



Chapter XIV

Pushing Elusive Alliances into the Light - Discovering the Value of Informal Networks on the Internet

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ABSTRACT

Sociologists have for many years explored the value of social capital, or the resources embedded in social relations and social network structures. In recent years, organizational forms such as strategic alliances and network organizations have been an important new form of entrepreneurial venture, particularly in business markets. An important and often overlooked type of alliance on the Internet is what we call the “elusive alliance”. These alliances are not formally acknowledged, they are difficult to identify and can often be unknown, even to the members of the alliance themselves. They consist of informal links and social networks on the Internet—unspoken connections and codes of conduct that are extremely valuable because of the social capital embedded in them. This chapter aims to find ways to formally identify and expand these alliances in entrepreneurial ways that will improve their effectiveness, usefulness and ultimately, their social capital, translated into financial returns. We use Social Network Theory as the framework to study these networks.

INTRODUCTION

Sociologists have for many years explored the value of social capital, or the resources embedded in social relations and social network structures (Lesser, 2000; Lin, 2001a, 2001b). In recent years, organizational forms such as strategic alliances and network organizations have been an important new form of entrepreneurial venture, particularly in business markets (Achrol, 1997; Achrol & Kotler, 1999). As new forms of cooperation, these organizational forms represent attempts by existing firms to exploit strategic opportunities as collaborators, with each bringing particular resources and skills, or both, to the alliance (Lewis, 1990; Lorange, 1990). Typically, there are outcomes for all parties, with positive or negative results being shared, according to some predetermined procedure. Academics have rushed to study these new organizational forms, for apart from simply being interesting, they represent important if ephemeral structures in a global business environment.

An important and often overlooked type of alliance on the Internet is what we call the “elusive alliance”. These alliances are not formally acknowledged, they are difficult to identify and can often be unknown, even to the members of the alliance themselves. They consist of informal links and social networks on the Internet—unspoken connections and codes of conduct that are extremely valuable because of the social capital embedded in them. A good example of the elusive alliance is the countless number of web sites dedicated to music artists. Web sites relating to a particular artist may link back and forth between official and unofficial fan sites, and they may even link to e-commerce companies where fans can buy the artist’s merchandise—e.g., Amazon.com or CDNow.com. This paper aims to find ways to formally identify and expand these alliances in entrepreneurial ways that will improve their effectiveness, usefulness and ultimately, their social capital, translated into financial returns. The framework we use to study these networks is Social Network Theory.

In general, social network theory explains the mechanisms and structures that individuals use to accumulate power in social settings, leading to the related construct of social capital (Scott, 1991; Wasserman & Faust, 1994). This can be viewed as an asset benefiting the actors who have possession of it and constituting a resource available to an actor defined by its function (Coleman, 1990). Contingent to the theory of social networks is the theory of structural holes (Burt, 1992). Structural hole theory views social capital as entrepreneurial opportunities inherent in structural disconnects. “Structural holes are disconnections or non-equivalencies between players in the arena... Structural holes are entrepreneurial opportunities for information access, timing and control” (Burt, 1992).

This short discussion on “Elusive alliances” and Social Network Theory leads us to the question that serves as the general definition of the research problem:

To what extent can Social Network Theory and its related constructs be used to describe and enhance elusive alliances on the Internet?

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