-interested analysis of costs and benefits. These benefits need not be material in nature, as individuals may engage in s relationship under the expectation of reciprocity in the future, that is, an expectation that the favour will be returned in the future. This expectation is regulated by trust. Davenport and Prusak (1998) have examined knowledge sharing from this perspective and suggested some of the perceived benefits that may regulate the future behaviour: *future reciprocity, status, job security or promotional prospects.*

Reciprocity is central to the to the social exchange theory. The norm of reciprocity obligates people to respond positive to favourable treatment received from others (Blau 1964; Gouldner 1960, as cited in Eisenberger, Cummings, Armeli, & Lynch 1997). Reciprocity requires employees to respond positively to favourable treatment from their employer. Consistent with this view, Rousseau (1989, 1990, as cited in Esenberger et al. 1997:812) found that many employees believed that they and their work organisation had reciprocal obligation that exceeded formal responsibilities by both parties. Rousseau characterised this psychological contract as an implicit understanding by employees that they and their employer will consider each other's needs and desires when taking actions that affect the other. Continued reciprocation of resources beyond those required by formal agreements would strengthen the psychological contract; in contrast, the employer's failure to fulfil the terms of the psychological contract would reduce employees' inclination to work beyond their explicit job responsibilities (Robinson & Morrison, 1995; Rousseau & Parks, 1993, as cited in Esenberger et al. 1997:812). Eisenberger, Huntington, Hutchison, and Sowa (1986, as cited in Esenberger et al. 1997:812) suggested that employees form a general perception concerning the degree to which the organization values their contributions and cares about their well-being. In addition, Bock and Kim (2003), explicitly studied reasons for knowledge sharing and results from their field survey of 467 employees

in four large organizations showed that 'anticipated reciprocal relationships' and 'perceived personal contribution to the organization' were the major determinants of the individual's attitudes towards knowledge sharing.

Status symbols such as executive dining rooms, reserved parking paces, and corner offices create physical barriers to communication as well as social subdivisions. Elimination of status symbols in the organisation is one way which employees at all levels can easily mingle together and exchange information. High respect for hierarchy and formal power can lead to lead to employees deliberately hording their knowledge in order to hold on to their position and power. In addition, inequality in status among organisational members can also be a strong barrier for sharing knowledge, especially from lower levels. For example, this barrier is reinforced when members of the organisation have to draw on different knowledge bases and ways of analysing and assessing information. Also, lower and middle level employees often hoard their knowledge intentionally, expecting that their superiors may not promote them if they appeared to be more knowledgeable than them. For example, Michailova and Husted (2002:66) concluded that Russian managers are often resistant to, and dissatisfied about, working with people from hierarchically lower levels and even more so learning from them. Consequently, eliminating status symbols should promote cross-level interactions by breaking down barriers between people. In a like manner, many hierarchical levels can also foster an environment of great power distances which create communication barriers. Therefore, flatter organizational structures (i.e., ones with fewer levels of hierarchy) should increase an organization's capacity to quickly share and leverage knowledge.

Job security can also be potential barriers in knowledge sharing especially in an employment situation where employees are not sure about their future with the company, or uncertain about the sharing objectives and intent of their senior management. Most organisation today in their quest to cut down cost employ people on short-term contract bases. Therefore, people who think that they have spent so much time and money on

education are not willing to share what they know with others if they think the organisation is not going to keep them for the long-term. In order encourage knowledge sharing, organisations can therefore offer employees long-term employment contracts and provide them with training, tools and caring working environment that make them feel they are valued by the organisation.

2.8. Summary of literature review

Together, these theories suggest a number of factors that may facilitate and encourage knowledge sharing among employees: social ties or patterns and frequency of interactions with other employees, a shared language, trust, group identification, perceived cost, perceived rewards, self-efficacy, reciprocity, status symbol and job security. A summary of the factors deemed to facilitate and enhance knowledge sharing in this thesis is provided in Figure 1 on page 45. The recognition that the combination of high-quality human capital and high-quality social capital is critical to competitive advantage in the knowledge economy (Lengnick-Hall & Lengnick-Hall 2003: 62) can represent a significant departure from a conventional human resource management to strategic human resource management by acknowledging the importance of social relationships and social capital therein. Based on the above, it is thus suggested that knowledge intensive firms can gain intellectual capital advantage by combining their human capital advantage (i.e., employees' capacity to acquire and apply effectively new knowledge, capabilities and skills) and social capital advantages (i.e., the quality of social relationships – enabling employees to communicate useful knowledge). Specifically, it suggests that human resource practices should aim at contributing to the simultaneous development of human and social capital advantages, which in combination constitutes knowledge sharing. As can be observed in Figure 1, HR practices do not drive knowledge sharing directly, but rather through the intermediaries of social capital, social dilemma, and social exchange. It is therefore important to reiterate how HR practices drive these intermediaries, which, in turn drive knowledge sharing.
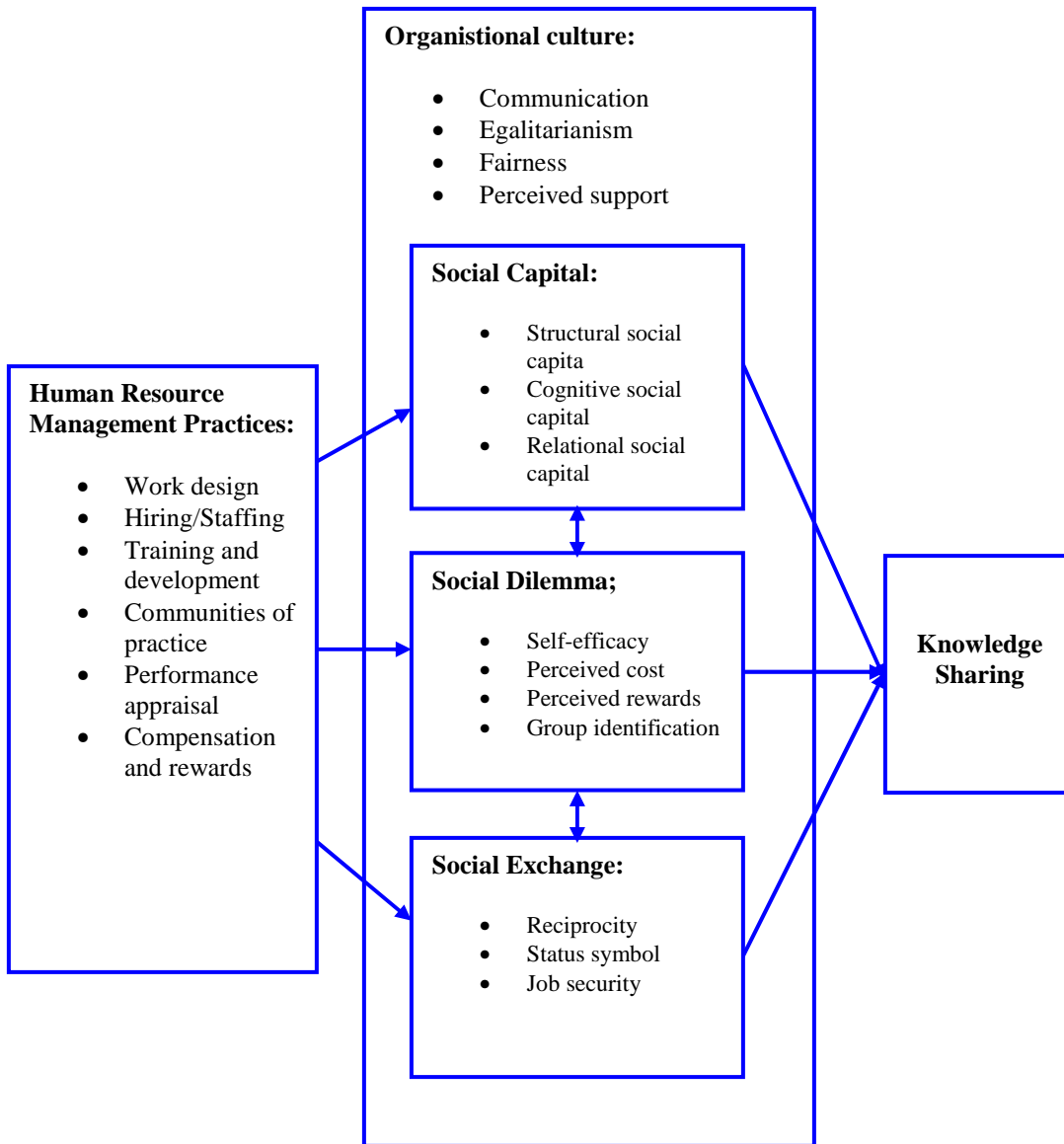
Figure1. Summary of literature review

With regard to the to the interconnection between HR practices and structural social capital, and its implications for HR management, Brass & Labianca (1999) identify five areas including: recruitment and selection (based on utilising the personal networks of employees

for attracting and hiring job candidates); socialisation (early connections in the organisational network can lead to enhanced social capital); training (similar training experiences can contribute on building connections across diverse and heterogeneous groups in anticipation of the future formation of cross-functional teams); performance management (performance can be improved when the network structure matches the information processing requirements); and career development (mentoring plays an important role as strong connections to a mentor can lead to increased access to the organisational network resulting in career advancement).

In addition, a review of the literature concerning the link between HR practices and social capital suggested that HR practices can contribute to the formation of cognitive social capital necessary for knowledge sharing by: introducing 'cultural fit' criteria in the recruitment and selection processes that can ensure that prospective employees are capable of demonstrating a knowledge sharing potential willingness, cross-functional team-working skills, and collaborative spirit (Robertson & O'Malley Hammersley 2000:244-251; Swart & Kinnie 2003:64-73). Training in team building will increase levels of structural, cognitive and relational social capital which will also help to stimulate knowledge-sharing behaviours. Other HR initiatives that can increase cognitive social capital include the development of self-development programmes, and self-management team-working, and also the creation of a cultural environment characterised by informality, egalitarianism, and active employee involvement in decision making (Robertson & O'Malley Hammersley 2000:248).

The relational dimension of social capital includes shared norms and identification with the group. Hence, in order to increase the probability of having high levels of relational social capital among employees, recruitment and selection practices directed towards identifying and recruiting individuals who will have a higher probability of agreeing on the same way of doing things and identifying with one another should facilitate knowledge sharing. This will most likely occur among individuals who share similar values.

With regards to the social dilemma theory and its interrelationship with HR practices and knowledge sharing, the literature review identified two factors that may inhibit the willingness of employees to share their knowledge with others: greed and self-efficacy. Greed refers to the desire to obtain the best possible outcome for oneself, or the desire to enjoy other's contribution without cost. Self-efficacy refers to a person's belief in his or her ability to perform a specific task (Bandura 1997, as cited in Lu et al. 2006:17). One way of enhancing self-efficacy levels among employees in order to facilitate knowledge sharing is through training. Cabrera and Cabrera (2002:700) suggested that a solution to increasing employees' perceived efficacy is through training. These authors stated that employees may not feel that their contribution are helpful- lack of information efficacy, or they are not convinced that other employees will receive the information that they contribute- a lack of connective efficacy Cabrera (2002:700). Thus, the use of extensive training and development programmes will help increase general levels of self-efficacy among organizational employees.

Sometimes, employees may not recognise the value of what type of experience is worth sharing, or may not know how to express their experience in words. Increasing efficacy includes the provision of feedbacks to contributors, ensuring critical mass of participants, and the provision of advanced technologies and training. Hence, training that makes employees aware of the type of information that is most useful, and how to present that information so that it is most helpful to others would be likely to increase levels of information efficacy (Cabrera & Cabrera 2002:700). Providing feedback to employees about the usefulness of their information to others will therefore make employees feel more assured of their abilities, and will thus be more willing to exchange their knowledge with others.

With regard to greed or perceived cost, social dilemma research has shown that manipulations that reduce greed result in more cooperative behaviours (see Komorita and Parks ch.3). Consequently, HR practices that promote collective action and maximises

collective gains should reduce greed and thus encourage knowledge sharing. Hence, Cabrera and Cabrera (2002:965) recommended restructuring the pay-off function by instituting rewards or selective and gain-sharing programmes, and alignment of human resources policies with participating knowledge sharing. Thus, knowledge sharing can be increased if a selective incentive or reward is offered that is contingent on individual behaviour. A selective incentive of this sort can change the situation so that a social dilemma no longer exists and cooperation behaviours would thus become the accepted norm, because receiving the reward maximises individual gain and as a result individual and collective interest coincide (Kalman 1999, as cited in Cabrera and Cabrera 2002:696). This is because, if the value of the collective gain is greater for the individual than the cost, then the incentive to cooperate will increase. Again, the social dilemma disappears, because the accepted norm is to cooperate in the hope of maximising the collective gain.

Concerning the social exchange theory and its interrelationship with HR practices and knowledge sharing, research suggest that individuals regulate their interactions with other individuals based on a self-interested analysis of cost and benefits. Central to the social exchange theory is the norm of reciprocity, which obligates people to respond positive to favourable treatment received from others (Blau 1964; Gouldner 1960, as cited in Eisenberger, Cummings, Armeli & Lynch 1997). The norm of reciprocity requires employees to respond positively to favourable treatment from one's employer. Thus, HR initiatives that may facilitate knowledge sharing include: future reciprocity, status, job security or promotional prospects, procedural justice in performance appraisal decisions and fair treatment to employees. Thus from this perspective, an employee may be willing to share his or her knowledge with others if he or she trusts that his or her action will be returned in the future, or the organisation strongly values his or her contribution and cares about his or her well-being.

