Examining the Mutual Relationship among Organizational Trust and Organizational Learning in Small Manufacturing-Industrial Firms

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Abstract

Introduction and goal of research: In today`s organizations, knowledge is considered as the most critical asset of an organization, and organizational learning (OL) is the main way to create knowledge-based activities. On the other hand, trust is viewed as the "air" and it becomes the focus of attention only when it isn't there. Without the full of trust atmosphere, the organization is heading toward destruction. Therefore the importance of paying attention to organizational learning and trust, are considered by many organizations and programmers in different countries, this study aims to study these two issues in order to find a relationship between them that is conducted in small manufacturing-industrial firms in Mashhad and Neyshabour.
Methodology: In terms of research method, this study is a correlation one, statistical population and sample of this study is a number of employees and managers (including supervisors and middle managers) of small firms in Mashhad and Neyshabour that 90 people were selected using Morgan table and class sampling method proportional to volume.
Findings: In the present study, a significant and positive association between two variables of study main hypothesis was confirmed. Also, the relationship between dimensions of organizational trust (OT) (Lateral, Vertical or Institution Trust) with the dimensions of organizational learning (Common Vision, Organizational Culture, Work and Group Learning, System Thinking, Participative Leadership, Knowledge Sharing, and Employee Competence) was confirmed.
Conclusion: According to confirming research main hypothesis; increasing trust in organizational environment will lead to the expectation of higher levels of organizational learning.

Keywords: Organizational Trust , Organizational Learning , Small Firms;

1. Introduction

In today`s organizations, knowledge is considered as the most critical asset of an organization and knowledge sharing is a base for knowledge-based activities, and organizational learning is the main way for creating more

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knowledge-based activities (Zhang et al., 2009). Organizational learning is a process during which results are improved and desired outcomes are obtained through changing rules and organizational strategies. In other words, organizational learning is a process that leads to updating and changing shared mental models in an organization(Choe, 2004). Organizations can change in their knowledge through learning. There are two sources for learning: direct experience and using others experience, knowledge is obtained and insight is developed through act and feedback (MovahediSobhani, 2004)in organizations` direct experience and through research activities organizations`(Weinstein & Azouly, 1999) in indirect experience.

Trust is known as a pillar of social capital. Confidence building and increasing trust are undeniable as an important factor in building and creating the space necessary for training and development of human capital (MohseniTabrizi & Shirali, 2009). Since all human relationships created are based on trust. It is extremely important that organization employees and managers consider the importance of trust, how to improve it and their role in creating trust (Fitzroy, 2007).

Given the importance of trust and organizational learning in the development of organizations and due to this fact that so far little research has been done in this regard, in this study we try to review relationship between organizational trust and organizational learning.

2. Theoretical Background

The first step to correctly identify and explain any concept or phenomenon is providing a clear definition of it. Organizational learning and organizational trust are analyzable and explainable like other words in human sciences, so clear definitions could be delivered for them. Since the concepts of human sciences are not considered as determinative concepts and phenomena of experimental science, making a clear definition accepted by all specialists and experts is difficult and almost impossible. These words are also the words that there is no specific definition for them and there are numerous definitions from the very beginning of their being in science assemblies based on economic, social, psychology and management viewpoints. Research theoretical basics will be discussed in the following.

2.1. Organization

Due to this matter that issues of trust and learning are going to be offered in the organization, at first the organization will be defined. There is no comprehensive and complete definition for organization like other concepts of social sciences that is accepted by all researchers and maybe we can offer definitions for organizations equal to the number of experts in this field, but for preventing discussion lengthening, a more comprehensive definition will be referred that include most other definitions. Organization is a collection of people who cooperate to achieve determined goals. People are used in all organization and all of them are objective and they use division of work (Rezaeian, 2007).

