Introducing Social Capital Value Add: Manifesto for New Social Network Structural Management of Corporate Value

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The Wizard of Oz is A Carny

Follow the Yellow Brick Road

Introducing
Social Capital Value Add

A Manifesto for
New Social Network
Structural Management
of Corporate Value

Proposed by:
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Abstract

Within the field of social capital study, concerns have been expressed that deviations from a fundamental understanding that social capital is captured from embedded resources in social networks may reduce the intellectual enterprise to a catch all fad (Lin, Cook, Burt, 1999).

This paper is an argument that sometime in 2004, when broadband internet connections became more prevalent than those of less capacity, individuals became empowered as our most intense form of media. Scaled up effects of the Individual as Medium including:

- increased information flow,
- exertion of influence,
- expansion of social credentials and reinforcement of identity and recognition,

are consistent with a network theory of social capital. Corporations are exposed to new risks and opportunities due to these scaled up forms of social capital and they require new methods to manage them.

Social Capital Value Add is introduced as such a new method, designed to link the pioneering intellectual enterprise of social capital to value based management and the priorities of marketers. A plausible SCVA valuation method is proposed to demonstrate how these links may be articulated in a way that is meaningful for investors and corporate managers.

Acknowledgements:

I would like to thank Olav Sorenson, the Jeffrey S. Skoll Chair in Technical Innovation and Entrepreneurship and a professor of strategic management at the Rotman School of Business at the University of Toronto. Olav provided the guidance and encouragement required to persist with the SCVA argument and conducted the first thorough review of the paper. In addition, I greatly appreciate the encouragement and accommodation of my MBA professors and classmates and my partners at Context Creative. All indulged me with flexibility, input and the latitude to let social capital invade every discussion and assignment during formulation of SCVA.

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Summary

Sometime in 2004 when broadband internet access in the United States became more prevalent than connections with less capacity, there was a point of inflection that has changed how corporations may create and preserve value. This paper presents an argument that new management methods are required to guide investors and corporate managers in their efforts to understand new risks due to these changes, to identify corporations that are more or less qualified to deal with these risks and to track specific performance in these areas relative to other companies, history and projections.

The argument is based upon the following points:

1. Broadband internet connections have empowered individuals, making them the most disruptive and intense form of media (i.e., the Individual as Medium); there are implications throughout the corporate ecosystem.

2. This results in entirely new scales of social capital as evidenced by new scales of the intrinsic elements of social capital: information flow, exertion of influence, certifications of social credentials and reinforcement of identity and recognition. This new scale social capital is a critical corporate asset.

3. Corporations need to adopt theories and practices that are designed to help them maximize formation, access and use of social networks and social capital. In response, a new theory of value based management called Social Capital Value Add (SCVA) is introduced to link Nan Lin's network theory of social capital directly to corporate value.

4. Symbolic brand's shortcomings in building corporate value in the era of the Individual as Medium and the requirements of memetic branding further illustrate the need for new management methods.

5. A new method of SCVA corporate valuation is introduced. The plausibility of this method further supports the argument.

Metaphors from the Wizard of Oz help to illustrate the argument and achieve the paper's aim, which is to link social capital theory and social network analysis with value based management and the priorities of marketers. Another stylistic feature of the paper is employed to achieve this aim. It contains over 200 hyperlinks or hot areas to enable the reader to quickly explore related, but typically isolated clusters of knowledge that are drawn together in the paper. Academics, financial analysts, managers and marketers may each discover concepts here foreign to their typical bailiwick.

Introduction

On August 9, 1995 Netscape, the company that introduced the first graphical internet browser, and was founded by a twenty-something kid named Marc Andreesen, went public at $28 a share and closed that day trading at $58.25.[1] By November of 1998 the company managed a successful sale to America Online Inc. at a valuation of $4.2-billion.[2] On October 24, 2007 Microsoft bought a 1.6 per cent stake in Facebook for $240-million, placing a $15-billion valuation on the online social network application company that launched in a Harvard dorm room in 2004. Facebook now has estimated annual revenues of around $100-million.[3] At age 23, Facebook's founder and CEO Mark Zuckerberg has become the poster boy for the next generation of continuous, fast-moving innovation in communications technology. Meanwhile, Andreessen is behind Ning, his own entry into the social network application market.