In summary, this section of the thesis has reviewed the literature on human resource management practices and the theories on knowledge sharing. Hunan resource management

practices perceived as facilitating knowledge sharing were identified and discussed. Furthermore, three socio-psychological theories perceived as having impacting on knowledge sharing were discussed to provide a broader understanding of socio-psychological factors that affect individuals' behaviour in knowledge sharing in the organisation. In the next section of the thesis, the research site and methods are described.

3. RESEARCH METHODOLOGY

Methodology describes knowledge about different approaches one may adopt when conducting research, the rationale behind the choice of a particular approach and the consequences that choice may have on the results. It outlines the methodology to be used and the theoretical basis behind the approach adopted and their definition for the understanding of the reader. The research methodology of this thesis starts with a brief outline of some common research approaches used for the collection of the relevant data and the selection of the appropriate research method. The methodology section includes discussion around the research approach, research design, data collection, data analysis, and research quality criteria.

3.1. Research approach

The research approach is often either qualitative or qualitative. The qualitative and quantitative methods refer to the means through which one want to discuss and analyse the selected data (Patel & Davidson 1994). Both approaches have their strengths and weaknesses and neither one of the approaches can be held better than the other one. The best method to use for a study depends on that study's research purpose and the accompanying research questions (Yin 1994:7). A quantitative approach implies the search for knowledge that will measure, describe, and explain the phenomena of our reality. Quantitative research is often formalised and well structured. It is usually associated with the natural science mode of research; data is quantitative, and obtained from samples and observations seeking for relationships and patterns that can be expressed in numbers rather than words (Tull & Hawkins 1990).

In contrast, a qualitative research is the search for knowledge that is supposed to investigate, interpret, and understanding the phenomena by means of an inside perspective (Patel & Tebelius 1987). Furthermore, Yin (1994:6) states that qualitative methods are often related to case studies, where the aim is to receive thorough information and thereby obtain a deep understanding of the research problem. Qualitative research is softer, and explores why people act or think the way they do, and is most effective when 'open ended,' as in focus groups or in in-depth interviews. The purpose of this study was to examine the extent to which HR practices facilitate and enhance knowledge sharing in an organization hence; the methodological choice for this study is guided mainly by the research question: to what extent do HR practices facilitate knowledge sharing, and how do HR practices impact on knowledge sharing at Poro Bank.

According to Yin (1994:15), case research is particularly useful when the phenomenon of interest is of a broad and complex nature and, hence, is best studied within the context in which it occurs. Thus, this study adopts a positivist approach to the case, which implies a prior assumption that there are discoverable relationships between HR practices, socio-psychological factors and knowledge sharing. Yin (1994:4-5) also distinguishes between exploratory, descriptive or explanatory case studies. According to Yin (1994: 6), if the research question focuses mainly on "how" and "why" questions, he recommends exploratory study, hence a recommendation followed in this study. In short, to answer the research question of this study as stated above, this study adopts an exploratory case study research approach.

3.2. Research design

According to Yin (1994:18) a research design is the logic that links the data to be collected (and conclusion to be drawn) to the initial questions of the study. It is a plan by which the

research strategy is to be carried out. It specifies the methods, and procedures for the collection, measuring and analysis of data. The empirical investigation of this study is qualitative case study based on a face-to-face interview conducted to examine the knowledge-sharing practices of the regional branch of a Finnish commercial bank. A qualitative retrospective approach is adopted in this study, and the research is based on a single case study employing semi-structured interviews. Case study methodology was used in formulating the basic empirical infrastructure (Yin 1994:21-25). The interview guide was based on a review of the knowledge management and human resource management literature. Key human resource management practices and socio-psychological theories that should affect knowledge sharing were identified, and the interview guide was then constructed.

3.3. Data collection

There are two kinds of data normally used in researches: primary data and secondary data. Primary data is recognized as data that is gathered for a specific research, especially in response to a particular problem for the first time. Whereas secondary (or historical) data is the data that already exists, like literature studies, which has been previously collected and assembled for some studies other than the one at hand. It may be useful for the purpose of specific survey (Zikmund 1994). This work used both primary and secondary data. During the data collection, the prepared semi-structured questionnaire acted as reminder regarding the information needed to be collected and did not necessarily have to be posted word-to-word directly to the interviewees. Out of the six sources of evidence mentioned by Yin (1994:80), this study used archival records (annual reports, corporate publications) and semi-structured interviews. Additionally, information obtained from the corporate web site was also used. No single source had a complete advantage over the others, therefore, to cover weaknesses and support the strength of each source, the data triangulation approach combing different data sources was used. The study attempted to gain a multiplicity of

views from highly knowledgeable members of the bank who occupies middle and senior-management positions. Semi-structured face-to-face interviews were conducted between March and April 2008 with the HR Manager, the Area Manager, and 8 other middle-level and lower-level employees at Poro Bank. The interviews were semi-structured in order to provide greater in-depth understanding of the key factors that shape the process of interacting socially and sharing knowledge. In addition, the semi-structured interviews encourage interviewees to express themselves in their own terminology. The range of questions covered the areas of knowledge management, organizational culture, the role of IT, human resource management practices, socio-psychological factors and represented both lower and middle-management level at the bank.

The interviews were tailored to the interviewee and concentrate on the perceptions of what happened and why, on how decisions were influenced and made, and why conflicts emerge, and how they could be resolved. All the interviews were conducted in English. A preliminary draft of the interview questionnaire for this study was discussed with the thesis supervisor for improvement. A copy of the final version of the semi-structured interview questions can be found in Appendix 1. The questions were open-ended and each interview lasted from approximately 45 minutes to one hour. With permission from the interviewees, the interview was tape-recoded. The discussions focused on the details of knowledge-sharing process at the bank, each employee's role, experience and aspirations, and the perceptions of others involved in the same process.

3.4. Data analysis

The ultimate goal of analysing data is to treat the evidence fairly, to produce compelling analytical conclusions and to rule out alternative interpretations (Yin, 1994:103). Data analysis involves turning a series of recorded observations into descriptive statements (Yin,

1994). According to Denscombe (2000), data analysis means that the researcher is deciding what and which meaning can be attributed to the collected data, and what are the implications to that effect, and how does it relate to the topic being investigated. Data analysis consists of three concurrent flows of activity: data reduction, data display (presentation), and conclusion drawing and verification (Miles & Huberman 1994). These are describes below:

- Data reduction implies data should not be considered to be separate from analysis, but a part of it. This reduction of data helps to sharpen, sort, focus, discard, and organise the data in a way that allows for final conclusions to be drawn and verified.

- Data display and presentation is the second major stage that the researcher needs to go through. This stage includes taking the reduced data and displaying it in an organised and compressed way so that conclusion can be more easily drawn. As with data reduction, the creation and use of displays is not separate from analysis, but a part of it.

- Conclusion drawing and verification is the third and final stage of the data analysis. It is in this stage that the researcher starts to decide what the different findings mean and noting irregularities, patterns, explanations, possible configurations, causal flows, and propositions.

The analysis of this study has followed the three steps suggested by Miles and Huberman (1994). The data reduction and data display are combined in Section 4, and in Section 5, the conclusion is presented. The first step in the data analysis involves the formal coding of each interview in order to gain insights into the ways in which HR practices related to knowledge sharing and socio-psychological factors. During the coding process, interview tape recordings were analyzed through the categorization of emergent concepts and ideas and constant comparison of these concepts in order to identify common themes. Interview tapes were transcribed according to key components of the interview guide (where components were based on HR practices, social capital, social dilemma, and social

exchange characteristics). The data collected were initially broken down by asking simple questions focusing on what, where, how, when, how much, to what extent etc. The coded transcripts of interviewees were compared and contrasted with each other as well as with information obtained from annual reports and corporate publications relating to HR policies. Some of the emerging themes in the process included the emphasis on organisational culture, team work, promotion and compensation systems, training and development, trust, and employee empowerment, management support, and information technology. These preliminary themes and topics were then analyzed and aggregated to arrive at a set of topics that were commonly recurring.

3.5. Reliability and validity

Reliability refers to the stability and consistency of the result derived from case study, that is, the probability that the same results could be obtained if the measures used from the research were replicated by another investigator (Yin 1994:36). Reliability means whether the research instrument are neutral in their effect, and can measure the same result when used on other occasions and applied on the same subject of the object, and whether, if someone else undertake the same study, would he or she arrived at the same result and also arrive at the same conclusion? According to Denscombe (2000), the researchers have to feel confident that their measurement are not affected by a research instrument that gives one result on the first occasion it is used, and a different one the next occasion when there has been no real change in the items being measured. Furthermore, a good level of reliability means that the research instrument produces the same data time after time on each occasion that it is used, and that any variations in the result obtain through using the instrument due to fluctuations caused by volatile of the research instrument itself. Hence, a research is said to be reliable if it is consistent and that this is generally deemed to be good as far as the research concerned. Saunders et al. (2003) have posed the following three questions concerning reliability:

1. Will the measure yield the same result on other occasions?
2. Will other researchers/observers reach similar observations?
3. Is there transparency in how sense was made from the raw data?

The role of role of reliability is to maximise the errors and biases in a study (Yin 1994:37). This means that reliability is to demonstrate that the operations of the study, such as the data collection procedures can be repeated with the same result. Saunders el al. (2003) asserted that there may be four threats to reliability. The first of these is subject of participant error, which means that a questionnaire may generate a different result at different times of the week. The second threat to reliability is subject or participant bias, which is when interviewees may have been saying what they thought their bosses, wanted them to say. Third, there may have been observer error that different interviewer may approach the question in different ways. Finally, there may have been observer bias, which means that there may have been different approaches to interpreting the replies.

The work of this thesis started with a considerable literature study. The literature reviewed (mainly articles from reputable journals) and textbooks were from several authors and often had HRM practices and knowledge sharing topics, which meant that this thesis covered the areas on HR practices and knowledge sharing. This would suggest that bias from reading only one author and reading only about one topic be held at a minimum level. Widersheim-Paul and Eriksson (1997) describe some other fallacies that are to be avoided in order to attain high reliability. One of these is measuring error, in which in turn consists of respondents error, gauging errors, and errors that are effects of interplay between the interviewer and the interviewee. As this thesis used semi-structured questionnaire where the interviewer and respondent (in this case interviewee) could express themselves in ordinary language, and in different ways, this later error was minimised. The respondent errors are such errors that are due to the fact that respondents sometimes are unable or are unwilling to provide truthful answers. In order to minimize effects of this kind of errors, care was taken about the use of language and the wording and phrasing of sentences. The selection

of interviewees was also based on their ability to understand and communicate very well in English; hence, this error was minimized. In addition, the use of wording in the semi-structured questionnaire was a major concern in order to avoid ambiguous or emotional charged formulations. Furthermore, the questionnaire for this thesis was discussed with the thesis supervisor and the chosen wording and language was simple, direct and as far as possible without technical terms.

The gauging errors arise when the questionnaire entails erroneously formulated questions, wrong order of question etceteras (Widersheim-Paul and Eriksson 1999). As this thesis is a case study and face-to-face interviews were conducted using semi-structured questionnaire, the order of the questions was not so relevant as compared to a survey questionnaire. However, the questionnaire for this thesis was subject to scrutiny by the thesis supervisor and it was found to be suitable to possess characteristics concerning facts which the respondents could easily give answers to.

Validity refers to how well the questionnaires are able to measure what it is aimed to measure. It is important that the validity is good, because if the study does not measure what it is supposed to measure, the results are useless (Widersheim-Paul & Eriksson, 1999). According to Denscombe (2002), validity of a research work depends on answering the following questions:

- Do the conclusions do justice to the complexity of the subject or phenomenon being investigated, does it avoids oversimplifications, and does it also offer internal consistency?
- Has the researcher self been recognised as an influence in the study and also very objective?
- Have the researchers selected the topic on explicit and reasonable grounds as far as the aims and goals of the study are concerned?

If questions can be misunderstood, the information is said to be of low validity. The main types of validity are: *construct internal* and *external* validity (Yin 1994:33). Construct validity refers to establishing correct operational measures for the concepts being studied. According to Yin (1994:34), there are three tactics available to increase construct validity: use of multiple source of evidence, establishing chain of evidence and have the draft case study report reviewed by key informants. The steps taken to ensure construct validity in this thesis have followed all the above steps (e.g. multiple sources of evidence include: face-to-face interviews, company annual reports, publications, and company website).

Internal validity refers to how well the theories and operationalised definitions are connected. Internal validity, a concern only for explanatory or causal studies in which an investigator is trying to determine whether certain conditions and event lead to another event and not descriptive or exploratory studies which are not concerned with making a causal statement (Yin, 1994:35). Since this research is primarily exploratory, the test of internal validity will not be discussed in relation to this study.

