Theory 11

Social Capital

What the social capital means and how actually it can benefit?

The importance of social capital for both **establish companies** and **startup firms**.

Social capital is the accumulation of active connections among people in a network. On the other hand, some people think that social capital is whom do you have in your network of contacts. But another group of people think that social capital is resources that are part f and bass of the relationships. Meanwhile, the dichotomy have two opinions too: set of resources that are based on the relations or set of relations that create resources.

In recent years, the meaning of social capital is a bit changed to social capital represents an ideal means how to put all of your resources together in a effective way.

The forms of relationships can vary from informal to formal. The more formal the relationships is the more strong the relationships is. Strategy alliance is the strongest element among them and it stands between two or more firms that are to cooperate with one another. If they work by only themselves, it would be hard to achieve a goal.

Ways the social capital benefit to your companies: way of exploiting a business opportunity; there is mutual advantage to be gained; true partners can form a new team.

Form of cooperation: it is from market transaction to merger acquisition. Outsourcing(e.g. IT, telegram service) and licensing(e.g. software, music industry, insurances, lawyers, taxi drivers) are market transaction. The space between this stages usually include: production, R&D and so on.

What do we achieve with alliance:

- **Access to knowledge or competence** like share know-how, R&D complementary technology. Where it could be? Real example: telecommunication company.
- **Access to new markets and internationalization** like market knowledge, local party required. It can be benefit but sometime there are drawbacks for them. When the first product of APPLE was produced, users can only sign a contract and use AT&T operate, do you think it is right or wrong? Apple was totally new

product at that time. They lacked knowledge at that time and if you use iPhone is U.S., at least your security of telecommunication can be guaranteed.

- **Efficiency** like scale, specialized partner;
- **Clients do not want product is but tailored solutions** like satisfy a need, not a demand; e.g. mobile in Africa. They do not have enough money to invest and research so they work with google and some other companies in order to come up with a solution.
- **Risk sharing** like pool resources and portfolios.

The opportunity to combine knowledge in unexpected combinations to create new product concepts is an important motive for alliances as well. The failure rate is 50%.