2.2. Organizational trust

According to many scholars including Carnevale and Wechsler (1992), Hosmer (1995) and Thomas (1998), there is no universal consensus on trust definition. Therefore, due to the type of looking into trust, several different definitions of the trust are become common. Scholars such as Mayer, Davis and Schoorman (1995), Bremen (1997) have studied trust level in public institutions by concentrating on "political trust" or "trust to the government", Putnam (1995) and Coleman (1988) and others who study social capital consider trust as an important social capital element, and other scientists like Harverson (2003) is also merely focused on trust. Based on this, numerous trust definitions are presented:

- Reliance or trust to some events, processes or individuals (Harvorsen, 2003)

- The willingness of one side to keep themselves vulnerable against other party actions based on this expectation that first party do something that is important for trustee; even trustee can not control or monitor other party (Mayer et al., 1995).
- Reliance on dependency to other party and doing some actions that make one side vulnerable against other party (DanaeiFard, 2010).
- The willingness of one side to be vulnerable against other party based on this expectation that other party is a reliable and competent individual (A. K. Mishra, 1996).
- Generally, trust is "reliance on future conditional actions of parties" (DanaeiFard, 2010)

2.2.1. Varieties of trust
Uslaner (2003):

- Strategic trust: this kind of trust refers to estimating of one party of this probability that other party is reliable.
- Moralistic trust: this kind of trust is based on faith to unknown people. Individuals in this realm of trust have an optimistic insight of the world and they are confidence that they can make a better world.

Thomas (1998):

- Fiduciary trust, which is notable for asymmetric relationships and attendant opportunities for malfeasance.
- Mutual trust, which develops between individuals who repeatedly interact with one another.
- Social trust, which is embedded within institutions we know in common and take for granted.

Costigan et al. (1998):

- Lateral trust that is the trust of employees to each other
- Vertical trust that is the trust of employees to supervisors and controllers
- Institutional trust that is the trust of employees to senior mangers and all the whole organization
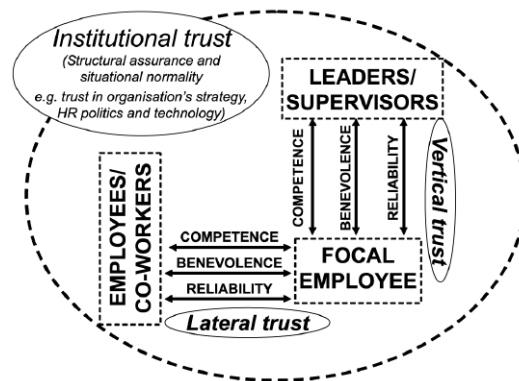

Fig 1. Sorts of Trust (Adapted from Costigan et al. (1998)) (Ellonen et al., 2008)

Rosen (1998):

- Trust to the others (trust to others` belief)
- Reliability (people trust you)

Zucker (1986) also claimed that making trust is formed through three following modes:

- Characteristic-based trust is tied to personal characteristics, such as family background and ethnicity;
- Process-based trust is produced through repeated exchanges;
- Institutional-based trust is produced through formal institutional processes, such as professional certification and government regulation.

2.2.2. Trust Importance

Trust is the basis element in the community. According to Focoyama, trust is very important for the improvement of competitiveness in twenty first century as a part of globalization and information society. In his viewpoint, some communities are only capable of shaping the cultural norms like "mutual trust" and also such cultural values are considered as a main factor of their economic growth (DanaeiFard, 2010).

Burt (1997) and Coleman (1988) see social capital as an asset that is continuously formed in relations of individuals, communities, networks or communities. Putnam (1995) finds network links, norms and trust as a source of social capital. In discussion of positive effects of social capital, Price (1989) and Putnam (1995) declare that a higher level of community trust will improve the performance of the government. In debate of relationship of government reliability and performance, DanayeiFard (2010) sees "trust to government" as a main core of governor success. Trust is one of the most important elements of effective relationships. Clarke (2002) believes that trust to the others and others` trust to you is very important in the organization. Moreover, the reliability is among the most valuable traits of a leader and trust can link a leader and his followers together like a cement (Yilmaz, 2008).

Trust is the core of all relationships, people throughout their lives, looking for creating relationships based on trust among their friends and family, but in organizations, a 30 minute meeting is only spent to make trust and familiarity of the new staff! And it is expected to have successful and productive employees! But it is obvious that for creating trust among employees and mangers, employees should have a continuous share in achieving basic goals of the organization and in this way, each employee behave so that he/she does not harm others. Trust is an essential element in employer-employee relationships and there is a mutual relationship between communications and trust. In an atmosphere whose current space is full of trust, people do not feel unsafe and they share their ideas easily, they express their feelings and they feel safety from working for common goals and in sharing manner. Without trust, relations will be damaged and a destructive conflict will be created and it leads to communication failures. Communications are formed based on trust and they are continuously tested for levels and constraints of trust to others. Trust development is time-consuming and many relations among supervisors and subordinates are known without trust (Mishra & Morrissey, 2000). Trust is a little like air – we all pay little attention to it until it is not there (Hoy & Tarter, 2004).