External validity deals with the problem of knowing whether a study's findings can be generalized (Yin, 1994:35-36). Generalisation means the extent to which the researcher can make wider claim on the basis of the research and analysis, rather than stating that the analysis is particular. In this work, the following actions were taken to ensure high external validity: First, a lot of effort was devoted to the exact wording of the semi-structured questionnaire and the selection of interviewees. This includes phrasing the questions in such away that the interviewees could give answers of descriptive nature rather than giving direct answers such as yes or no. Second, the language (and writing format) used in the questionnaire, was chosen to fit the interviewees' frame of reference. Third, during the interview, the interviewer was particularly sensitive to the risk of transferring the language used by professionals within the domain of HRM and knowledge management. Fourth, the preliminary draft of the questionnaire was discussed with the thesis supervisor and the final version was found to be suitable for this study. Fifth, the final version of the questionnaire

was sent as e-mail attachment to interviewees prior to the interview and none of the interviewees expressed any misunderstanding of the questions. Finally, the interpretation of empirical data was furthered through reference to the literature on themes emerging from the interview. This was necessary for the validation of data interpretation and thus allowed for the emergence of a conceptual framework that reflected the interpretations of the findings.

3.6. Case background: Poro Bank

The history of the Poro Group dates back more than one hundred years. It started on 14 May 1902 with the establishment of Central Loan Fund for Cooperative Funds Limited. Presently, Poro Group comprises 229 independent member cooperative banks and the Group's statutory central institution, Poro Group Central Cooperative (Poro Group Corporate Responsibility Report 2007:1). Poro Bank Plc is the largest subsidiary of the Central Cooperative. Poro Group is Finland's largest financial services group. It is made up of independent member cooperative banks and the Group's central institution, Poro Group Central Cooperative with its subsidiaries and closely related companies, the largest of which is the listed company Poro Bank Plc (Poro Group Corporate Responsibility Report 2007:1). Poro Group offers a comprehensive range of banking, investment and insurance services for both private and corporate customers. Poro Group's guiding ideology is the cooperative movement. The Group has over four million customers in Finland; nearly a third of whom, or more than 1,200,000, is at the same time owner-members of the cooperative banks. The Poro Group also has operations in the Baltic countries with over 200,000 customers. Poro Group's mission is to promote the sustainable prosperity as well as well-being and security of its owner-members, customers and operating regions through its local presence (Poro Group Annual Report 2007:3). Poro Group has a payroll of over 12,000 employees. The Group's total assets at the end of 2007 stood at EUR 65.7 billion. The Group has a total of some 630 locations in Finland. Poro Group's business segments

are Banking and Investment Services, Life Insurance and Non-life Insurance (Poro Group Annual Report 2007:3). The Poro Group has a payroll of 12 400 employees. The member banks has a total payroll of 6 700 employees, Poro Group Central Cooperative Consolidated has 5 600 employees and the Poro Bank Group, which belongs to it, has a staff of 3 000 employees. In the year 2006, the average age of the Poro Group's personnel was 44.6 years. Women made up 76% of the personnel (Poro Group Annual Report 2007:3).

The regional branch of Poro Bank which is at the centre of this study has been in existence for the past 70 years, and has 100 employees and 21 departments. Majority of the employees hold specialist functions such asset management, mutual funds, stockbroking and securities custody, bonds management, security trading, corporate banking, property brokerage, and life insurance and non-life insurance risk assessors. The majority of the workforce has long years working experience with the average being 10 years working with the bank, and average age of employees being 41 years. At Poro Bank the HR Manager and the Area Manager are responsible for recruitment. The Poro Bank also serves as the regional headquarters catering for approximately 20 other bank located in the Pohjanmaa region.

As traditional long established bank, the organizational structure of Poro Bank is less hierarchical, in other words, the organizational structure of the Bank is rather flat and flexible with ample room for rapid change and facilitating more interaction between top management and lower level employees. The core values of the bank include human focus. This means a genuine concern for both internal and external customers. These values support customer service, management and interpersonal relationships among the staff. According to the HR Manager, the Area manager, and those employees interviewed, the management culture Poro Bank is traditionally ethical, responsible and shows respect for people. Thus, the human resource principles are intended to clarify and enhance human resources management as well as to maintain and strengthen a good corporate and

employer image. According to the HR Manager, responsible human resource management means allocating resources to long-term and sustainable to performance. This means bearing responsibility for the personnel both in good and more difficult times. And for employees, it means predictability, reliability, openness and job security. Poro Bank also works in close cooperation with external authorities, such as the Finnish Ministry of Finance and the Bank of Finland. Within the bank, the human resource department has the objective of ensuring equality as part of responsible human resources policy. The practical implementation of equality is monitored annually and the results are reported to management and the personnel. Within the bank, the objective of promoting equality is that employees are treated equally in areas such as professional development, career advancement, pay and rewards systems as well as in accommodating the demands of one's job and various life situations.

The purpose of this study was to examine the extent to which HRM practices facilitate and enhance knowledge sharing in an organisation. The research question aims to answer the extent to which HR practices facilitate and enhance knowledge sharing, how HRM practices impact on knowledge sharing at Poro Bank. Figure 1 was used as the framework of this study in analysing how HR practices facilitate knowledge sharing through the various socio-psychological determinants namely: social capital, social dilemma and social exchange as discussed in the literature review. The following section presents the findings of this study.

4. CASE STUDY FINDINGS

The purpose of this study was to examine the extent to which HR practices facilitate and enhance knowledge sharing in an organization. The research question of this study was: to what extent to HR practices facilitate knowledge sharing, and how do HR practices impact on knowledge sharing at Poro Bank? The discussion of the findings of this study is divided into two parts. The first part of the findings discusses factors outside the traditional HR practice domain identified as facilitating and enhancing knowledge sharing at Poro Bank. The second part of the findings discusses HR practices identified as having impact on knowledge sharing at Poro Bank.

4.1. Factors identified as facilitating and enhancing knowledge sharing

Besides factors identified within the traditional HR practice domain as having impact on knowledge sharing, a number of factors outside the context of traditional HR practices were found to facilitate and enhance knowledge sharing at Poro Bank. As organizations are made up of people and the culture within which they operate, a number of social mechanisms-shared language, weekly meetings, long-term employment, project teamwork, promoting equality and fairness at workplace, and organizational culture were found to facilitate and enhance knowledge sharing at Poro Bank. These will now be discussed in turn.

4.1.1. Shared language

In hiring a new employee at Poro Bank, various factors such as fluency in Finnish, English and Swedish language, interpersonal communication skills, ability to work in teams, analytical skills, ability to take own initiates, creativity and flexibility are taken into account. As pointed out by the HR Manager, 'the human resource strategy of the Bank is to

be known as the most preferred customer-service provider, partner and employer, hence, the flow of information between employees and customers is critical to the Bank'. In other words, Poro Bank considers knowledge sharing a top priority, and thus, placing important emphasis on the ability to communicate in Finnish and Swedish, and also be able to work in teams. The Bank believes that in order to achieve the human resource strategy of being the preferred customer-service provider; employees must be able to listen to customers and communicating with them in a language that they understand. In addition, the information gathered from customers in the form of complaints and suggestions have to be shared with other employees in the Bank in a language that they understand in order to deliver the desired service quality.

According to the HR Manager and the Area Manager, fluency in both verbal and written Finnish, Swedish and English is a must in order to be considered eligible for an interview and for a position at the bank. Fluency in Finnish, Swedish and English language is important because Poro Bank is located in a 'city' in Finland where Finnish and Swedish are commonly spoken. Furthermore, fluency in English language is required because of the diverse customer base made up of international students and foreign corporate customers.

Consequently, in order to deliver the strategy of being known as the sector's most preferred customer-service provider, partner and employer demands that first of all, employees should be able to communicate with each other. Second, employees should be able to communicate with customers and understand their needs. Thus, language skills play a critical role in the selection process. The question to be answered then is how the cognitive element of social capital, namely, shared language and codes, and shared narratives facilitate knowledge sharing at Poro Bank. As the Area Manager pointed out, 'all staff meetings are conducted in both Finnish and Swedish language. In addition, interaction with teams on a project, which also requires interaction with, and communicating with the customer, demands that employees are able to speak and understand both languages:

We have learnt a lot from each other in being able to speak and understand the same language. For example when we were developing a new marketing campaign and designing the theme that goes with launching our MasterCard, we spend hours together tossing out ideas and suggestions. The ability of us to be able to speak the same language and understand each other made it easy in putting our divergent unique ideas together and come up with a successful adverting theme that made our campaign successful (Marketing Manager).

As the HR Manager pointed out, 'one method by which Poro Bank employees share their knowledge with other employees in the organisation is through the series of face-to-face morning meetings which are held on specific days each week'. A front desk cashier commented:

The ability to communicate with my colleagues and take part in discussions at meetings and ask questions on a wide range of issues in a language I am comfortable in expressing myself has given me a broader understanding of the organisation and its objectives. I am also able to read and understand all information posted at the Bank's intranet site which then enhances my understanding of what is going on in the organisation (Front desk cashier).

Another front desk cashier pointed out:

On my first day at work, I was nervous with everything, for example when a customer came and asked for a copy of her account balance, I had no idea where to start from, but with the assistance of a colleague who was able to explain to me in a language we both understand very, I was able to learn which keys and commands to execute in extracting customers account balances (Front desk cashier).

It can thus be concluded that shared language has facilitated knowledge sharing at Poro Bank. The above findings are thus in line with Nahapiet and Ghoshal (1998), who asserted that the important facets of the cognitive cluster are shared language and codes, and shared narratives. Furthermore, according to Morris, Snell, Collins & Kang (2002), when interactions embody shared understandings, common language and codes, employees can enhance their intercommunication abilities, thereby providing more opportunities to share knowledge effectively. The importance of shared language has also been underlined by

Tsoukas and Vladimirou (2001). These authors mentioned that individuals' ability to draw distinction within a collectively generated domain of action is contingent upon the cultural tools they utilise with language being the most important one. In addition, Szulanski (1996), for example, found that one of the biggest obstacles to the transfer of best practices in organizations is due to poor relationships between the source and recipient of information, language has been cited as one of the barriers to knowledge sharing

4.1.2. Weekly meetings

The way in which work is organised at Poro Bank is team-based projects. According the HR Manager, the Bank has four teams, and each team is comprised of 5-15 members. Large teams are made up of 15 members, and for each team are appointed a team leader. The weekly meetings of the Bank are organised as follows: Monday morning each week are for team meetings. During these meetings, each team presents what is happening in their project and the difficulties and challenges that are being met and how they are dealing with those difficulties and challenges. From these discussions, the members of the team also learn from each other and feedbacks are given to guide them towards achieving the overall corporate objective.

On Tuesdays morning each week are held meetings for the whole office. It is mandatory for all employees to be present at this meeting. During this meeting, departmental heads present a review of the performance of their department for the previous week. Discussions are also held on how to improve customer-service quality and a suggestion for new ideas. The Tuesday meetings also serve as a forum for informal discussion where all employees are free to express their opinion on whatever issue is of great concern to them, and also for offering new ideas and suggestions for better ways of doing things.

Thursdays mornings each week are for divisional meeting. On this day, representatives from each of the four divisions of the Bank meet to make evaluation of how the division are

performing and discuss the resources needed in achieving the goals and objectives of the divisions. The Friday morning meetings each week are for team leaders. During this meeting, all the leaders of the 4 teams at the bank meet to discuss how their teams are performing and the progress of their project. The Area Manager pointed out the significance of these meetings:

> The weekly meetings are very important in our knowledge sharing process. We believe that having face-to-face dialogue with our employees gives them the opportunity to express themselves on whatever issue is of concern to them and for us also to know how we can support them in delivering on our promise to customers. This meeting facilitates the exchange of ideas and serves as a forum for team leaders to learn from each other. In fact, many new products have been developed as a result of ideas contributed by employees during these meetings (Area Manager).

A manager from asset management unit also pointed out:

> The face-to-face weekly meetings offer me the opportunity to look management in the eye and express my genuine concern about issues I am not happy about. It also provides me the opportunity to offer suggestions about better ways we can do things. Most often, management has implemented my suggestions and this has improved many of our business processes, for example, the time it takes to process a customer's loan application has been shortened, thus increasing efficiency in the bank (A manager from asset management unit).

Another employee from marketing unit pointed out how the project team leaders meeting have provided him the opportunity to learn bout other functional areas such as investment financing:

> Although I am not a number cruncher, the weekly project leaders meetings has given be a vast array of knowledge in other areas beyond my specialisation. For example, I am able to grasp the meaning and understanding of terminologies in Options Trading such as "short call" or "long put" associated with Options Trading (An employee from marketing unit).

As the HR Manager pointed out, the series of weekly meetings are the means by which Poro Bank reinforce the values and culture, and share stories concerning daily encounters with customers in order to gain deeper understand of their needs and serve them in a better way. 'The weekly face-to-face morning meetings provide us with the opportunity to stress on the Bank's values and what we stand for to all employees' (HR Manager). As one manager pointed out, one product of this weekly meeting where knowledge is shared is the developing of online banking services for special interest groups such as senior citizens and people with impaired vision and mobility. This has happened because of the stories shared by some employees at these weekly meetings when they tried to help seniors and visually impaired customers. This manager went on to say:

> Today, we (the Bank) are able to offer online services suitable for special groups, and among this, the text version of the internet service and the Accessibility Service. This is all due to our ability to exchange information with each other, and management's determination to listen and provide all the needed support (A manager from customer service unit.)

