Chapter IV

Interorganizational Knowledge Management: Some Perspectives for Knowledge Oriented Strategic Management in Virtual Organizations

Thorsten Blecker and Robert Neumann
University of Klagenfurt, Austria

New organizational approaches like virtual organizations have the potential to provide the flexibility and to reduce the complexity and risk of management necessary to survive in the actual economic environment. A crucial factor for gaining and sustaining competitive advantages in the current economic environment is knowledge. The management of knowledge has been extensively discussed during the past few years. However, there is still a considerable lack of research that addresses innovative ways of managing the transfer of knowledge, best-practices and competence between organizations. In order to partially overcome these conceptual deficiencies we introduce the concept of an interorganizational knowledge management and discuss its implications on knowledge-oriented strategic management in virtual organizations.

INTRODUCTION

Today’s management is confronted with ever-increasing dynamics and complexity of the economic field (Ungson and Trudel 1999, pp. 60). This turbulent environment forces enterprises to generate new ideas and to transfer them into processes, structures and products at an increasing pace without having all necessary core competencies. This development leads to a significant rise in business risk. Modern cooperational and organizational forms like virtual organizations enable enterprises to lower complexity and
risk as well as to increase flexibility and diversity of available resources simultaneously (Blecker 1999, pp. 1).

Knowledge and its interorganizational management become crucial factors for gaining and sustaining competitive advantages (Preiss, Goldman, & Nagel 1996, pp. 268). Therefore, interactions with other organizations for exchanging and acquiring knowledge become one of the focal points of management. Cooperations are often more powerful and successful, than traditional large enterprises. Empirical evidence to the increased importance of cooperations is provided from the International Motor Vehicle Program (IMVP) of the MIT from the automotive industry (e.g. Womack, Jones, and Roos 1990) as well as certain cases in the electronic field (e.g. De Meyer 1998). However, this discussion lacks a common terminology since different definitions are used to describe the same or similar aspects of modern organizations and cooperations (Blecker 1999, pp. 11; Kaluza/Blecker 1999a, pp. 267). Additionally, there are only gradual differences between these definitions, since almost all of them emphasize the cooperation of economical and/or legally independent companies for commonly achieving competitive advantages by concentrating on core competencies. In this chapter we focus on the concept of the virtual Organizations, which are currently of particular interest to Strategic Management and therefore intensively discussed in literature.

One of the major objectives of this paper consists of providing the theoretical background for explaining the processes taking place within virtual organizations with respect to knowledge. Although this is a rather complex topic, we do not want to reduce our discussion to some pragmatic approaches for the sake of simplicity of manageability. Rather, this chapter tries to thoroughly elaborate the concept of inter-organizational knowledge management by presenting its key contents. In the course of our investigation, we will examine how companies can obtain knowledge-based competitive advantages by participating in virtual organizations. Present research in this field concentrates on a knowledge-oriented management addressing questions regarding elements, characteristics, functions, and possible applications of organizational knowledge.

BACKGROUND

The Concept of Virtual Organizations

The economic literature is characterized by a variety of different meanings of virtual Organizations (Blecker 1999, pp. 23). Most of them follow the common approach of defining the term virtuality analogous to virtual memory management of modern computer systems (Mowshowitz 1997, p. 34). Therefore, virtuality denotes an ‘as-if-reality’ (Davidow and Malone 1992). This means, that an object has an effect and shows behavior without physically existing in reality (Martin 1996, p. 15).

However, the literature on virtual organization is characterized by heterogeneous definitions and concepts. For instance, Davidow and Malone (1992) define virtuality as the key factor to successful management in the 21st century, but fail to develop a theoretically consistent concept. A concretizing of the construct or even a definition of the virtual organization, which goes beyond general descriptions, is completely missing. Rather, the authors only recite well-known management concepts like just-in-time, lean production, and total quality management as features and/or approaches to the imple-
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