Chapter 3
Weak Ties and Value of a Network in the New Internet Economy

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ABSTRACT

The rapid rise in internet economy is reflected in increased scholarly attention on the topic, with researchers increasingly exploring the marketing approaches and strategies now available through social media. The network provides a value for companies, thus becomes essential acquire greater awareness to evaluate and quantify its value. What are practical implications for managers? Social network analysis is nowadays an essential tool for researchers: the aim of this chapter is to extend the internet economy research to network theories. Today, there are emerging observations on the global internet economy, but there is a big gap in literature indeed. At first, literature focused on people. Now, on digitalized information. Firms are connected in a virtual network and there are undefined distances in terms of space and time. Traditional methods of analysis are no more efficient: to analyze the relationship in the network society, we need a different paradigm to approach network issue.

INTRODUCTION

Sociologists and anthropologists who initially studied networks didn't pay attention to their economic relevance (Barnes,1979). Some industrial sociologists (Roy, 1954; Dalton, 1959) had long stressed the role of informal networks as an antidote to formal organization practices and structures (Doerr and Powell, 2005). However, there is not much previous literature that applied internet economy research to network theories: this chapter aims to fill this gap.

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Noting this gap, the research question, around which this work is build, is: built the present work: is there a contact point between network theories and the internet economy? Assuming an affirmative answer, as we will discuss later, what are the advantages of applying the network theory in the Internet economy?

The aim of this chapter is to highlight the importance of network theories for the internet economy (among all, Rosenbaum et al., 1990). This manuscript contributes to the understanding of a mutable economic environment: the environment is worth studying because it is characterized by an increasing dynamism of the network. In order to get this objective, network theories will be discussed. Such a review seeks to add new foundations to the internet economy paradigm into economic literature.

This study is consistent with the Milgram experiment (Milgram, 1967), which is probably one of the most well-known experiments in social science: Milgram and his staff randomly distributed preaddressed and stamped letters to 296 people in Nebraska who were asked to pass the letters on to the correct recipient in Massachusetts. Milgram's team tabulated the rate at which the letters were picked up and sent to the correct recipient: the mean number of intermediaries between starters and targets was 5,2 people. This is a cornerstone for the degrees of separation theory which will be explained in the next paragraphs.

However, in the Milgram experiment, there is something else interesting to note: during the delivery process of the letters there was an apparent crucial point in the network, because 48 per cent of the chains passed through the same three people before reaching the target. In other words, there was some hub in the network. Therefore, a network is not egalitarian: it is a small world structure (Travers and Milgram, 1969). Small world networks show how a social world is interconnected, having only six degrees a social world such that it has only six degrees of separation among its elements (Buchanan, 2003), as it will be explained in subsequent sections.

The present chapter is structured as follows: the next paragraph shows the state of the art and the theoretical background through a literature review; in the main body, it is possible to identify three conceptual areas: Internet Economy, Network Value, Strong and Weak Ties. These themes correspond to the sections in which this chapter is ideally divided. Nevertheless, these aspects are mutually interconnected and they form a unified framework; then, a solution and recommendation will be proposed, with further research directions and a conclusion given to highlight the practical implications of the theoretical arguments discussed above.

BACKGROUND

The necessary starting point is to introduce some insight about network theories. The issue has its origins in the studies of Granovetter who argued that, although the strong social ties could appear necessary to hold together a social system, in truth weak ties are crucial, specifically the so-called strength of weak ties (Granovetter 1973, 1983).

We assume a network of individuals (nodes) and friends (connections) that bind individuals: individuals within a group have, in fact, many elements connected to each other by generating a redundancy of strong ties. The disappearance of one of these links does not affect the interconnection between the network elements.

However, considering the system as social network (i.e. friendship), we realize that there are weak links between different groups of friends that hold it together: they work as a sort of bridge between social groups. The disappearance of one of these weak bonds would result in serious harm to the degree