It is therefore evident from the above discussions that the existence of shared language (Finnish and Swedish) at the Bank, and other forms of symbolic communication such as stories and personal experiences of daily encounters with customers which are discussed during these weekly meetings is vital not only for efficient knowledge sharing, but also for establishing strong interpersonal relationships. Furthermore, the furthering of the Bank's corporate objective of being known as the sector's most preferred customer-service provider, partner and employer, which is the focus of the weekly meeting also facilitates knowledge sharing and integration among individuals and teams. In striving to be known as the sector's most preferred customer-service provider, partner and employer, Poro Bank exercises great care in hiring to bring the right people on board leads naturally to another important staffing practice: socialisation. Socialisation represents the process the Bank uses to expose new employees to the Bank's culture and way of doing things. As would be recalled from the social capital theory, the relational dimension focuses on the content of

social relationships, that is, it describes the kind of relationship individuals or groups of individuals have developed with each other through history or social interactions.

It can therefore be concluded that the various meetings held each week becomes a ritual, which exposes new employees to the Bank's culture, and also helps in shaping employees attitudes and reinforces the kind of behaviour that is expected from them. As the Area Manager pointed out, 'the practice of having weekly meetings facilitated the creation of social ties among employees. It also resulted in creating a culture of group identity and provides a purposeful meaning to employees' actions'. This assertion is in line with Tsai and Ghoshal (1998:467), who suggested that organizational members who share a vision will be more likely to become partners sharing or exchanging their resources. The frequent interaction through the series of morning weekly meetings thus provided opportunity for employees to get to know each other and develop trusting relationships. Trust and trustworthiness are important element of the relational dimension of social capital. According to Mayer, Davis and Schoorman (1995), the existence of high trust in a relationship produces certain outcomes such as cooperation, and sensitive information exchange. In addition, research on organisational trust provides evidence that trusting working relationships are characterised by greater knowledge sharing as individuals are more willing not only to give useful knowledge but also to listen and absorb others' ideas and knowledge (Andrews & Delahaye 2000).

4.1.3. Long-term employment

Long-term employment is a common practice to keep core (experts) at Poro Bank. As the HR Manager pointed out:

> Offering long-term employment contract is a way of enabling employees to accumulating tacit knowledge through learning-by-doing and coaching which places the Bank in a better competitive position in the future (HR Manager).

As transpired from the interview, majority of the employees are highly experience with an average period of 10-15 years working experience, and an average age of 41 years. According the HR Manager and the Area Manager, Poro Bank appreciates and encourages long-term employment in many ways, seeing it as one of the success factors contributing significantly to customer satisfaction. Experts formed 50 per cent of the total workforce, and with an employment period of over 15 years. The HR Manager pointed out that the retirement of the baby boomers has begun to affect the Poro Group's personnel, particularly in the member banks, hence, the strategic need to be proactive to changes in the workforce by offering long-term employment contracts to new employees in order to balance the workforce. The need for adopting a long-term employment is spelt out by the Area as follows:

> When we consider the fact that management of financial services and customer-service management requires unique skills and accumulation of experience resulting from knowing customers and the various product of the bank, developing a strategy in recruiting, training, and retaining employees for the long-term is crucial. We must recognize the long-term employment system as being one of the essential elements creating the unique features of knowledge sharing (Area Manager).

The long-term employment contract strategic approach adopted by Poro Bank, thus, highlights the importance of the social capital perspective in knowledge sharing. As would be recalled from the literature, the first component of organizational social capital is the social dimension. This means the ability and willingness of employees to subordinate individual goals and related actions in achieving collective goals and actions. As one manager pointed out, 'working with the bank for the past ten years with the same colleagues has created strong bond and a trusting relationship'. Another manager pointed out that because he has worked with the same colleagues for the past 12 years on various projects, he is aware of other colleague's unique expertise and hence, whenever there is a problem, he knows who to call on for help. 'We respect each other and are very much aware of each others' expertise, and identifying who knows what help us to do things faster rather than reinventing the wheel' (A manager from the bonds unit).

As the HR Manager pointed out, adopting the practice of long-term employment has enabled experts and all employees to bond with each other and develop strong social ties which in turn helped in building trust and group cohesion throughout the organization. According to the Area Manager, the retention of workers with valuable knowledge is one key element of Poro Bank's knowledge management strategy as it enhances employees' willingness to share their knowledge with colleagues. According to a manager from the assets management unit, and another manager from non-life insurance unit, because of the long years of working together, they, or other employees do not see each other as competitors, but rather as colleagues working together to achieve the same organizational objective of being the sector's customer-service provider, partner and employer. When we think of knowledge management initiatives, which flow from the personal and tacit nature of the Bank's knowledge base, it is evident then that the extent to which workers remain in the employment of Poro Bank has impacted on knowledge sharing behaviours.

From a wider institutional perspective, long-term employment is embedded in the Finnish social and legal system. For example, if an employee at Poro Bank were to change his or her employment, he or she may face the possibility of some financial loss in terms of the company-based pension and large retirement payment, which are both positively linked to the number of years one spends in the company. According to the HR Manager and another manager from the bonds unit, the experts of the bank are generally regarded as 'colleagues' that work together under permanent relations until retirement age to attain the organizational objectives. One trading unit manager commented:

> Throughout our service with the Bank, we the experts form a network of friendly relations in various forms with many other members of the same bank, builds up information network, and accumulate knowledge on in-house situations and history which we then share with new employee who work under us as protégés (Trading unit manager).

The long-term employment practice at Poro Bank therefore provides a setting for sharing knowledge in two ways. First, the employees have stable positions, so they have the

opportunity to get to know each other gradually over a long period of time. There is thus a working relationship of about ten to twenty-five years among the core employees. Second, Poro Bank employees are identified as belonging to the same bank, and are, in turn, expected to display the same attitude and conduct towards external institutions and customers. Consequently, both job security and identification with the bank has created an environment in which knowledge sharing becomes easier.

The effect of long-term employment and its enhancement of knowledge sharing from the above analysis are thus in line with Leana and Van Buren III (1999:544) who stated that strong and stable relationship is one way to build and maintain organizational social capital. Furthermore, these authors suggest that organizations wishing to enhance their store of social capital can do so through employment practices that promotes stability among members and flexibility in how employees are deployed within these stable relationships. It is further suggested that because organizational social capital is built over time but can be destroyed quickly by such trust-breaking behaviour as contract violation, a long-term rather than short-term orientation in employment relationships is more important. The practice of implementing long-term employment by Poro Bank has therefore provided the benefit of allowing employees to share the same experiences repeatedly. Hence, it becomes easier to spread tacit knowledge embedded in these shared experiences within a casual and family-like atmosphere. For instance, most members at Poro Bank are familiar with the historical events that are experienced by the Bank.

4.1.4. Project team work

At Poro Bank teams are created to work on a particular project, and each project is associated with collective responsibility which requires knowledge sharing. Knowledge is shared continuously not merely within project teams, but very much across all divisions in Poro Bank. As a project team leader from non-life insurance unit commented:

During the ritual project team meetings on Mondays, team members from various projects meet to discuss and exchange ideas and opinions about the progress of the project, and collect feedback from management on our performance (Project team leader)

Another team leader from assets management pointed out, 'these meetings are fantastic and they provide opportunities for us to interact and openly exchange information which otherwise would have been difficult to obtain through any other means other than face-to-face interaction'. As mentioned earlier, there are four project teams at Poro Bank and each team is composed of from a minimum of 5 people to a maximum of 15 people depending on the nature of the project. In addition, according to the HR Manager and the Area Manager, membership of a particular project is not static, but rather dynamic, and changes from time to time. Rotation of people on various projects thus offers employees the opportunity to accumulate variety of skills. For example, the Area Manager mentioned that he has previously worked in asset management and marketing and sales, and has been involved in project teams in those areas, but presently, he is involved in Non-Life Insurance projects.

A manager from non-life insurance unit pointed out, 'working on these projects with other colleagues who are experts in these fields has enabled me to broaden my knowledge in other areas'. Another manager from trading unit pointed out, 'since some of the team projects take longer period to complete and involves problem-solving, it provides an opportunity for us to bond together and exchange ideas'. In addition, the Area Manager commented, 'management of the Bank believes that synergy in team effort results in savings in cost associated with information sharing, for example the time it takes to establish social relationships'. At Poro Bank, project team members learn not only from each other, but also from other project teams, customers and from past mistakes. This takes place in the context whereby the teams are continuously supported and pushed by senior management to imagine the future and pursue the vision and mission statement of the Bank. A manager from marketing unit commented:

At the various weekly morning meetings, management repeatedly remind us that our divisional goals are directly aligned to that of the company as a whole; and as such this constant reminder reshapes our behaviour and increases our willingness to collaborate on projects and exchange information (Manager from marketing unit).

According to a manager from the bonds unit, on each project, the part that an individual is assigned, and the contributions made to that project is documented and team leaders keep record of each member's contribution to the project, and at project meetings, individual and team performance as a whole are discussed and feedback provided. 'We make it a point that each member on a project team felt responsible for the success, or failure of the project. This attitude thus compels everyone to be fully identified with the team' (Trading unit manager). A manager from non-life insurance pointed out, 'the project team meetings have provided us the forum for communicating, interacting, exchanging information and identifying with colleagues from other functional divisions thus creating a feeling of personal responsibility'(Non-life insurance manager). Another manager from assets management commented:

The frequent face-to-face interaction on team projects enables us to know each other at personal level and develop a trusting relationship which makes it easier for us to be more willing to communicate and accept each others ideas and opinions with credibility'.

According to the HR Manager, team leaders for each project are chosen by management, hence, the influence of the team leaders is extremely powerful in knowledge sharing, considering the fact that the traditional task of the leader is to focus and co-ordinate the different viewpoints found within the work team. As one manager from the non-life insurance unit who is also a team leader put it:

Team leaders have to set real example for other members in the team to follow by communicating, collaborating, as well as openly sharing their information, and putting themselves in the position of others, providing feedbacks and showing those attitudes and behaviours associated with achieving the task of the team'. Thus, the working practice of the Bank is to design around work teams in order to achieve the desired business and corporate objectives (Non-life insurance manager).

It therefore follows logically that in selecting a team leader for a given project, management is likely to select someone who exhibits the values, norms and behaviours that management would like to see disseminated throughout the firm. The practice of team leaders keeping record of individuals' contributions on each project, and the fact that bonus payment are tied to success of the project team as a whole appears to solve the social dilemma problem of free-riding on others contribution, hence, the willingness of employees to identify with each other and share their knowledge.

One can therefore argue that the reasons why work at Poro Bank is structured a round project teams is to facilitate knowledge sharing. This is especially true bearing in mind the baby boomers generation are reaching their retiring age, and 50 percent of the Bank's specialist is from the baby boomers generation. Thus, the project teams can serve as a shared database in the sense that when team members come together to work on a given project, each individual brings to the project, specific unique skills, opinions and innovative ideas which are shared with other members on the team. The activities of the project team includes, planning the project, carrying out feasibility studies, determining the resources needed, deciding who does what, implementing the project, reviewing the project and giving feedbacks. All the stages in the team project implementation are therefore a learning process for all members on the project team, and thus serve as knowledge repository. This is because working in teams involves social interactions in the form of face-to-face meetings which includes activities such as taking minutes of the meetings, developing prototypes, drawing of blue prints, and planning marketing campaigns for new products or services. Since the project team members have gained vast knowledge and experience by working on a series of projects, some of which have resulted in failures from which they have learned, the project teams serves as a knowledge repository on which management and other people in the organisation draw on for solving problems and formulating new ideas. For example, as one manager from marketing unit pointed out:

The minutes of the previous meetings, or developed prototypes of marketing campaigns and blue prints serve as conversion of tacit knowledge into explicit knowledge from which other members of the Bank can learn when face with similar problems on new projects' (Manager from marketing unit).

The above findings are thus in line with Bonacich and Schneider (1992, as cited and Cabrera and Cabrera 2002:702) who discovered that, once group were shown to have a common identity, individuals began to share more information. Furthermore, tacit knowledge and implicit rules of conduct, which cannot be captured in documentary form in a report or a manual, are created in project teams, in in-house training, on-the-job training, coaching and job rotation, where groups handle specific problems. Thus, much of Poro Bank's work process is design around project teams so that employees can interact and share 'best practices' across the firm. This finding is in line with Kollock (1998) who stated that identifying with team members therefore, not only increases feelings of personal responsibility, but also impacts individuals' reputation, which are also powerful mechanism for social control. Again according to Van Lange, Liebrand, Messick and Wilke (1992:20, as cited in Cabrera and Cabrera 2002:701), 'group identity leads to feelings of we-ness and personal responsibility, which enhances self-restrain'. In addition, a study on public-good dilemma by Fleishman (1980, as cited in Cabrera and Cabrera 2002:701) revealed a positive relationship between feelings of responsibility and cooperativeness.

