

Chapter 33

Online Social and Business Networks' Implications for Corporate Strategy

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ABSTRACT

The social and business environment is changing dramatically. Driven, among other things, by the incredible technology development; more informed and demanding consumers; dynamic supply chains and the widespread use of IP infrastructures, companies face a constantly changing environment, where their capacity to deal with information dictates their future. Today, the ability to influence and control the flow of information is dramatically more powerful and cost-effective than moving and manufacturing physical products. On the other hand, Information Technology has more and more ability to be used for innovation purposes, entertaining, and enhancing the entire experience surrounding any product or service.

For the new entrants, this is an opportunity to succeed, and for organizations already in the market, this represents the need for a quick reaction capacity and the development of an adequate strategic plan its mandatory in order to survive (Porter, 1980).

Online social networks (OSN) became a privileged communication channel with features that largely surpass those brought by newspapers, radio or television. They are becoming the centre of consumers' attention, and besides the amazing flow of information that they can provide to organizations, they also give them the opportunity to develop tailored contents, products, or services, reflecting their customers' desires and interests.

In this chapter we will raise the main challenges deriving from the increased use of online social and business networks and their impact on the way businesses are being done today. We believe that social and business networks are at the basis of a future revolution on management fundamentals, and we will emphasize in particular those concerned with strategy's conception, implementation, and control.

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INTRODUCTION

Over the last years the Internet has evolved from being a scientific network, to a platform that is enabling a new generation of businesses. The first generation was fundamentally the exchange of information between universities and researchers. The second generation was built on the global perception of the possibility for additional revenue, fact that took almost every type of businesses to become available electronically, today online accessibility to everyone with a computer or a mobile phone allows interactions far more pervasive between private, public, and business users.

Jointly, specialization, globalization, and technology are making interactions far more insidious in developed economies. As Adam Smith predicted, specialization tends to atomize work and to increase the need to interact (Smith, 1987). Outsourcing, like the boom in global logistics operations and marketing, has dramatically increased the need to interact with vendors and partners. Communications technologies over Internet Protocol (IP) such as e-mail and instant messaging (IM) have made interactions easier and less expensive.

As a consequence, the social and business environment has been changing due to new technologies (most of them taking advantage of internet possibilities), more informed and demanding consumers; dynamic supply chains and the widespread use of an IP infrastructure. Today, the ability to influence, and control the flow of information is dramatically more powerful and cost-effective than moving and manufacturing physical products, technology is used to innovate, entertain, and enhance the entire experience surrounding the consume of products and services.

There are mainly two technological forces driving this change: the explosion of connectivity through mass usage of Internet and mobile devices; and the adoption of common information standards (e.g.: Internet Protocol, XML).

At least from the end of the 90s, organizations have reasons to go online (Amor, 2001). At

that time this was mainly driven by electronic commerce, but today this is being pushed by the social networks phenomena. However, in order to effectively respond and to act proactively to the business trends arising from the development of online social and business networks, organizations must be able to develop new strategy's fundamentals, that will allow them to perform better than their rivals in these new markets, and explore the best way possible the resources available, in order to reinforce their strategic advantages and competitiveness (Porter, 1985, 1998, 2008).

Social Networks are changing the way people communicate, share opinions, information and ideas, and this is impacting behavioral, cultural and political aspects of life. A very important example of this is the widespread use of mobile social networks.

Such a reality could be a great advantage for lifelong learning, community living, and knowledge-sharing but, as boundaries between public and private spaces will blur, also new risk scenarios will emerge. Information placed in web profiles or in twitter streams may be misused by others looking for important facts and figures and may cause critical damages to the organization's reputation.

Therefore it seems clear for all organizations that managers should be aware of the consequences, opportunities and challenges brought by Online Social Networks (OSN) for their new context of doing business.

In the next pages we will raise the main challenges deriving from the increased use of online social and business networks and their impact on the way businesses are being done today, both for organizations with and without a presence on the internet. We believe that online social and business networks are at the origin of a future revolution on management's fundamentals, and we will emphasize in particular those concerned with Strategy's conception, implementation and control.

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