Chapter XII

Intranets and Business Model Innovation: Managing Knowledge in the Virtual Organization

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The purpose of this chapter is to provide a conceptual/theoretical analysis of intranets and knowledge management in virtual organizations for both academics and practitioners. Virtual organizations are a major part of the new business models that have recently emerged. Intranets are introduced as a tool for managing knowledge in virtual, as well as traditional, organizations. The chapter begins with an overview of knowledge management and how it relates to virtual organizations, including a discussion of the forces creating the need for knowledge management and some of the components of knowledge management. The chapter then introduces intranets as a tool and methodology for managing knowledge, especially in virtual organizations. It discusses a number of key issues related to intranets and knowledge management, including the intranet’s ability to span geographic and temporal boundaries, to share information, to facilitate communication and to become a collaborative work space. Other issues discussed include methods for dealing with information overload, the ability of intranets to help provide identity and cohesion for virtual teams, and so forth. The chapter gives clear examples of how intranets are a vital knowledge management tool in virtual organizations, as well as in other new business models. Finally, the chapter ends with a discussion of future trends in intranets in connection with knowledge management in virtual organizations.
In the past few years, the advance of technology, greater competition and the increased pace of change have caused business leaders throughout the world to experiment and innovate with new business models (Malhotra, 2000). Research on innovative structures (Mintzberg, 1979, 1989), re-engineering and business process innovation (Davenport, 1993; Hammer and Champy, 1993) have also contributed to the growth of innovative business models. These new models are often intended to provide flexibility, adaptability and agility to the organizations that adopt them (Dijksterhuis, Van den Bosch and Volberda, 1999; Djelic and Ainamo, 1999). The new business models have included internal innovation, like cross-functional teams, customer-focused business units and communities of practice (Wenger and Snyder, 2000). However, they have also included evolving organizational structures like networked organizations and virtual organizations (Rockart, 1998). This chapter will explore knowledge management within the framework of virtual organizations, one of the largest areas of business model innovation.

Knowledge management and virtual organizations are both new business trends that may well have the largest impact on the way business is conducted in the 21st century. Both are hotly debated, and articles and books on these topics have numbered in the hundreds over the last few years. While a great deal has been written, though, the definitions for both are still being formed and organizations are struggling in their implementation efforts. This chapter will analyze the reasons for knowledge management, some of the elements of knowledge management and how knowledge management impacts one specific area of business model innovation, virtual organizations. The chapter then introduces intranets as both a technology and also a methodology for optimizing knowledge management within the virtual organization. Finally, there is a section on future trends related to intranets and their use in knowledge management initiatives and in virtual organizations. This chapter will provide a conceptual/theoretical review of these topics that is useful for both academics and practitioners.

Much of the discussion below concerning knowledge management will deal with knowledge management in traditional organizations as well as in virtual organizations. It is necessary because not much research has been done yet on knowledge management in virtual organizations. Where research has been done it is noted. However, despite the lack of research in specific virtual organizations, it is appropriate to use evidence gathered from traditional organizations because of the overlap between traditional and virtual structures. While virtual organizations are very different in some ways, they are similar in others.

Concerning knowledge management, virtual organizations follow many of the same patterns as traditional organizations, except they are much more extreme. Employees in virtual corporations are more scattered temporally and geographically; they rely much more heavily on technology; their time to market is faster; their products more customized, and so on. (Goldman, Nagel and Preiss, 1995; Grenier and Metes, 1995). While knowledge management is extremely important for traditional organizations—it applies doubly to virtual organizations, although with some additions and differences that will be pointed out later (Fisher and Fisher, 1998).

This chapter addresses the innovative business model of virtual organizations specifically, as opposed to virtual communities. A virtual organization has a unified
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