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The Role of Equity Theory in Knowledge Sharing

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ABSTRACT
Determining which factors promote or impede the sharing of knowledge within organizations constitutes an important area of research. This paper examines knowledge sharing through the lens of equity theory. The study will explore the impact of three types of justice – distributional, procedural and interactional – on knowledge sharing. Hypotheses regarding the influence of distributional, procedural, and interactional justice on knowledge sharing processes are presented. These hypotheses will be tested based on the survey.

Keywords
knowledge sharing, equity theory, organizational factors

INTRODUCTION
Knowledge originates from unique experiences and organizational learning by key stakeholders, and it often remains embedded, not only in written documents but also in the routines, tasks, practices, norms, and values of organizations (Gold et al., 2001). Knowledge exists at individual, group, and organizational levels (Jarvenpaa & Staples, 2001). Knowledge ultimately assumes value when it influences decision making and is translated into action (Brockman & Morgan, 2003).

The focus of knowledge management efforts is primarily on improving knowledge creation and use at the organizational level. The purpose of knowledge management is to enhance organizational performance by explicitly designing and implementing tools, processes, systems, structures, and cultures to improve the creation, sharing, and use of all three types of knowledge that are critical for decision making (Damodaran & Olphert, 2000). Knowledge management identifies, captures, organizes, and processes information to create knowledge. Knowledge management is a conscious effort to get the right knowledge to the right people at the right time so that people can share and put information into action in order to improve organizational performance. Converting individual knowledge into organizational knowledge may be difficult due to: 1) prevalent organizational climate and individual motivations (Bock et al., 2005); 2) potential tensions among “vicious” and “virtuous” circles of knowledge at different organizational levels (Garud & Kumaraswamy, 2005); 3) codification efforts required (Kankanahalli et al., 2005) and 4) arduous relationships (Ko et al., 2005).

In today’s information age when firms realize that their primary source of competitive advantage lies in the effective use of their knowledge assets, it is important to identify ways in which managers can influence behaviors conducive to knowledge creation, sharing, and use. In spite of the variety and large number of studies in the area, identification of factors that contribute to the improvement of knowledge management efforts is still relevant to researchers today.

Recent research has revealed that social-psychological and sociological factors are imperative to knowledge sharing (Bock et al., 2005). Bock, Zmud, Kim, and Lee (2005) used the Theory of Reasoned Action (TRA) as a theoretical basis for investigating knowledge sharing. They found that attitudes and subjective norms with regard to knowledge sharing affect individual’s intentions to share knowledge. We contend that several of the antecedents to attitude can be viewed through the Equity Theory "lens," thereby, providing a stronger theoretical base for understanding knowledge sharing. The goal of this paper is to extend the model proposed by Bock et al. (2005) and explore individual motivations for knowledge sharing through the lens of Equity Theory. To our knowledge, this is the first attempt to combine TRA with the Equity Theory in exploring knowledge sharing. The overall research question of the study is: What impact do perceptions of organizational justice have on individual attitudes, perceptions of organizational climate, and intentions to share knowledge?

The paper is organized as follows. First, the review of literature on knowledge sharing and equity theory is provided. Proposed research model and hypotheses are presented next, followed by the discussion of methodology, contribution of the study and conclusion.
LITERATURE REVIEW AND THEORETICAL BACKGROUND

Knowledge Sharing

The organization serves as a knowledge-integrating institution, integrating the knowledge of many different individuals and groups in the process of producing goods and services (Grant, 1996a; Kogut & Zander, 1992). Individuals’ intrinsic motivation is a facilitator of knowledge transfer among various organizational units (Ko et al., 2005; Wasko & Faraj, 2005). Wasko & Faraj (2005) found that individuals were more inclined to share their knowledge when they perceived that it would enhance their professional reputation. We propose that creating an atmosphere of fairness might play an important role in the creation of knowledge-sharing climate.

Equity Theory

Equity Theory (Adams, 1963) draws from the exchange, dissonance and social comparison theories to make predictions about how individuals manage their relationships with others. Adams (1963) conceived of fairness as the giving and receiving of equivalent value. Fairness perceptions focus on three types of events: the outcomes that employees receive from an organization (distributive justice), formal policies or processes used to determine outcome allocations (procedural justice), and the quality of interpersonal treatment they experience (interactional justice).