Rampel and Holmes (1986) reviewed three main elements of trust in their research under the title of "How can I trust you ". They are (1) Predictability; (2) Reliability; and (3) Belief and Faith. Predictability refers to the ability of prediction and predicting a special behavior. Reliability is a knowledge that a person can rely on it. Both these capabilities stress that future behavior does not inconsistent with past behavior. Third element, belief and faith, is a secure feeling of this matter that other parts continue controlling and accountability.

In an environment without trust, employees lose much energy that supports them. Trust is not one of the tasks of leadership styles (such as sharing management, profit sharing, etc. But it is a feeling and a belief, it is a basis for sharing correct perception, the openness, willingness to listen and accept non-defendant criticisms and sharing important information.

Real power of managers is not obtaining revenue, supervisors may order their subordinates, but optimal performance does not happen in an atmosphere without trust. Managers should work in a level that their works have high influencing power. As an example, there are places that they can be impressive by limit key works on many happenings and decision makings or people. To do so, at first it is necessary to give enough power to subordinates and consequently accountability and responsibility and secondly you should trust that these subordinates will do their job completely and in the least possible time (Mishra & Morrissey, 2000).

Table 1. A summary of opinions of some scholars about the importance of trust

Researcher	Summary
(DanaeiFard, 2010)	Trust is the key element of the society.
	The core principle of successful governance is "trust to the government".
Focoyama (DanaeiFard, 2010)	Emphasizing the extreme importance of trust to improve competitiveness as a part of globalization and the information society
(Burt, 1997; Coleman, 1988; Putnam, 1995)	Social capital is an asset that is formed in the relationships between individuals, communities, networks, and societies and trust is the basis of social capital.
(Price, 1989; Putnam, 1995)	High level of reliability improves the government performance.
(Clarke, 2002)	Trust is one of the most important elements of effective relationships. Moreover, the reliability is the most valuate traits of the leader and trust can links leader and his/her followers as a concrete
(Hoy & Tarter, 2004)	Trust is a little like air – we all pay little attention to it until it is not there.
(J. Mishra & Morrissey, 2000)	Trust is the central core of all relationships.

Butler (1986) expresses that trust is one important aspect of maintaining relationships. Also, trust is known as one of the most important elements in human interactions (Grossman, 1998).

2.3. Organizational Learning

Based on Robbins` definition of learning; learning is any kind of relatively permanent change in behavior that is occurred as a result of experience (Robbins, 2006). With this definition, it is obvious that learning is not visible but it is some changes that are observable. Learning usually consists of four levels of individual, group, intergroup and organization. Learning happens when an error is identified and corrected or it happens when a consistency formed between wishes and results for the first time (Argyris, 1995). At least, there are two ways for correcting errors. The first way is making a change in behavior (like reducing backbiting and slandering about other people). This kind of learning needs single-loop learning. But the second way to correct error is correcting programs that direct people toward backbiting, even when other people does not slander. This is double-loop learning (Argyris & Schon, 1974).

But "organizational learning" is a term that Cyert and March (1963) used it probably for the first time. From viewpoints of these two researchers, organizations produce, complete and organize knowledge through organizational learning and they make their activities normal based on it and enter it within their culture. From these two researchers point of view, organizational learning is changeability in goals, in issues of interest and search rules that have especial role in organizational decision making process.

Organizational learning discussion is always used with learning organization. While organizational learning is considered a dynamic process that enables organization to quickly adapt with change. This process includes producing new knowledge, skills and behaviors. Organizational learning is the main way of creating knowledge work and improving organizational effectiveness. Then a successful organization should be dynamic in learning (Zhang et al., 2009), Garvin (1993) expressed that a learning organization is an organization that has skill in creating, obtaining, transferring knowledge and correcting its behavior in reaction to new knowledge and insights (Rezaeian, 2007). In Peter Sange point of view (Senge et al., 1994), learning organization is an organization that using people, values and other micro-systems and with reliance on lessons and experiences, changes its performance continually and improves it. He expresses main elements of learning organization in five principles as follows: (1) Personal Mastery; (2) Mental Models; (3) Building Shared Vision; (4) Team Learning; and (5) System Thinking. These principles are presented in following table in association with a brief explanation.