4.1.5. Promoting equality and fairness at the workplace

Poro Bank values its employees as a strategic asset so it has developed a comprehensive human resource policy to manage it. As the HR Manager pointed out:

Creating a working environment where employees feel they are treated fairly in all aspect of their relationship with the Bank is important in many ways. First, it makes them feel a sense of self-worth and therefore more motivated to give out their best. Second, it creates trust and improves relationship among employees and therefore reduces tensions in straggling for power and position. Finally, it

makes all employees to have the feeling that management cares about them, and will always provide them with the needed support in carrying out their duties.

'The evidence of how fairly we treat our employees is visible in areas such as the workforce structure, pay and reward system, and training and promotion systems' (Area Manager). As transpired from the interview, the workforce of Poro Bank is a very diverse mix in gender, age, and work experience very balance. A clear majority of the employees at the Group level is 76 per cent women, and at the regional branch of the Poro Bank studied, the distribution in both genders is about equal. According to Poro Group Corporate Responsibility Report (2007:13), women account for 90 percent of the salaried employees, 49 percent of the experts, 57 percent of the supervisors, and 18 percent of senior management. The proportion of women across all other branches including the branch studied follows the same pattern as at the Group level. According to the HR Manager of Poro Bank, permanent staffs form the largest category of employees (95%) and full time employees (96%), and the average age of employees is 41 years. Women made up 56 percent and men 44 percent. Poro Bank also cares about the well-being of its employees, and in doing so focuses on the work itself, workplace, leadership and the individual, depending on the circumstances and the need.

During the interview, three significant motivating factors for the majority of Poro Bank's employees came to light: job security, the feeling of being cared for, job satisfaction, and the opportunity for promotion to the highest possible rung on the career ladder. For example, in 2007, sickness absences accounted for 3.6 per cent of all work time in Poro Group and the amount of absence has increase (Poro Group Social Responsibility Report, 2007:14). As it came out from the interview, sharing of information is not partly dependent on one's potential to be a power-holder. As a manager from assets management pointed out, 'in this bank, there is a common consensus that people in the Bank do not view their knowledge as power which they can use for example, as a bargaining chip for promotion, or for increase in salaries'.

Furthermore, according to the HR Manager and the Area Manager, Poro Bank's employees' salary differences depends on possessing of special skills and expertise in a particular field for example, asset management, bonds and fund management, securities trading and so forth, hence, salary levels per se do not serve as a significant motivator to share, or not to share one's knowledge with others. As a manager from bonds unit put it:

> Salary differences do to not serve as a barrier to knowledge sharing because, employees themselves are aware of each others individual unique expertise in a particular field which has been acquired through long years of working experience. However, an individual's position is regarded as very important both within and outside the bank (Bonds unit manager).

Given the sensitivity towards social prestige and the associated job satisfaction and salary implications, internal competition between specialist employees at Poro Bank can be intense, the reason being that the selection of the branch managers, board members and the CEO are from among the experts. Although the HRM department of Poro Bank emphasizes fair treatment of all employees in order to suppress high competition, power struggle and greed, all of which can be damaging to group cohesiveness and knowledge sharing, the availability of the position of CEO to hundreds of male and female candidates does not lessen the tension. In order to reduce this tension, management of Poro Bank tends to create internal positions for specialist workers, such as those of assistant manager, deputy manager and sub-manager, around a single managerial position in order to reduce this tension. The internal promotion system enables employees to play their cards as effectively as possible despite efforts by the bank to reduce competition through managerial redundancies.

According to the Area Manager, when there is a vacant managerial position, the opportunity to fill this position is first offered to all employees within the Bank, and to be fair to all applicants for the position, the interview and selection process is handled by an external consultant. The outside consultant conducts the interview and the necessary psychological test to determine the appropriate candidate for the position, and select the

candidate they think is most qualified for the position and hand over their decision to the HR Manager and the Area Manager. The HR Manager and the Area Manager then discusses with the outside consultant, the bases for making their decision in selecting the final candidate for the position. When all the process is completed, the HR Manager and the Area Manager then call all the candidates who apply for the vacant position to a meeting and present to them the final decisions on the selected person. At this meeting, is explained to all the candidates, the factors that the outside consultant has considered in making the selection decision, and the reasons why the candidate chosen is the one best suitable for the position. Since all the internal employees have been given the opportunity to apply for the position and the selection process has been handled by an outside consultant, and all the applicants have gone through the same rigorous test, those who are not successful feel satisfied that they have been given a fair shot. As a manager from trading unit commented:

> I believe the way the internal promotion for a senior-level position is handled by management is very fair. It signals to us, what the bank values, and what type of behaviours is expected from us in order to aspire to a high position. It also encourages us to share with our colleagues what we know in achieving corporate goals (Trading unit manager).

Another manager from non-life insurance commented, the practice of treating all employees equitably establishes an environment of trust between management and employees. 'It makes us have the feeling and satisfaction that management values our inputs and rewards us for contribution to the success of the Bank'. Furthermore, another manager from bonds unit pointed out:

> There is a good feeling of working at this place, management is fair in rewarding and promotion and hence, we are more motivated to exchange information with our colleagues in achieving team and corporate objectives rather than pursuing our individual interest (Bonds unit manager).

When we examine the practice of how Poro Bank treats its employees equitably, it can be realized that the fair treatment of employees minimizes the social dilemma problem

associated with knowledge sharing. This is because employees of the Bank feel that they are cared for, and management is open in its communication with them. This therefore corroborated with the findings of a study on organizational citizenship behaviour (OCB) by Moorman (1998) who stated that employees demonstrated more helping behaviour when they believe that outcomes such as pay and promotions were distributed fairly and when they thought the procedure used to determine these outcomes were just.

4.1.6. The important role of trust

The knowledge sharing process at the regional branch of Poro Bank was also facilitated by the formation of trust among employees at various levels. The emotional bonding among employees at Poro Bank is quite strong, given the emphasis placed on open commitment so that employees entertain shared principle of equality and meeting mutual expectations of informal obligations such as working overtime during weekends, or taking extra work home. As the Area Manager put it:

> The trust building process at this Bank is facilitated by the constant exchange of knowledge and information through the frequent and intense face-to-face weekly meetings, and with management giving mutual assurance and 'walking the talk'. This means that we do not only tell employees what they must do to achieve the organizational objective of being the sector's best customer-service provider, partner and employer, but we do set ourselves as example for other employees to emulate through our own behaviours by saying what we mean, and doing what we say (Area Manager).

Furthermore, the Area Manager added it is important to build trust if one wants to do well in Banking. 'The survival of our business is dependent on customers' willingness to keep their money with us, and the belief in our bank and employees to manage their money in a profitable manner' (Area Manager). As another manager from assets management pointed out:

> The high level face-to-face meetings which spans over fours days each week, and the process of socialisation through project teamwork and other informal interactions processes such as having

coffee together during coffee breaks, having sauna together, celebration of special events, and participating in sports activities subsidised by the Bank has reinforced relationship of trust and confidence between management and employees (Manager from asset management unit).

As most tasks at Poro Banks is designed around project teams involving a group of five to fifteen people as a team, periodic face-to-face contact is thus necessary to maintain a satisfactory level of confidence and trust to sustain team working and relational proximity. As the HR Manager pointed out, 'a new employee who joint the Bank learn-by-doing, which means that most of the knowledge transferred to new employees is of tacit nature'. In a sense, the transfer of know-how requires the process of show-how. According to the HR Manager, when Poro Bank recruits a new employee, he or she start to learn by someone standing behind and showing for example, which command on the computer keyboard to execute in order to produce a customer account balances. Thus the formation of trust among employees at Poro Bank is very important, and it is based on a very personal one-to-one relationship. The face-to-face demonstration and the social interaction involved in this process have thus enabled the sharing of skills and establishment of mutual understanding and trust. In addition, the richness of the face-to-face contacts and the communication of the Bank's values, goals, and accepted ways of doing things which are partly learn-by-doing have helped in building trust and reshaping new employees behaviour.

Consequently, according to the HR Manager, people management skills at the Bank with regard to day-to-day operations were largely considered unnecessary as employees are trusted to organise and manage themselves. It can therefore be suggested that organisational social capital, with emphasis on teamwork and reliance on generalised trust, rather than formal monitoring has facilitated the formation of trust among employees and the adoption of knowledge sharing behaviours. For example, every employee at Poro Bank involved in a project team is expected to work according to the timescales jointly agreed by the team leader and the client. The shared culture expectations and beliefs about the behaviour actions exhibited by managers, experts, team leaders, and supervisors have thus provided the basis on which relationship of trust and mutual understanding has developed.

Furthermore, as the HR Manager pointed out, every employee of the Bank has the opportunity to be selected as member on inter-disciplinary project team and as a result, employees are willing and able to share their knowledge with others during project team working. For example, as a manager from marketing unit pointed out:

> Project team working has resulted in the creation of new knowledge or application of existing knowledge in new ways. 'In return, we enjoy a high informal, egalitarian working environment in which we are afforded empowerment, trust and ample resources both tangible (financial) and intangible (time), to facilitate knowledge creation (Manager from marketing).

The felt trust that is inherent in the Bank's social capital has therefore made employees feel safe in taking risks on the organisation's behalf. The long-term employment practice (job security and stable employee-employer relationship) approach adopted by Poro Bank can thus be seen as a mechanism for building relational trust, which is also an important factor in building organisational social capital necessary for knowledge creation and dissemination. Many researchers have noted the important role of relational trust in both facilitating exchange among parties and, as noted above, encouraging flexibility and risk taking. Through mechanisms such as these, social capital is thus seen as an important component that encourages risk taking through trusting relations and as well as enhances knowledge sharing in Poro Bank.

4.1.7. Significance of organizational culture

The HR Manager and those interviewed describe the culture of Poro Bank as "talking culture" meaning everyone is encourage to communicate freely without fear. The Bank's culture is described as very flat and flexible. This means there is no barrier between top management and lower level employees in interacting and communicating. There is frequent flow of information between top management and lower level employees, and

lower level employees can approach top management for information anytime. According to the HR Manager and those employees interviewed, there is no power distance between top management and lower level employees. Furthermore, there are no visible status symbols at Poro Bank as employees address each other by their first names regardless of their age or position.

As one manager pointed out 'both senior management and lower level employees share the same coffee room and interact freely with each other and crack jokes'. 'It is fun to find someone there in the coffee room to discuss sports or the cover girl on a magazine with just to take your mind off the normal business stuff for a while'(A manager in assets management). The notion of egalitarianism at Poro Bank implies a flat organizational structure, consisting of the Managing Director and the Area Manager overseeing the rest of the workforce. According to Youndt and Snell (2004:341), in its purist form, an egalitarian organization is a classless organization with minimal power distances between employees. The fact that there is no status symbol at Poro Bank and all class of employees sit around the same coffee table facilitates informal discussions which also enhances exchange of ideas as employees feel more comfortable talking in this informal environment.

According to those interviewed, employees are also empowered to make discretionary judgment in decision-making in matters they think is in the best interest of the Bank when dealing with customers without necessarily seeking pre-approval from their superiors. The majority of the decision-making process within Poro Bank involves significant number of experts and team leaders, as well as management. Management of Poro Bank communicates frequently with employees at the various face-to-face weekly meetings, and through e-mails and the Intranet regarding current projects and potential future projects. Concerning how flat is the organizational structure of Poro Bank, the Area Manager pointed out:

> There is only one level of hierarchy in the organizational structure separating the Managing Director and the other employees. This mean that management is very close to employees on the banking floor, and is constantly listening to, and updated with information that helps in providing better customer-service (Area Manager).

Another manager from customer service unit commented, 'because of the flat organizational structure, we are able to gain speedy access to information from front desk cashiers who interact directly daily with customers'. A casher-desk staff also pointed out, 'we are able to go to management directly and lay before them, customer complaints and suggestions'. This kind of flat organizational structure therefore facilitates fast flow of information throughout the Bank and thus, enables management to adopt proactive approach to managing customer service thereby helping the bank to deliver on its promise of being the sector's customer-service provider, partner and employer.

Furthermore, evidence from the interview revealed that the official boundary between departments at the bank is very weak, partly because all employees are assigned both individual and team-projects. According to the HR Manager, when starting a new project, individuals are selected from different departments to work as a team. This practice therefore eliminates the tendency whereby departmental managers and employees focus solely on their own department goals rather than embracing the whole organizational goal. The low departmental barriers therefore prevent employees from displaying radical behaviours that do not conform to expected code of conduct, hence, facilitating knowledge sharing across departments. Because in the formation of a project teams, employees are drawn from different departments, employees get to understand the importance of each other's role in accomplishing the goals of the project. For example, an accounting person who is conscious about cutting costs may now understand why marketing or sales people need more money to be spent on advertising in order to bring in more customers.

As stated earlier, Poro Bank has the policy of recruiting and keeping employees for the long-term. As the HR Manager pointed out, 'the reason why we are successful in keeping

our experts is fundamentally because of the working environment that is offered to them'. The employees interviewed, also view their jobs as quite challenging, interesting and meaningful; and the organizational environment and team spirit as a contributing factor in the performance of their duties. 'We feel that we are offered equal opportunity to learn different skills due to the system of selecting individuals to work as a team on projects' (A manager from assets management unit). Another manager from bonds unit commented, 'the fact that we can be rotated around different projects in our entire life carrier in different departments offers the opportunity to accumulate variety of skills'. Furthermore, according to Poro Bank Plc Annual Review (2007:16), a group-wide survey shows that job satisfaction is quite at a high level: employees feel that the work they do is challenging, interesting and meaningful; and the organizational climate and team spirit contribute to the successful performance in expert duties. Moreover, supervisors empower employees in daily work, trust them, treat them fairly and support workplace renewal.

