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Global alliance networks: A comparison of biotech SMEs in Sweden and Australia

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Abstract

The role of networks in business operations is widely recognized. We discuss social network theory, identify its main constituents, and outline a methodology and procedure that enable the identification and valuation of informal networks in an international business-to-business environment. Research is carried on informal Internet networks among firms in the biotechnology industry from Sweden and Australia. We use the methodology to recognize salient nodes, determine prominence and identify structural holes that allow the unveiling of brokerage opportunities that lie latent in networks. Global firms and suppliers of industrial products that are or can position themselves effectively in a social network are in a position to leverage considerable value.
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1. Introduction

It has long been recognized that networks are critical to smaller firms in their toils to survive and compete with larger counterparts (Copp & Ivy, 2001; Lipparini & Sobrero, 1994; Masurel & Janszen, 1998). As markets become increasingly global, smaller firms find themselves struggling not only against local market incumbents, but also against large and small rivals around the world. While this is obviously true for firms competing in consumer markets, and for those firms competing in high-technology markets, where other organizations are customers, the much-hyped hyper-competition has become a reality. Whether they want to be or not, indeed, whether they are aware of it or not, these firms will find themselves to be part of local and global networks. The strategic choices in this regard then are surprisingly simple: How to understand these networks in order to get them to work for you (or at least not against you), or ignore them at your peril. There is a dearth of empirical research on alliance networks that span national boundaries, and the advent of the Internet provides a unique opportunity to study these interrelationships. For the Internet is indeed the largest social network of all. Moreover, the Internet is becoming the most important vehicle for global business-to-business commerce. In this article we examine the networks facing small-to-medium size firms (SMEs) in the bio-technology industries in Sweden and Australia. By doing so we not only compare the structures of networks in business-to-business markets in two countries, but can also hopefully show how these associations can improve participants' effectiveness, and ultimately, their social capital and financial returns in global markets.

While the study of social networks had its origins in sociology (Granovetter, 1973), it has also become important to both academics and practitioners in business disciplines such as

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