Table 2. The principles of inclusive organizations (Senge, 1990)

Principles	Abstract
System Thinking	All members of these organizations learn how the organization works.
Mental Models	All people set aside old way of thinking.
Personal Mastery	In these organizations, people are consciousness and face others in open manner.
Building Shared Vision	All members of these organizations identify and define their own applications and they agreed on them.
Team Learning	All members of these organizations cooperate to implement the agreed program.

The perspective of the learning organization sees the organization as a knowledge institution that always observes its activities, reviews different alternate actions and finally correct activities in order to improve performance (Fiol & Lyles, 1985). Cho (2004) find learning organization as a process during which results will improve and desired outcomes will be obtained by changing rules and organizational strategies, in other words organizational learning is a process that lead to updating and changing shared mental models in the organization. Organizations`can change their knowledge via learning. There are two sources for learning: direct experience and using others` experience, organizations obtain knowledge and expand insight in direct learning through action and reaction (MovahediSobhani, 2004) and in indirect experience through research activities (Weinstein & Azouly, 1999). In organizational learning theory, organization is considered as an "open system, with thought and live". In many organizations, some of the modes of learning are created on a regular basis like three common process of organizational learning that is: (1) improvement activities and development of the human resources; (2) strategy planning activities; and (3) implementing and mastery of new technologies within the organization (Rezaeian, 2007).

Due to Robbins definition that "learning is a relatively permanent change in behavior as a result of experience" (Robbins, 2006), we can infer that the learning happens in a place when there is a change, in other words, we can say that the changes occur as a result of learning. Thus learning should be considered for creating change whether in individuals or organization.

As the learning is essential for development of each individual, it is important for organizations, too. As in system perspective, performance of all system elements could be more than the sum of the individual components of the system, Fiol and Lyles (1985) believe that organizational learning is also more than sum of learning ability of each person. In other words, organizational learning creates a synergetic in the organization.

Table 3. Dimensions of the organizational learning

Dimensions	Abstract
Shared Mission and Vision	1. It provides focus and energy for learning 2. It leads people perspective to act; 3. Willingness toward higher desired goal deal with the prevailing status quo with governance power 4. Values and common sense are important in determining the type of knowledge that is stored and transmitted in the organization.
Organizational Learning Culture	When the members of any society, organization or group trying to adapt to the external environment and to solve internal integration problems, they learned subconsciously.
Team Work and Team Learning	Emphasize is on the importance of staff and employees consistency to avoid wasting energy. Collective learning is a process during which group members capacity is developed and is aligned in such a way that the results will be something that all are really want it..
Knowledge Sharing	Organization's capacity for handling knowledge represents the portability and sharing power that is necessary for the success of the company.
Systems Thinking	It means using systematic method in analysing and managing organization affairs and paying attention to the effect of organizational elements on each other.
Leadership	Employees feel they are needed and their existence is useful.
Employee Skills and Capabilities	Competence in the literature of human resources is a set of knowledge, skills and behaviours that are observable and measurable that share in the success of a job. Development of human resources can not be achieved with high education, but human resources should act in planning and systematic manner.

However, if we accept that organizational learning will happen in an environment where people exchange knowledge and information, unconsciously a concept called trust is formed in our mind. In other words, organizational learning occurs in the space full of trust that employees and managers are encouraged to transfer their experiences and knowledge to the others and also they like to using their knowledge and experiences. Therefore, it seems that organizational trust is very important on the subject of organizational learning.

3. Methodology

In this research, organizational trust and learning is discussed. Investigations formed the theoretical framework of this study are: Costigan et al. (1998) in discussion of organizational trust, and very wide researches of Neefe (2001) in discussion of organizational learning were used.

3.1. Data Collection Tools

The questionnaires used to collect data are standardized and native, that after some corrections on them, they were tested for reliability and validity once again. In this regard, for measuring validity, some university professors were referred and their opinions were used in rearranging questionnaires and Cronbach`s alpha method through SPSS software was used for reliability measurement that Cronbach`s alpha for organizational learning and organizational trust questionnaires were 0.924 and 0.857, respectively.