In addition, according to the HR Manager and those interviewed, at the various face-to face weekly meetings, the Poro Bank's profitability, turnover and competitive position in comparison to other banks is carefully monitored and communicated to every employee on regular basis. 'Every employee within the Bank is kept well-informed about new developments, and communication between top management and lower level employees could be described as a two-way traffic' (Area Manager). Major project proposed either by management or by experts and team leaders is discussed during the whole staff meetings and team leaders meetings. It is further noted that important personnel of management are also active team leaders, contributing significantly to project teams working on various projects, and are all considered to be active members as well as management, thus reinforcing the notion of egalitarianism. According to the Area Manager, the workforce at Poro Bank is organized across divisions according to their particular expertise, and there are no hierarchical levels within, or across divisions. At the time of interview, four divisions existed, and personnel are drawn across divisions to work as a team on projects depending on the clients requirements.

Drawing back on the literature on knowledge management, there is a growing consensus among researchers that building social capital requires a collaborative organizational environment in which knowledge and information can flow freely. However, there are natural barriers to knowledge exchange, most of which centre around power relationships. Szulansld (1996), for example, found that one of the biggest obstacles to the transfer of best practices in organizations is due to poor relationships between the source and recipient of information. Breaking down these vertical (i.e., hierarchical) and horizontal (i.e., cross-functional) barriers requires the cultivation of an open and trusting culture.

According to Youndt and Snell (2004:341), while no organization can truly function in a purely classless manner, numerous HR activities may help move organizations in this direction, and asserted that such HR activities broadly fall into five categories: eliminating status symbols, creating flatter organizations, minimizing job classifications, empowering employees, and utilizing flat pay structures. According to these authors, status symbols such as executive dining rooms, reserved parking spaces, and corner offices are deemed to create physical barriers to communication as well as social subdivisions. Thus the flat organizational structure of Poro Bank can be considered to contribute significantly to the process of knowledge sharing and the management of knowledge workers.

Consequently, eliminating status symbols within Poro Bank has facilitated cross-level interactions between employees in different divisions of the Bank. In a like manner, many hierarchical levels in the organisational structure can also foster an environment of great power distances which create communication barriers. Therefore, the flat organizational structure of Poro Bank (i.e., one with fewer levels of hierarchy) has increased the organization's capacity to quickly share and leverage knowledge. The minimization of job classifications which is facilitated through job rotation sometimes referred to as broad-banding has also created a more egalitarian environment where employees at Poro Bank move about and communicate much more freely. Additionally, by giving employees autonomy and decision-making authority, the Bank has increased employee involvement in

all activities which, in turn, has led to a greater willingness to share and transfer knowledge and information. Furthermore, McGill and Slocum (1994) argue that work structures in knowledge-based organizations need to be characterized by permeability and network intimacy. That is, the lines between functional departments, between employees and customers, and between the company and its vendors need to be blurred (permeability), and employees need to be kept close together and close to key business processes (network intimacy). Thus, perhaps, some of the best ways Poro Bank has bring permeability and network intimacy to life is through organizing work around project teams, especially, cross-functional and joint employee- customer problem-solving ones. In addition, Poro Bank has developed the capacity for teamwork and collaboration, among its employees by reorienting staffing criteria to focus more on interpersonal skills, and complement this with team training and other cross-functional interactions that facilitate broader knowledge networks. Furthermore, performance feedback from managers, customers, team leaders, and even subordinates at the various face-to-face weekly meetings has facilitated knowledge sharing.

4.2. HR practices identified as impacting on knowledge sharing

The second research question of this study was how do HR practices impact on knowledge sharing at Poro Bank? Apart from the factors mentioned in the preceding section as facilitating and enhancing knowledge sharing, a number of HR practices namely: in-house training, fair promotion and compensation system and job rotation were identified as having impact on knowledge sharing at Poro Bank. These will now be discussed in turn.

4.2.1. In-house training

Training is defined as "attempts to develop any combination of physical and cognitive skills in order to achieve new or more effective ways of behaving" (Taylor 1989:143). According the HR Manager, Poro Bank has its own standard in-house training programme, and there is a trainer who is solely responsible for training new and old employees. Training covers various topics including the development of technical skills as well as the managerial skills of planning, decision-making, and control. Training also covers the need for organisational development, team building, and how to manage conflicts. According to the HR Manager, all new employees for generalist position undergo formal classroom training for a period of two weeks.

As the HR Manager pointed out, 'when new employees join Poro Bank, the opportunity through which they get to know each other is first, through the collective in-house training programme, and second, through the on-the-job training'. After the new employees completed their two weeks formal classroom training, they are now assigned to the cashier desk where they start their career as cahier, deposit operator, loan section clerk, or customer clerk. According to the HR Manager, the second stage of training, the new employee is learning-by-doing. This means new employees who join Poro Bank are supervised by senior tutors who have joined the bank a few years before them and their own bosses. 'Learning-by-doing training process gives me the opportunity to acquire general knowledge about Poro Bank's operating activities, its customers and organisational culture' (Cashier desk employee). Poro Bank has its own distinct culture as the HR Manager describes as 'open and talking culture'. This means people are open to new ideas and are willing to communicate and exchange ideas in order to provide better customer-service. The supervisors who train new employees on-the-job are themselves trained in accordance with Poro Bank's way of doing things, and so by training new employees on-the-job, they pass on the Bank's norms of conduct in how to interact both with fellow employees and external customers. As a manager from asset management pointed out:

I can recalled on my first day at the cahier desk, I was nervous looking at all those customer and had no clue about what to do, but thank God, with a supervisor standing on my shoulder, and showing me which keys to press and which menus to open on the computer screen in order to achieve a desired result, I was able to learn quickly'. It takes a great deal to remember all those commands and menus, so after work every night on bed, I will try to play back all the transaction I have executed and in that way, I store everything in my memory (A manager from asset management).

As commented by the Area Manager and the HR Manager, management at Poro Bank believes that in this present turbulent business environment, the key to success rest on how well the Bank is able to proactively manage its human resources in order to create capacity for change management in work and operating procedures. The HR Manager pointed out:

We recognised the importance of knowledge sharing because of the large pool of experts who are part of the baby boomers generation who will be reaching the end of their service soon so in order to support management, cooperation and sharing of expertise of employees of different ages situation, various operating models, tools and training methods have been developed. One of our training models is the 'Good Age' programme aimed at helping employees of different ages work together, and bringing together experiences and fresh ideas (HR Manager).

According to the HR Manager, training of new employees has been reviewed and the focus of competency development has shifted to customer-driven sales training by coaching. Management has realised that much of what they do requires practiced-based knowledge therefore, new employees learn-by-doing. As the HR Manager pointed out, 'the way new employees learn in this organisation requires that someone has to stand behind the new employees and teach him or her, how things work, you have to learn-by-doing'. According to the HR Manager, more and more emphasis is being placed on the development of management by coaching and leadership skills.

The in-house training (Poro Academy) offers training related to both the business operations in the divisions and to workplace skills, management and leadership skills.

Besides training programmes designed for new starters, on 31 December 2007, Poro Bank Group launched new expert training programmes. The new one-year Expert Training Programme is aimed at new experts for Banking and Investment Services, while the Sales Manager Training Programme trains experts for Non-Life Insurance. As part of the human resource strategy, Poro Bank's objective is to develop personnel competence in the long-term. Through the new training programme called Poro Academy, employees are offered flexible training and development in their own workplaces and trough job rotation.

The Poro Academy is run by Poro Banks' own trainers and external training partners, and training materials are tailored to the needs of the Bank. The Poro Academy provides good opportunities for professional development. For example, the Academy offers Finance Diploma which is designed for new employees and the Further Qualification in Financing and Insurance for more experience employees. The Poro Academy also offers Sales Manager Diploma that is intended to enhance the work of sales managers and supervisors. In addition, an eMBA is tailored to the needs of Poro Group targeted at managers and experts. In addition to the above programmes, external courses, seminars and training programmes are also used in connection with various expert tasks. As a manager commented:

> I am very happy with the in-house training programme. I think we are all given the opportunity for advancing our carriers. I have learned so much in this programmes, for example, I have acquired leadership management skills which has I have applied in efficiently managing project teams. I think there is fairness in learning opportunities for all employees, and this helps to sustain employees' motivation and gives them the feelings that the Bank cares for their future career prospects by making available various types in-house training programmes for career development (A manager in the asset management unit).

As transpired from the interview, the human resource management department is concern about upgrading the skill levels of all employees, and not just some few privileged ones. As the Area Manager commented:

> The favourable informal environment that in-house training creates enables employees to provide updated information concerning other employee's tasks, provides a forum for acquiring common-sense in Poro Bank's operational activities, facilitates the elimination of departmental biases and provides opportunity for acquisition of job-related information (Area Manager).

Within Poro Bank, according to all those interviewed, employees have to freedom to decide for themselves, which courses they think is necessary to attend for self-development, and when they must do so. Although management is constantly monitoring employees' performance on the job, the Bank offers employees the flexibility to decide for themselves, which course they think they need to attend. The flexible approach to training and development thus illustrates management's active encouragement and support for continuous professional development of employees. As a manager pointed out, 'through the in-house training programme, employees are able to make knowledge contribution by effectively using the Bank's knowledge sharing tools such as E-mail, Intranet, Database and other information sharing systems'. 'We as managers are courage to talk openly and to express their ideas and opinions and to cultivate the attitude of listening to, and be supportive of employee ideas and suggestions for better ways of doing things' (Customer service manager). As another manager from marketing and sales pointed out:

> As a result of the training given in how to share and use other people's information, employees have recognised the value of individual contribution and exchange of quality information which helps in developing and delivering better customer-service, that creates satisfied loyal customers, which in turn transcend into good financial performance and hence, large bonuses at the end of the year (Manager from marketing unit).

Apart from training employees in how to work in teams, share ideas and accommodate individual difference for the common purpose of providing high quality customer-service, employees are also trained in how to use information communication technology (ICT) in knowledge sharing. The Poro Bank's in-house training programme teaches employees how to prepare PowerPoint presentations, and how to make presentations to wider audiences.

Employees are also trained in how to use E-mails, the Intranet and the Internet. According to the HR Manager, the Bank's Intranet system is where most of the Bank's internal information is posted so employees are trained in how to use it in sharing information. As a manager from customer service put it:

> Through the training programme in service quality, all employees become aware of the type of information that is most useful, and how to present this information so that it can be most useful to other employees, and as a result, employees have become aware that other people are using their suggestion, ideas and opinions (Customer service unit manager).

Employees are also thought how to effectively search for information from the Bank's database. In addition, employees are, thought how to store and retrieve data from the database and process them into meaningful information for managerial decision-making. For example, as a manager from marketing and sales pointed out, 'through the in-house training, we are able use the technique of data mining to drill down to specific information about a particular class of customers, for example, potential first-time home buyers and target them for home-loans'. According to the HR Manager, Poro Bank offers this kind of training to employees because, they know that if employee see that others are being trained in effective ways of using the knowledge-sharing system (e-mails, electronic memos, Intranet and Internet), they are more likely to believe that others will receive the information that they posted in the system, for example in e-mails and on the Intranet. Furthermore, according to the HR manager, the additional positive side of offering this kind of training is that it increases the likelihood that employees will use the Bank's database to look for ideas or information that may help them in performing their daily tasks.

The in-house training programme is also complemented with group discussions which are aimed at helping employees feel comfortable in communicating with each other, and get to know each other on a personal level. According to the HR Manager, another reason for building group discussions into the in-house training programme is to provide avenue for employees to identify with each other and for the group to develop trust and feel

comfortable in discussing corporate objectives so as to provide suggestions on how they should be supported by management in achieving the objectives.

As transpired from the interview, the reality is that all employees at the Poro Bank know that apart from the ritual face-to-face weekly meetings, the Intranet, e-mails and the Bank's database are the other alternative knowledge-sharing mechanism available to them. Thus, it can be recognised from the above analysis that the human resource management practice of training per se on its own does not eliminate the public goods dilemma associated with knowledge sharing, but when it is done in such a way that employees are aware that the contribution of their knowledge is helping others and the organisation's objective as a whole, and are supported by management in a positive way, employee self-efficacy is increased.

It can therefore be suggested that the in-house training has increased employees' perceived efficacy in knowledge sharing as they are trained in a programme that teaches how to make knowledge contributions and how to use the company's knowledge-sharing tools that could effectively increase knowledge sharing behaviours. For example, employees may not be aware that their contributions are useful to others, or they are not convinced that other employees will receive the information that they contribute unless they are made aware their contribution is valuable to others and to the organisation as a whole. The in-house face-to-face training has therefore provides an environment where employees feel comfortable in talking and having group discussions. The above analysis is therefore in agreement with Bouas and Komorita (1996), who suggested that the effect of face-to-face communication and the effects of other forms of communication- for example, written message only or computer mediated communication increases cooperation. Furthermore, according to Deutsch and Gerard (1955, as cited in Zeng and Chen 2003:595), normative influences generated from discussions- that is discussing the dilemma provides information on what choices others in the group say they are willing to make, thus establishing group norms and introducing conformity pressure in favour of collective choices. In addition,

according Messick and Brewer (1983, as cited Zeng and Chen 2003:595), trust is developed through discussions and interactions hence, talking about decisions may cause group members to believe that others are committed to making corporative choices, and enhanced trust, which in turn reduces the perceived risk involved in making cooperative choices oneself.

