Chapter VIII
Research Linking
Corporate Social Capital
and Performance in the
IT Global Market Place

In 1996 Barry Nalebuff and Adam Brandenburger published their book with the paradoxical title of “Co-opetition” (Nalebuff & Brandenburger, 1996). The term originally credited to Ray Noorda, the founder of the networking software company Novell, means competing and cooperating at the same time. Drawing from a background in game theory applied to business, the authors identify that to be successful does not require others to fail. Game theory has proved to be particularly effective in complex environments where many interdependent factors exist (Brandenburger & Nalebuff, 1995). Unlike most games where the result is necessarily win/lose, the authors identify that the rules of business are not so clear cut and there are many situations where win/win is not only possible but preferable. Nalebuff and Brandenburger identify the value network around a company as having roles for suppliers, customers, competitors, but also “complementors”. “Complementors” are those firms whose products or services add distinctive complementary value to a company’s mainstream supplier offerings. Therefore there will be many situations where “best of breed” does not produce the best result unless the individual providers also demonstrate complementary value for the client.

In this chapter a brief review of the IT industry networks is conducted followed by sections on a suite of novel research techniques that are introduced for analysing the networked market place. The techniques rely on identifying market place alliances, whether they are contractual or market development based. Ultimately they
do rely on social network representations applied at the firm level and maximising Corporate Social Capital (SC) for market place actors. In this way they are very different, but complementary to traditional market research techniques. A set of research questions and hypotheses are developed around the concept of Corporate SC. For the scholar, the research methodology is described in some detail in the Appendix.

**IT INDUSTRY NETWORKS**

The IT industry sector (ITS) has been a rich field for identifying complementary value examples. IBM ceding the operating system software to Microsoft for its IBM PC launch is well documented. Intel profits when Microsoft develops more sophisticated software, requiring CPU upgrades. Management consulting firms profit when SAP introduces a new release of product. Many start-up IT firms have profited from associations with mainstream providers like IBM, Microsoft and Google by licensing specialised code segments into their mainstream products. Today the IT industry is a good example of the practice of “co-opetition”. The challenge now is to identify methods that can be used to analyse and research the market. Traditional market research techniques that concentrate on market share, unit sales and revenues become less informing when the market place becomes more interconnected. Like the “best of breed” trap, if one doesn’t know of the relationships between the market players, firms can run the risk of becoming “battlefield hosts”, rather than having the cooperative environment they were hoping for.

The ITS is distinguished by the relative ease with which firms can form and disband relationships and joint ventures (Knoke et al., 2002). Joint venture formation has been seen to have a positive impact on market valuations on announcement. Beyond announcement market valuations for joint ventures that strengthen a position in an existing market are positively affected, while those that assist in entering new unrelated product markets have no appreciable impact on market values (Koh & Venkatraman, 1991). These authors also found that joint ventures between large and small partners tended to favour the smaller partner in terms of increased market valuation as the smaller firm benefited from “reputation spill over” from the larger partner. This is consistent with the idea that small firms can improve their levels of SC via a successful joint venture and therefore endorsement with a well regarded partner (Das et al., 1998; Stuart, 2000).

Technology development is a fundamental characteristic of the IT industry (Ferrary, 2003; Nault & Vandenbosch, 2000). The potential for growth and wealth creation has encouraged governments to play an active part in brokering partnerships at least at the basic research stages of development. The Japanese IT market
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