Statistical population of this research was about 130 people from employees of small firms located in "entrepreneurial collection of new technologies town in Mashhad", "Samed Chasb Company" and "Green Neyshabour Company" that based on Morgan table sampling, 90 people were needed as a statistical sample that of course, questionnaires were distributed for all employees that finally 96 questionnaires were collected from which 3 were unusable and responses of 93 questionnaires entered software SPSS in order to analyze data.

4. Research Hypothesis

As it is clear from the model, reviewing the relationship between organizational learning and organizational trust is the main hypothesis of research and of course as it is discussed in following, reviewing relationship between different aspects of organizational trust and organizational learning create sub-hypotheses.

4.1. Research results

Software SPSS is used to analyze data. For this reason, at first frequency, frequency percent, absolute frequency and collection frequency were provided for respondents demographic characteristics that are summarized in table 4 in order to avoid prolonged discussion.

Table 4. A summary of demographical status of respondents

	Sex	Marital	Education	Age	Experience (year)	Post
Max response	male (83)	Single (9)	Associate Degree (37)	Under 35 (37)	Under 10 (52)	Non-Managerial (55)
Min response	Female (10)	Married (83)	Master of Science (15)	46-55 (6)	16-25 (15)	Managerial (15)
No response	0	1	4	4	3	23
Total Respondents (93)						

4.2. Results related to the hypotheses

Using software SPSS, research raw data analysis was performed that following discussion includes examination of research main and secondary assumption. For more understanding, at first sub-hypotheses related to each main hypothesis and then its main assumption are discussed. Summary of research results come in Table 5.

<div align="center">Table 5. A summary of research results</div>

Variables	Pearson Correlation	Sig.	Corr.	Corr. Type	Hypothesis
Between OT and OL	.375	.000	Ok	Positive	confirmed
Between "Lateral Trust" and OL	.586	.000	Ok	Positive	confirmed
1-2. Between "vertical trust" and OL	.625	.000	Ok	Positive	confirmed
1-3. Between "institutional trust" and OL	.756	.000	Ok	Positive	confirmed
2-1. Between "shared mission" and OT	.339	.001	Ok	Positive	confirmed
2-2. Between "organizational culture" and OT	.611	.000	Ok	Positive	confirmed
2-3. Between "team work and team learning" and OT	.588	.000	Ok	Positive	confirmed
2-4. Between "knowledge sharing" and OT	.416	.000	Ok	Positive	confirmed
2-5. Between "system thinking" and OT	.686	.000	Ok	Positive	confirmed
2-6. Between "leadership" and OT	.584	.000	Ok	Positive	confirmed
2-7. Between "Employee Skills and Capabilities" and OT	.459	.000	Ok	Positive	confirmed

Main hypothesis: There is a positive and significant relation between OT and OL

As sub-hypotheses related to organizational trust relationship (Lateral, vertical, or institution trust) with organizational learning is confirmed and due to this fact that organizational trust and organizational learning is generally tested and the amount of Sig. is equal to zero and Pierson correlation coefficient is equal to 0.735, Zero hypothesis was rejected and a significant and positive relationship between organizational trust and organizational learning is confirmed.

Sub-hypothesis 1-1: There is a positive and significant relation between "lateral trust" and OL

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between lateral trust (employees trust to each other) and organizational learning is confirmed. Also, correlation coefficient in this relationship is equal to 0.586, indicating a positive relationship. Therefore by increasing employees trust to each other, more organizational learning will be expectable.

Sub-hypothesis 1-2: There is a positive and significant relation between "vertical trust" and OL

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between vertical trust and organizational learning is confirmed. Also, correlation coefficient in this relationship is equal to 0.625, indicating a positive relationship. Therefore by increasing vertical trust, more organizational learning will be expectable.

Sub-hypothesis 1-3: There is a positive and significant relation between "institutional trust" and OL

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between institutional trust and organizational learning is confirmed. Also, correlation coefficient in this relationship is equal to 0.756, indicating a positive relationship. Therefore by increasing institutional trust, more organizational learning will be expectable.