4.2.2. Fair compensation system

According to the HR Manager, the Poro Bank Group's business lines, that is Banking and Investment Services and Non-life Insurance operates a shared incentive scheme for the first time in 2007. According to the HR Manager, this scheme is made up of both long-term and short-term reward systems which covers majority of the employees. Compensation and reward consists of three parts in the Poro Group: (1) basic pay (2) short-term rewards, and (3) long-term rewards. The basic pay is determined by the challenging nature of the job and the level of educational qualifications and working experience. Short-term rewards, or a bonus system, are implemented to promote the achievement of sales and project objectives. According to Poro Bank Group Annual Review (2007:22), about 83 percent of the personnel received bonuses in 2007, amounting to EUR 25.4 million, or 5.5% of wages and salaries. Long-term rewards are based on the result made by the Bank as a whole. As transpired from the interview, it is important to note that there are predefined salary scales at each entry levels at Poro Bank which are open to negotiation depending on one's previous working experiences, especially in the case of specialists. According to the HR Manager, membership to a particular labour union also determines an employee's salary scale. For example, in Finland, the entry level salary scale for graduates with a Master's degree in Economics and Business Administration is determined by SEFE -The Finnish Association of Business School Graduates. SEFE attempts to influence the national social and income policies via AKAVA, the Confederation of Unions for Academic Professionals in Finland. SEFE also participates in bargaining and contract negotiations concerning

professional and managerial staff. Thus, the Finnish bargaining tradition covers personnel groups up to managerial positions, especially in the public sector.

> In order to promote information sharing and enhance employee commitment and motivation, we implement the strategy of long-term incentive scheme based on Personnel Fund aimed at contributing to achieving the Group's key strategic business goals and motivating employees and strengthening team spirit' (Area Manager).

The Personnel Fund and an equity bonus system for management are used to promote sustained growth, long-term top performance and personnel commitment. According the HR Manager, majority of management personnel are members of the Fund, and the Fund's indicators common to employees are measured on strategic goals. The goals set for the short-term incentive schemes are measured on target driven annual plans. For example as the Area Manager mentioned in the interview, 'we have several marketing campaign that we conducted during the year, and during this campaigns, each division sets its strategic goals in monetary terms which are then executed as a team-projects'. Another manager from non-life insurance unit commented, 'in order to facilitate knowledge sharing and strong commitment at all levels, corporate strategic goals are broken down to team levels and resources are deployed to support teams in achieving these goals'.

According to the HR Manager, Poro Bank have two rewards systems: individual reward system and team-based reward system. This means that first, employees of the Bank have an individual salary which is determined by their professional qualification, working experience, and position; and second, employees have a salary which is based on the performance of the team to which they belong in executing a given project. The focus on personal performance and an employee's evaluation is based on individual performance. However, the Markets and Asset Management division implement specific schemes designed to be in line with these divisions' own way of doing things that support the achievement of goals. As the HR Manager put it:

We implement the two-tier reward system in order to be fair to all employees, given the fact that each employee bring to the Bank different skills, education qualification, working experience and expertise. 'The team-based reward system is designed to shape employees behaviour in achieving the goals of the Bank, and at the same time, make employees aware of the type of behaviour that is acceptable in the organization (HR Manager).

By recognising that compensation and rewards systems influence employees willingness to share what they know and collaborate with other in achieving the Bank's objective of being the sector's customer-service provider, partner and employer, Poro Bank has implemented a two-tier compensation and reward system that reduces the social dilemma problem associated with knowledge sharing. As mentioned earlier, Poro Bank implements a long-term employment contract system and individuals and teams that have invested significant resources in building up specific competencies may not be willing to share their knowledge unless they are provided with the right incentives for doing so. They expect a fair, if not high, return on their investment of time and knowledge. Hence, unless knowledge-sharing is built into individuals' expectations and is reflected in reward systems, knowledge sharing is not likely to take place. Thus it appears that compensation and reward system of Poro Bank is structured in such a way that it promotes knowledge sharing, even though management is not consciously aware that this is the reason why employees do not view their individual knowledge as power, or as a bargaining tool in negotiating for salary increases, or for promotion as it emerged in the interview.

Each of the human resource management initiatives identified in the study as discussed in this thesis has increased the capacity and opportunity for knowledge exchange and combination, but does not guarantee the motivation to do so. Hence, major changes in incentives and culture is required to motivate knowledge exchange. In many organizations, sharing knowledge diminishes an individual's power base; therefore, strong incentives need to be put in place to bring about collective exchange. According to Youndt and Snell (2004:342), even in the best of circumstances, a "market for knowledge" exists and there are cost-benefit trade-offs in any person's decision to participate in that market. Thus the

group incentives schemes such as team-based reward, profit sharing, and gain-sharing systems implemented by Poro Bank has helped ensure that employees interact and exchange ideas with others as their compensation is tied to individual contributions to the project team, and the performance project team as a whole.

The above analysis, viewed from the perspective of social dilemma associated with knowledge sharing is therefore in line with Lawler (2000), who asserted that one potential intervention to increase the value of the collective gain would be to combine knowledge-sharing programme with gain-sharing or profit sharing plan in which every individual receives a bonus based on the success of the knowledge sharing programme. The reward scheme implemented by Poro Bank motivated employees to contribute their knowledge because they realised they will receive bonuses if the project is successful.

Furthermore, team members share information on projects because they value the collective gain accruing from the project- that is the higher collective gain, the higher employee's bonus. Thus Poro Bank's reward system depends on the combined efforts of the individual and the other members on a project team with whom one exchanges knowledge. Given that the employee's contribution should benefit the potential of the project team members, this contribution should also increase the potential value of the gain-sharing bonus the employee will receive. Thus the success of the project team which is a reflection of a successful project implementation, which then translates into sales revenue, profits, and hence, shared bonuses, could be judged as the outcome of a successful knowledge-sharing.

4.2.3. Job rotation

 According the HR Manager, Poro Bank has introduced job rotation as a training practice that facilitate the accumulation of new knowledge, hence, all new employees start their career at the Bank as a cashier, deposit operator, loan section clerk or customer section clerk. And as they progress with their experience on the job, they are then moved across

divisions within the bank under the instruction of the HRM department. As the HR and the Area Manager pointed put it:

> Job rotation provides the opportunity for employees to work with others across various functions in the bank and keep the information network alive. Assigning employees to different tasks and projects proves the opportunity to acquire variety of skills so that in case someone is sick, or is on holiday, the work flow is not disturbed (Area Manager).

Although in Finnish companies and likewise at Poro Bank, the institutional structure is quite logically structured on the basis of clearly defined individual tasks and responsibilities, the practice of job rotation and allocating work to project teams has somehow blurred job boundaries among generalist staffs. As a manager from asset management unit put it:

> Because of the practice of rotating individuals to perform different tasks in different divisions, and on different project teams, an employee from my unit is able to cover for another employee in say, bonds unit at anytime (Manager from asset management).

For example, as the Area Manager pointed out, if an employee of a particular department or on a particular project is on holiday, or is in hospital, his or her job is taken over by another colleague in the least disruptive manner. Thus, the circulation of information concerning the nature, due date and resource available for a task to be completed is of great importance at the Bank. Another manager from trading unit pointed out, 'the rotation of employees who have accumulated previous working relationship in the same department has therefore allowed strong networks of information sharing to develop' (Trading unit manager). The employees interviewed claimed that the ease with which people are able to talk with each other facilitates the exchange of information within the bank. The consensus among those interviewed is that the 'talking culture' of the Bank has facilitated easy interaction with co-workers and customers. During the interview, cashier-desk employees are often seen talking on the phone and employees going back and forth from colleagues' desks to ask for

information or seeking opinion on certain issues. As a manager from marketing unit commented:

> The job rotation system has helped in building an atmosphere of familiarity and common membership among employees, and the ability of employees to perform different tasks beyond what is normally stated as their job description has encourage strong cooperation among employees within the same department at functional, team, and emotional level (Manager from marketing unit).

The above evidence therefore corroborated with Besser (1996: 74), who asserted that job rotation increases the feelings of camaraderie with other team members. As the HR Manager pointed out:

> The job rotation practice affects employees' general perspective about the bank's activities as a whole and as such, employees are able to carry out the tasks assigned by a particular department even after their transfer out of that department (HR Manager).

Again, according to those interviewed, there is a natural positive attitude to sharing information on the basis of an expectation that the act can be returned in the future, since every employee has the chance to become a potential colleague through the job rotation system. Furthermore, the Area Manager pointed out that the sense of togetherness and departmental expectations of task accomplishment are found to be higher within the job rotation system, where ongoing interactions are allowed a longer time to develop and as a result contributing to knowledge sharing.

5. DISCUSSION AND CONCLUSIONS

In this section, first the discussion of the findings study will be presented. Second, the limitations of the study will be presented. Third, the practical implications of the study will be presented. Finally, suggestions for future research will be presented.

5.1. Discussion of Findings

The purpose of this study was to examine the extent to which human resource management practices facilitate and enhanced knowledge sharing in an organization. Using theoretical concepts drawn from socio-psychological and HRM domain regarding knowledge sharing behaviour, this thesis demonstrated that shared language, weekly meeting, trust, team work, long-term employment, and promoting equality and fairness at the work place have facilitated knowledge sharing at Poro Bank. Furthermore, using the same theories from HR practices perspective regarding knowledge sharing, the findings of this study revealed that in-house training, job rotation and fair promotion and compensation system have impacted on knowledge sharing at Poro Bank. In addition, the organisational culture has also facilitated knowledge sharing at Poro Bank. The findings of this study showed that knowledge sharing at Poro Bank was to a large extent facilitated by socio-psychological and cultural factors. The integration of distributed knowledge at Poro Bank was therefore underpinned by particular socio-psychological factors, organisational culture and employee development and participation strategies.

It was evident from the study the unique manner in which these participation strategies were implemented thereby developing a context of HR practices as a form of participation (see figure 1). In this study, the combination of these particular set of HR practices created specific condition for the establishment of knowledge sharing. There was a strong culture

drive behind recruitment process: prospective employees were recruited on the basis that they 'fit' within the organisation. The HR manager pointed out that 'we do consider educational qualification of prospective candidates, but we look more for people skills- that is the ability of a prospective employee to work with other people when we are recruiting'. Thus, suggesting a notion of select according to family/one of us. This selection of employing people who possess skills and exhibit behaviours that match the organisation's values and culture of Poro Bank thus enables connection to be drawn between the socio-psychological determinants of knowledge sharing. In the recruitment process, particular attention was paid to candidate's verbal communication, for example fluency in both Finnish and Swedish language and the ability to interact and work with other people. Thus from the onset, HR practice were focused on knowledge sharing and provision of social support for connecting various participants in the knowledge sharing process.

The employee training and development process was an important mechanism through which the dissemination of knowledge at Poro Bank became interconnected. The approach to training and development taken at Poro Bank was characterised by team-based learning, on the job training, cross-boundary learning, and learning-by-doing, thus, depicting the sharing of knowledge through problem-solving and the implementation of learning across all divisions in the bank. The manner in which the learning across projects is organised through rotation between various client projects supported the notion of sharing knowledge at Poro Bank. The implementation of HR practices through key sub-structures of social capital such as shared language and numerous face-to-face weekly meetings facilitated the sharing of knowledge.

Furthermore, the mentoring process through the 'Good Age' programme in which employees of different ages and experience work together ensures that knowledge remained distributed across the bank. As evident in this study, the HR practices at Poro Bank were embedded in socio-psychological factors (shared language, trust, long-term employment, teamwork, fair treatment of employees, and interpersonal relationships), and the

organisational culture. The social embeddedness of these factors had thus become part of the way things are done in the organisation thereby encouraging an informal but yet, standardised approach to the management of knowledge workers, as well as the sharing of knowledge.

The training and development process of employees at Poro Bank particularly created a structure that support knowledge sharing. At the core of this structure is the organisational culture. The flat organisational structure, the 'talking culture' (open and frank communication), team work, the practice of management leading by good example, combined with low functional and divisional barriers and fair promotion and compensation system has created environment conducive to knowledge sharing. The promotion of good organisational climate, leadership performance and single corporate culture characterised by trust, employee well-being at work, as well as equitable reward systems and open communication are high on the agenda. Hence, different training and development practices employed by the Bank were aimed at ensuring employee competencies and skills. In this respect, a business-driven approach and competence development priorities through practices such as teamwork, leadership qualities, project management, and interpersonal communication skills which are reviewed annually played key role in knowledge sharing.

