

Chapter 34

From Local to Virtual Business Networks: The Issues at Stake

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ABSTRACT

In the past, local networks were considered a very important factor for territorial development. With the development of the internet, places became virtual, creating new spaces of “digital geography.” The parallel of territorial local networks in the virtual space may be found in the virtual communities. Having first been developed for business purposes, more recently with the development of internet technologies and the change in the business dynamics, we assisted to the uprising of online social networks. These networks show the potential to alter critically the way businesses are conducted, thus changing management fundamentals and managers’ capabilities to act within the present theoretical framework.

In this chapter, we propose an analysis to these features, trying to devise not just what may be the major changes but also what could be the major challenges for development coming up from these issues.

INTRODUCTION

If there is one decade of rapid transformation in business practice for the last fifty or sixty years, it is surely the one we have lived recently with the spread of e-mail, internet and online social

networks, to say the least of the emergence of China and India in industrial and service sectors.

Changes are sweeping and this is one of the few certainties of the near future. Business (social) networks are in the midst of a storm, evolving from local or international networks to global and virtual and online networks with a strong technological basis.

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According to several 2010 statistics, nowadays about 47% of online adults use social networking sites and this figure is even more impressive if we consider teens and young people: around 73% are member of at least one social network. Considering now children under two years old, the figures show that about 81% of them present some form of online presence. This figures show a percentage of 91% for toddlers in USA against 73% in Western Europe. The survey that obtained these figures also show that nearly one in four children have some kind of online presence (e.g. images from prenatal sonograms) before they are even born.

Around the world, the number of users registered in virtual world sites (like Second Life and Blue Mars) broke the 1 billion barrier during the third quarter of the year 2010 (Kzero, 2010). This figure represents an increase of more than 350 million compared with the same period of the previous year as it is possible to see in figure 1.

Clearly, this phenomenon should not just be envisaged as a momentum, having the potential to have a deep impact on the way businesses are conducted and in particular, on the strategies to develop to face this new reality.

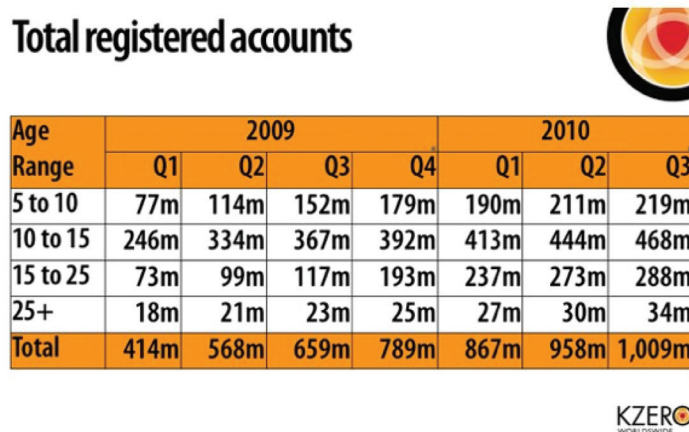
Our contribution is to highlight the main issues at stake and clarify the concepts behind the

crucial problems of contemporary business and management of the new economy. We will start by defining technology, innovation, networks, virtual networks and social networks (sections 1 and 2) to end up in a discussion of the challenges for business corporations proper, what are the important changes ahead for the competitiveness, strategy and surviving or firms (section 3). It is important to grasp the dimension of the change, especially around and within the notion of internet, social (and on-line) networks and the technology supporting, enabling and constraining them. This will be done in the next part (section 1) while section 2 will discuss in depth the notion of network and its recent evolution. Then in the last part, the argument will be wrapped up together at the level of the life and management of corporations.

TECHNOLOGY, INNOVATION AND THE WORLD OF MANAGEMENT

As already hinted at, it is a time of sweeping changes, and many are quite misunderstood as well projects for the future appear as uncertain, this is precisely the case of virtual (social) networks. In order to grasp the issues, controversies and discuss possible solutions or recommenda-

Figure 1. Virtual world sites' accounts by age (Source: Kzero Worldwide, 2010 statistics)



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