Distributive justice is the perceived fairness of the outcomes or allocations that an individual receives. When people make a distributive justice judgment, they are evaluating whether an outcome is appropriate, moral or ethical. Since there is no universally accepted standard of righteousness, making that judgment is often difficult. To decide whether something is fair or not, a person needs to create a benchmark or frame of reference (called a referent other).

Procedural justice refers to fairness issues concerning the methods, mechanisms, and processes used to determine outcomes (Gilliland, 1993). A fair decision-making process is the one that allows the opportunity for all affected parties to express their views and does not predetermine which party’s arguments will be most persuasive in influencing a decision maker (Folger, 1977).

In contrast with formally institutionalized structures regarding a decision-making process or rules about who participates in decision making and how, other aspects of interactions between outcome receivers and outcome givers do not involve formally imposed constraints on roles and behavior (Cropanzano et al, 2002). These less formalized aspects of interaction can also influence perceptions of fairness and they need to be considered in order to understand how people feel about the way they are treated. Interactional justice includes non-procedurally dictated aspects of interaction such as explanation content and the persuasive features of communication (Greenberg, 1990).

Research Model and Hypotheses

![Figure 1. Proposed research model](image)

The first set of hypotheses is replicated from Bock et al. (2005) study and tested on a different population sample. Due to length limitations, theoretical support is not reviewed here (see Bock et al., 2005).
Hypothesis 1A: The more favorable the attitude toward knowledge sharing, the greater the intention to share knowledge.

Hypothesis 1B: The greater the subjective norm to share knowledge, the greater the intention to share knowledge.

Hypothesis 1C: The greater the extent to which the organizational climate is perceived to be characterized by fairness, innovation, and affiliation, the greater the intention to share knowledge.

Hypothesis 1D: The greater the subjective norm to share knowledge, the more favorable the attitude toward knowledge sharing.

Distributive Justice

When compared to procedural and interactional types of justice, distributive justice correlates more with reactions to specific outcomes rather than reactions to the organization (Folger & Konovsky, 1989). Distributive justice refers to the fairness of outcomes received. Individuals will evaluate distributions of outcomes with respect to some distributive rule, the most common of which is equity (Cohen, 1987). Equity assessment involves a comparison of one’s inputs and obtained outcomes relative to a referent comparison other. Inequity is hypothesized to exist when both more and less outcomes are received than were expected (Greenberg, 1982). The equity distribution rule suggests that people should receive rewards that are consistent with the inputs they contribute to a distribution situation. Evaluations of inequitable distributions are thought to produce negative emotions and increase perceptions of unfairness (Adams, 1963).

By extending the distributive justice perspective to knowledge sharing, we can say that individual perceptions of the input/output ratio in the exchange process will influence their intention to share their knowledge. The formula for the equivalent ratios is: Output (Person)/Input (Person) = Output (Other)/Input (Other), where ‘Other’ stands for a referent other (Adams, 1963). An inequality sign between two ratios would represent violation of distributive justice and lead to perceptions of unfairness. In other words, individual inputs to the “common good” should be adequately rewarded with outcomes. If the outcomes of the knowledge-sharing process are expected to be fairly distributed, individuals will tend to perceive that the overall organizational climate is fair. In addition, if parties in the knowledge-sharing process perceive that it is a ‘win-win’ or mutually beneficial relationship they will be more inclined to share their knowledge with the other party.

Hypothesis 2A: The greater the perceived distributive justice, the greater the intention to share knowledge.

Hypothesis 2B: The greater the perceived distributive justice, the more favorable the attitude toward knowledge sharing

Hypothesis 2C: The greater the perceived distributive justice, the greater the extent to which the organizational climate is perceived to be characterized by fairness.

Procedural Justice

Procedural justice refers to an exchange between an organization and its employees. Procedural justice has to do with following procedures that are consistent, unbiased, accurate, correctable, representative and ethical (Robinson et al., 1999). Formal procedures are usually established by upper management and written on behalf of the organization acting as a corporate body. Research on procedural justice has demonstrated that the fairness of procedures and treatment are important sources of employee attitudes and behavior (Lind et al., 1993). When procedures and treatment are perceived by employees as fair, they form more positive attitudes about the organizational environment (i.e., the organizational climate).