At the heart of all these is a strong sense of employees' identification with the organisation's culture, history and core capabilities. Evidence from this study shows that the mechanisms for the implementation of HR practices were socially driven and encourages a social approach to the practices that facilitated knowledge sharing. A strong sense of social consensus governed the operation activities of Poro Bank and high degrees of participation in knowledge sharing were made possible through strong cultural controls. The flat organisational structure and the culture of open communication, egalitarianism, employee empowerment, fair reward and compensation systems and teamwork spirit developed and thus became embedded through continued practice. The reduction of horizontal barriers through the use collaborative HR practices such project team work and

cross functional rotation of jobs facilitated knowledge sharing. This finding echoes the convictions of executives such as Jack Welch (Ex-CEO of General Electric) who have vocally supported the boundaryless organisation as a means to promote teamwork and group problem solving and decision making. Simply put, one of the quickest and best ways Poro Bank had build trust and open culture where employees freely share and seek information was to eliminate as many vertical and horizontal organizational barriers as possible. As the walls between the functional and divisional breaks down and ultimately disappear, social capital prospers and grows because people have much greater access to one another as well as the motivation and incentive to utilize this newly developing knowledge networks.

Furthermore, the focus on recruitment process as inviting someone as 'being one of us' strengthened the unity among employees at Poro Bank and thus, created an environment in which common frames of understanding were established and knowledge sharing was facilitated. Knowledge management within Poro Bank thus, consisted fundamentally of facilitating and sustaining the process of knowledge creation. This was achieved primarily through specific HR practices that created an organisational environment in which knowledge was willingly shared by employees, and employees were motivated to stay with the Bank. Project team working was not hindered by experts jealously guarding their personal knowledge and expertise, and more generally, the organisational culture is such that employees are motivated to remain loyal. Valuable knowledge and skills was thus retained within the Bank over time because employees are selected on the basis of their cultural fit, which was subjectively assessed by the HR Manager, the Area Manager and external consultants. Cultural fit at Poro Bank implies the ability to communicate with customers and employees in the same language, and the willingness and ability to work in team and share knowledge and skills with employee from different disciplines within the Bank.

The case of Poro Bank demonstrates that trust, shared language, teamwork, fair promotion and compensation system, job rotation, and commitment through long-term employment enables core employees to share experiences that constitute tacit knowledge, and promotes motivation and willingness to exchange information. Experts and other employees remain with Poro Bank because it afforded them a unique environment in which to work. They have the opportunity to be selected to work on inter-disciplinary projects which allowed them to work with others from different specialisms and further develop and enhance their own intellectual capital. Inter-disciplinary project team working provided these highly skilled experts with a knowledge-rich stimulation environment in which to work and there were also abundant opportunities and resources made available for continuous professional development. At Poro Bank, experts, project teams, and other employees worked in a highly egalitarian culture, characterised by high trust in which knowledge sharing was considered as the norm of the organisational environment.

The project-based/team-based reward system served to stimulate knowledge sharing and created internal market for expertise. While project team leaders aimed to achieve project revenue targets as a matter of professional pride, those that had difficulties in achieving the targets set were given active encouragement by divisional managers to improve. Therefore, it can be said that the high trust environment of Poro Bank is characterised by the way in which team leaders organised their work activities around other members of the project team. In addition, sufficient resources were made available, not only for professional development, but also for the development of new ideas more generally through the 'Good Age' programme which provided a highly conducive environment to help employees of different ages to work together, and bring together experiences and fresh ideas.

The various mechanisms for knowledge sharing such as in-house training, on-the-job training, and job rotation acted as a medium for building trust among employees. They serve as the means in which experts and other employees engage in face-to-face communication and build up close personal relations. It is thus evident from this study that

it was the elements of socio-psychological and cultural factors then, in combination which facilitated knowledge management activities centred on people management issues rather than formal HR practices per se that facilitated knowledge sharing at Poro Bank.

Simply put, project teamwork, trust, job rotation, shared language, team-based reward systems, equitable treatment of employees, fair promotion and compensation systems, and the organisational culture has addressed issues which are at the heart of the tension between the distribution and sharing of knowledge. According to the HR Manager, Poro Bank is systematically preparing for the increasing number of retiring employees in the next few years. Therefore, fostering favourable internal and external employer image and enhancing a goal-oriented way of doing things has played a crucial role in knowledge sharing and has thus enable Poro Bank to remain an attractive workplace. Substantial effort was therefore directed mainly at sustaining a highly informal, social environment in which experts, managers, supervisors, team leaders and other employees enjoy working.

Furthermore, evidence from this study shows that at the moment, information technology systems played a very minor role in knowledge management at the Bank. Information technology is only considered to be a tool for low level communication and co-ordination such as E-mail and Intranet. The Poro Bank is now in the process of developing a comprehensive knowledge management database for knowledge sharing. However, management has recognised the potential of information technology as a tool for knowledge sharing. Knowledge management at Poro Bank at the time of this interview focused more on the structural and cultural factors required to facilitate knowledge creation and sharing than on the development of extensive project database systems identifying who knew what- had relevant skills and expertise- than any formalised knowledge management database. Knowledge creation at Poro Bank relied primarily on attracting and retraining those individuals most capable of communicating and sharing their knowledge and expertise with others. In this respect, distinctive socio-psychological factors that enhance

high levels of socialisation are crucial thus, highlighting the highly situated social context nature of knowledge management in practice.

The findings reported in this thesis reveal that knowledge sharing behaviours are influenced by individual, interpersonal and organisational factors. At the individual level, teamwork and team-based compensation and bonus sharing system reduces greed and thus increases knowledge sharing. At the interpersonal level, project team working and effective feedback system has an indirect influence on knowledge sharing by lowering greed and raising self-efficacy. As Cabrera and Cabrera (2002:696) pointed out, selective incentive systems can change the nature of the situation so that social dilemma no longer exists; and cooperating becomes the dominant strategy, because receiving the reward maximises the individual's gain. At the organisational level, organisational culture and management support leads to utilisation of user-friendly information and communication technology resulting in more knowledge sharing, especially explicit as opposed to tacit knowledge. As Jarvenpaa and Staples (2000) pointed out, well-designed, user-friendly groupware simplifies the task and reduces the time necessary to distribute one's ideas.

This study found that elements in each of the three theories namely: social capital, social dilemma, and social exchange as shown in Figure 1, the framework used for this study facilitated knowledge sharing. The dimensions of social capital namely social ties, shared language and trust greatly facilitated knowledge sharing. Likewise, the implementations of team-based bonus reward systems and project teamwork has eliminated the problem of public goods dilemma associated with sharing knowledge. The series of weekly face-to-face meetings, job rotation, project teamwork and the 'Good Age' programme has also promoted social ties among employees, hence providing an avenue for employees to interact and exchange information.

The findings of this study also shows that although HR practices such as in-house training, job rotation and fair promotion and compensation system impact on knowledge sharing,

HR practices, in and of themselves, have little potential for being a mechanism for knowledge sharing. However, this is not to ignore the importance of HR practices in enhancing knowledge sharing. The findings of this study show that although, HR practices are not themselves the facilitators of knowledge sharing, they play an important role in developing and reshaping employees' behaviour. According to Schwartz and Davis (1981), HR practices provide information and shape the behaviour and experiences of employees, thus becoming the means whereby cultures are created and sustained. In essence, this thesis suggest that HR practices do not directly drive organisational knowledge sharing; rather they do help facilitate group interaction and knowledge sharing (i.e., social capital), align rewards or selective incentives and gain-sharing programmes with participation in knowledge sharing (i.e., social dilemma), promotes the norm of reciprocity, which obligates people to respond positively to favourable treatment (i.e., social exchange), which, in turn drive knowledge sharing.

In this study, the various practices that were employed to address the needs of knowledge workers have been discussed and provide further insight into how Poro Bank managed the tension between the distribution and sharing of knowledge. With regard to socio-psychological factors mediating role in the HR practice linkage in knowledge sharing, this study provides both managers and academics a more detailed analysis of how target HR investments builds human and social capital, which in turn, drives knowledge sharing. Instead of simply investing in HR with the hope that a trickle-down effect on knowledge sharing will occur, this study provides managers and academicians some clearer understanding as to what happens in the large black box between HR practices at one end, and socio-psychological determinants of knowledge sharing at the other. Furthermore, this study shows that there are two practices by which an organization can achieve a strong strategic culture. First, the organization must carefully plan its HR practices so that they are aligned with its strategy in order to promote the desired behavioural norms. Second, the organizational values can be strengthened through the deliberate selection of candidates who share the desired values and norms.

5.2. Limitations

As with any study, some limitations exist with the present study that needs to be recognized. First the relative sample size of interviewees created the potential problem of generalizing the findings of this study. Second, using a sample from within one firm should be recognized as a potential limit to the generalisation of the findings in this study. Knowledge sharing may take different forms, such as one-to-one (between two people), one to many (e.g., in a meeting within one's department), and one to all (knowledge stored on the intranet that is accessible to all employee). This study adopts a qualitative retrospective approach based on a single case study by interviewing few members of the organisation; hence, a broader examination of large samples combined with on-site observation of how knowledge is shared may provide detailed insight into how knowledge is shared at macro level. Furthermore, there is certainly great value in conducting cross-industry studies through multiple replications of results across a variety of sub-samples and Greenberg (1987) specifically proposed a strategy of conducting numerous studies on different sets of homogeneous subpopulations in order to determine the boundary conditions of particular theories. However, there is also value in studying issues related to a single firm and while this paper does not recommend immediate generalization of the findings of this study to vastly different firms in sectors such as manufacturing or retailing, it is quite comfortable recommending some generalization to other knowledge-intensive firms such as accounting and law firms. Certainly this paper calls for future research to be conducted with lager samples and in other industries.

5.3. Practical Implications

This study demonstrated support for the theory that HR practices can impact on the skills and behaviours of the workforce and these practices are maximally effective in enhancing

knowledge sharing when paired with strategy and organisational culture that fosters trust, open communication, collaborative work, employee well-being, long-term employment relationships, and fair promotion and reward systems. Strategies can be thought of as the diverse approaches that organizations choose to follow in order to achieve success or a competitive advantage, while, culture can be described as the characteristic way in which work is done in different organizations. Thus, the implication for managers is that the culture of the organisation will be an asset for an organization if it encourages the behaviours that support the organization's intended strategy. That is of course, assuming that the strategy chosen is appropriate for success given the organization's competitive environment. O'Reilly (1989) affirms that culture is the set of central norms that characterize an organization and shape the behaviour of individuals and groups within the organization. He explains that norms can be understood to be expectations regarding which behaviours are appropriate and which behaviours are inappropriate.

5.4. Future Research

This study is limited to the internal analysis of knowledge sharing at Poro Bank Vaasa. In spite of the recognized importance of the relationship between the elements conducive to knowledge sharing and the Bank's work processes, the discussion does not extend to detailing relationships with external stakeholders, such as the servicing of customers. A stakeholder analysis would provide a richly detailed account of the internal activities of the bank and the way social networks, long-term relations and human resource practices relate to the outcome variables of the degree to which knowledge is internally shared. Certainly, future research is needed to asses the extent to which relationship with external stakeholders impact on knowledge sharing.

Furthermore, although this thesis developed theoretical arguments in terms of HR practices facilitating knowledge sharing mediated by socio-psychological factors, an empirical study

using large sample from firms in the manufacturing and service sector, and measuring how this factors impact on firm performance provides avenue for future research. Previous studies have used both equity and asset-based measures (ROE and ROA) to assess the relationships between HR, social capital and performance. Nonetheless, all performance measure such as ROA, for example, tends to overstate the performance impacts of intangible assets such as social capital because they understate organisation's capital bases. Sales-based metrics may also overstate the performance benefits of social capital because they do not take into account the costs of developing and using such capital. Thus future research measuring the impact of HR practices and social capital on knowledge sharing and firm performance employing a host of organisational performance metrics such as economic value added (EVA) to gain a more complete understanding of the performance outcomes of HR practices and social capital provides tremendous opportunity.

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APPENDICES

APPENDIX 1.

Semi-structured interview questionnaire

1. **What are the human resource practices of your bank?**

2. **To what extent do you perceive HRM practices as shaping employees behavior in knowledge sharing in your bank?** (*how does the bank develop communicate and reinforce shared goals between employees*

3. What policies do you have in recruiting, training and retaining employees, e.g. experts?

4. How is training and development organised? (*E.g. do you carry out formal systematic training?*)

5. **How would you describe the culture of the bank?** (*Vertical relationship, what is the management structure of the bank?*)

6. **How would you describe your organisation's compensation policies?**

7. **What is the perception of employees about HRM practices as means of knowledge sharing?**

8. **What informal activities are pursued as means for knowledge sharing in the bank?** (*social networks, how is official boundaries between departments*)

9. **How are tasks to be performed by employees in achieving the organization's objectives organized and executed?** (e.g. *allocated based on clearly defined individual tasks, or to sections, teams, or divisions*)

10. How would you describe the relationship among employees at the bank? (*trust based on deep psychological ties, or on one's organizational position*)

11. How would you describe the role of top management in promoting knowledge sharing (*attitude of management and support given*)

12. What kind of knowledge is needed in your organization? What is valuable? (*Tacit expert knowledge*?)

13. What is the role of information technology in knowledge sharing in your organization? (*Do you rely more on technology, or interpersonal relationship for knowledge sharing?*)

14. How is information defused in the network? (*knowledge sharing practices*)

- *Internal (within the bank)*

- *Externally (within the networks) formal and informal*