Sub-hypothesis 2-1: There is a positive and significant relation between "shared mission and vision" and OT

According to results in Table 5, it is visible that Sig. is equal to 0.001 and therefore zero hypothesis was rejected and significant relationship between "shared mission and vision" and organizational trust is confirmed. Also, correlation coefficient in this relationship is equal to 0.339, indicating a positive relationship. Therefore by increasing "shared mission and vision", more organizational trust will be expectable.

Sub-hypothesis 2-2: There is a positive and significant relation between "organizational culture" and OT

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between "organizational culture" and organizational trust is confirmed. Also, correlation coefficient in this relationship is equal to 0.611, indicating a positive relationship. Therefore by increasing "organizational culture", more organizational trust will be expectable.

Sub-hypothesis 2-3: There is a positive and significant relation between "team working and team learning" and OT

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between "team working and team learning" and organizational trust is confirmed. Also, correlation coefficient in this relationship is equal to 0.588, indicating a positive relationship. Therefore by increasing "team working and team learning", more organizational trust will be expectable.

Sub-hypothesis 2-4: There is a positive and significant relation between "knowledge sharing" and OT

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between "knowledge sharing" and organizational trust is confirmed. Also, correlation coefficient in this relationship is equal to 0.416, indicating a positive relationship. Therefore by increasing "knowledge sharing", more organizational trust will be expectable.

Sub-hypothesis 2-5: There is a positive and significant relation between "system thinking" and OT

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between "system thinking" and organizational trust is confirmed. Also, correlation coefficient in this relationship is equal to 0.686, indicating a positive relationship. Therefore by increasing "system thinking", more organizational trust will be expectable.

Sub-hypothesis 2-6: There is a positive and significant relation between "participative leadership" and OT

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between "participative leadership" and organizational trust is confirmed. Also, correlation coefficient in this relationship is equal to 0.584, indicating a positive relationship. Therefore by increasing "participative leadership", more organizational trust will be expectable.

Sub-hypothesis 2-7: There is a positive and significant relation between "employee skils and capablities" and OT

According to results in Table 5, it is visible that Sig. is equal to zero and therefore zero hypothesis was rejected and significant relationship between "employee skills and capabilities" and organizational trust is confirmed. Also, correlation coefficient in this relationship is equal to 0.459, indicating a positive relationship. Therefore by increasing "employee skills and capabilities", more organizational trust will be expectable.

5. Conclusion

As the results of research showed with the approval of all main and sub-hypotheses, there is a significant and positive relationship between organizational trust and organizational learning. Therefore it can be claimed that a thing that should be considered for promotion of organizational learning situation is organizational trust. In other word if trust situation could be improved in the organization, we can expect that organizational learning process is also improved. Since today`s organizations are forced to move into learning organizations due to very variable environment, rapid growth of technology and customers` different wants, etc., thus this movement force organizations to pay attention to institutionalize organizational learning. Therefore, organizations should consider concepts like organizational trust that are discussed in this study.

These findings are also accommodated to some extent with perspectives of Davenport and Prusak (2000) based on this matter that trust have a positive effect on the flow of knowledge in the organization, also with results of Randeree (2006) studies about examining the issue of trust in the creation of knowledge, Riberi (2005), reviewing the basis role of trust in knowledge management, Lajvardi and KhanBabaie (2007), reviewing facilities factors of knowledge management work teams. Riberi found these results that organizational trust is considered as a main facilitating factor in producing knowledge. Lajvarie and Khan Babaie also concluded that the existence of some complementary skills and also trust space among the members of work teams are among important factors in facilitating knowledge management for both criteria of knowledge creation and transfer. In expressing this theory, it can be said that the higher organizational trust increases in higher education institutions, the better context will be provided for organizational learning in the institutions of higher education. Results of this research is also accommodated with that the results of Farhang research (2010) that examined the relationship between organizational trust and organizational learning and staff empowerment.

5.1. Suggestions

Since this study was conducted in industrial and small businesses, therefore, it is recommended that similar studies should be done in non-industrial small businesses units. It is also suggested that similar studies as comparative ones should be conducted between employees and managers and also in the different cities and provinces in order to examine the role of culture. In this study, models of Costigan et al. (1998) and neefe (2001) was used to examine the subject, it is suggested to do similar studies with the use of other researchers models in order to have more reliable results.

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