Although employees’ reactions toward an organization have been studied extensively (Konovsky & Cropanzano, 1991; Folger & Cropanzano, 1998) relatively little is known about how procedural justice might affect employees’ intention to share their knowledge. If the organizational policies and procedures are perceived as fair and equitable, organizational citizenship behavior will be enhanced (Tepper & Taylor, 2003) and employees may be more likely to share their expertise.

Hypothesis 3A: The greater the perceived procedural justice, the greater the intention to share knowledge.

Hypothesis 3B: The greater the perceived procedural justice, the more favorable the attitude toward knowledge sharing

Hypothesis 3C: The greater the perceived procedural justice, the greater the extent to which the organizational climate is perceived to be characterized by fairness.
**Interactional Justice**

Interactional justice is perceived when others treat individuals with dignity and provide explanations for their decisions (Brockner & Wiesenfeld, 1996). When a decision is implemented in a manner that is socially sensitive, considerate and empathetic, interactional justice is attained. Interactional justice is usually operationalized as a one-to-one transaction between individuals. In other words, interactional justice refers to the quality of interpersonal treatment (Bies & Moag, 1986).

**Hypothesis 4A:** The greater the perceived interactional justice, the greater the intention to share knowledge.

**Hypothesis 4B:** The greater the perceived interactional justice, the more favorable the attitude toward knowledge sharing

**Hypothesis 4C:** The greater the perceived interactional justice, the greater the extent to which the organizational climate is perceived to be characterized by fairness.

**METHODOLOGY**

To test the proposed research model, the survey method will be used for data collection and structural equation modeling for examining the collected data. Items in the questionnaire are taken directly or adapted from previously validated scales. Each scale includes 5-7 items.

Distributive justice refers to the judgments that people make with respect to the input/output ratios they experience relative to the ratios experienced by others with whom they identify (reference others). The items measuring distributive justice are adapted from Price and Mueller (1986) and Moorman (1991). Procedural justice has to do with following procedures that are consistent, unbiased, accurate, correctable, representative and ethical. Items measuring procedural justice are adapted from Greenberg (1990) and Folger & Konovsky (1989). Interactional justice refers to the quality of interpersonal treatment. Items measuring interactional justice are adapted from Moorman (1991) and Niehoff & Moorman (1993).

Organizational climate has been defined as a “set of measurable properties of the work environment” (Litwin and Stringer 1968). Attitude toward knowledge sharing is defined as the degree of one’s positive feelings about sharing one’s knowledge (Bock et al. 2005). Subjective norm is the person’s perception that important others desire the performance of a specific behavior (Ajzen and Fishbein 1980). Intention to share knowledge refers to the willingness of individuals to share knowledge (Bock et al. 2005). Organizational climate and knowledge sharing (attitude, subjective norm and intention) scales are used from Bock et al. (2005).

To ensure content validity, the survey instrument was reviewed by an expert panel comprised of IS graduate faculty. The pilot study of the instrument was conducted on a sample of the population after incorporating suggestions of the panel. To analyze the data, the two-stage analytical methodology recommended by Hair et al. (1998) will be followed where confirmatory factor analysis (CFA) will be conducted to assess the measurement model and to examine structural relationships among constructs. First, CFA will be used to assess internal consistency, convergent validity and discriminant validity of the instrument. Next, structural equation modeling will be used to test the model and the hypotheses.

**CONTRIBUTION OF THE STUDY**

The study’s contributions are as follows: 1) it will combine TRA with Equity theory to enhance our comprehension of knowledge sharing processes; 2) this research will be conducted in a different national culture than the one used by Bock et al., (2005) hence, extending generalizability of their findings in the research domain; 3) practitioners will gain valuable insight on perceptions of distributive, procedural and interactional justice and their importance in shaping employee attitudes toward knowledge sharing.

**CONCLUSION**

Equity theory (Adams, 1963) focuses on judgments that people make with respect to the input/output ratios they experience relative to the ratios experienced by others with whom they identify (reference others). Applying equity theory to knowledge sharing processes, we can posit that knowledge sharing will occur when parties engaged in the process feel that: 1) their inputs into the exchange relationship are adequately rewarded by benefits gained; 2) the procedures are fair and just; and 3) they are treated with dignity and respect by other parties. These distributive, procedural and interactional factors will determine parties’ willingness to continue in the knowledge-sharing partnership.
REFERENCES