The general objective of this chapter is the attempt to develop solid epistemological foundations for discussions around the subject of knowledge management and virtual organizations. For this purpose the rich and encompassing theoretical complex of the interpretative paradigm in social sciences is adopted and a specific transfer is made from the newer sociology of knowledge, as introduced by Alfred Schutz, Peter L. Berger and Thomas Luckmann. The main thrust of the chapter opens with a discussion of information quality in the context of knowledge management and develops accordingly the concept of common interpretative spaces and a tripartite model of the transformational process, which are both standing at the very heart of any approach to knowledge management in virtual organizations.

Knowledge management deals with basic questions and concepts that have a long epistemological tradition: what exactly is knowledge? Why do we have knowledge? How do we get knowledge? How are we storing, processing and sharing knowledge? If we take a closer look at current literature about knowledge management we observe one common feature that is shared unfortunately by many approaches: a rather weak theoretical foundation of the basic assumptions about knowledge, which are used – and sometimes even in an constituting manner – within the approach.

From my sociological background and a certain affinity to the encompassing thoughts of Alfred Schutz and its scholars Peter L. Berger and Thomas Luckmann came the main thrust to explore an old sociological tradition, namely the study of knowledge,
its distribution, its genesis and its function within society, in order to develop theoretical concepts, which can be used within approaches to knowledge management in virtual organizations. The interpretative paradigm, on which the newer sociology of knowledge is based on, has not only methodological relevance for qualitative empirical studies, but it also offers a rich theoretical framework and solid epistemological foundations, which may eventually disclose many fresh, new insights to anyone working within the social discourse around knowledge.1

This chapter, thus, deals broadly with interpretative conceptualizations of knowledge management in virtual organizations and tackles specifically the issues of how we are able to apply objective measurements of valuation in the transformational process of organizational knowledge transfer and how we sustain and develop the appropriate common interpretative spaces. In this context the notion of information quality is taken as a point of reference and starting from its interpretative reconfiguration, two concepts of relevance are introduced within this chapter, namely the idea of common interpretative spaces, which constitute the semantic scope of any organizational knowledge flow, and a small model of the transformational process, which turns interpersonally shared information into situated and valued knowledge, a process which lies at the very heart of any knowledge management in virtual organizations.

**KNOWLEDGE MANAGEMENT IN VIRTUAL ORGANIZATIONS**

The managerial challenge of the coming decades will be influenced significantly by two developments, which can already be identified today: first, management in its original form as an institutionalized mode of managing material resources and long-term employees within regionally segmented markets will increasingly be substituted by more dynamic, knowledge-oriented forms of management. Second, new virtual modes of organizing allow future managers of intellectual assets to operate in new social spaces and allocate appropriate human resources for specific projects instead of life-long employment. This new *modus habituandi* of doing business in the forthcoming decades could be termed accordingly “knowledge management in virtual organizations,” a development that is explicitly covered in its different implications and aspects by this book.

Knowledge management, as an independent discipline within business administration, did not attain wide popularity until the 1990s. Although early approaches to the topic have been made before, it is not until this decade that the business world is commonly accepting knowledge management as a main issue of concern. With higher degrees of specialization and division of labor, we are currently living and working in systems and networks, where increased dependency and highly specialized and distributed knowledge prevail. Daniel Bell (1974) coined the term of post-industrial society and described the inherent social changes that led to a shift from the industrial sector to a rapidly growing service sector. Bell spoke in this context of a transformation from the good-producing society to a new information or knowledge-society. Peter Drucker (1993; 1998), who spoke accordingly of a post-capitalist society, coined the term “knowledge worker” and focused his analysis of Western economies on the knowledge dimension.

The second shift has been induced by new technologies and media and comprises new, virtual modes of organizing, which change the way we interact in business contexts
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