Many investors and managers have come to terms with the changes associated with the introduction of the Internet browser in the mid-1990s. However, since 2004, when broadband Internet connections in the United States became more prevalent than those with less capacity, new forces have emerged that have changed how value is created and defended in business. As Internet access continues to accelerate and become more ubiquitously distributed, corporations need to evolve.

The Great Oz: The Use of Symbols

As symbols, these two innovators exemplify extraordinary corporate value creation. Much like the term, "Web 2.0", coined by O'Reilly Media for a 2004 technology conference, they are de facto brands that have emerged to represent very complex shifts in the business environment including technological innovation, changes in communications and winning business practices. Recognizing symbols like these, taunting and teasing them for meaning, is a much-needed, massively popular remedial movement owing much to popular journalism, agency campaigners and the echo chamber that is the blogosphere.

Focusing management on delivering results against meaningful performance measures in today's business environment (See Fig. 1) is not as trivial.

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[1] Paul Festa, "Key Dates in Browser History", CNET News.com 13 Oct. 2004, Dec. 2007, < http://www.news.com/Netscape-Bowed%2C-but-not-broken/2100-1032_3-5406682.html?tag=st.nl >

[2] Steve Lohr and John Markoff, "Deal is Concluded On Netscape Sale to America Online", The New York Times 25 September 1998, Dec. 2007, < http://query.nytimes.com/gst/fullpage.html?res=9E03EEDA1739F936A15752C1A96E958260&sec=&spon=&pagewanted >

[3] Associated Press, "Microsoft Invests $240 million in Facebook", www.msnbc.com 24 Oct. 2007, Dec. 2007 < http://www.msnbc.msn.com/id/21458486/ >

2008 Market Factors

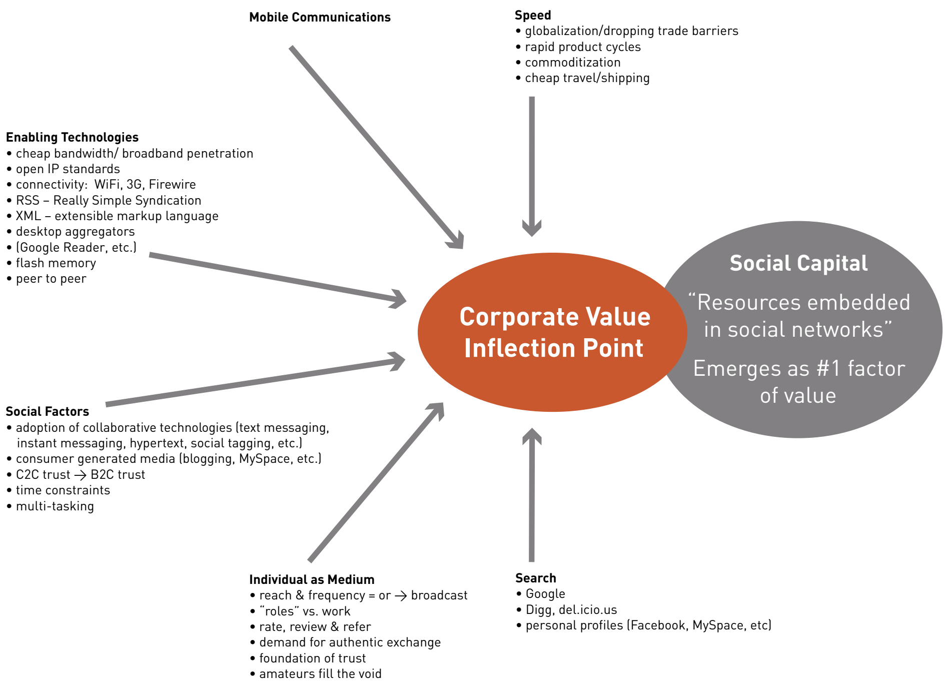

Fig. 1

The question addressed in this paper is this: "Are new social network structural management methods needed to demonstrate the value of social capital as an important — perhaps the most important — corporate asset?"

Building upon existing literature and theoretical roots in several related but typically isolated disciplines including social-economics, social network analytics, finance/value-based management, marketing and media, I will introduce a new theory: Social Capital Value Add (SCVA). This theory is intended to provoke new insights and management practices that may be applied to a wide range of confusing phenomena that challenge today's corporations.

The method of building the SCVA manifesto begins by extracting relevant theories from existing literatures and applying them to better understand trends in business value creation and defence. The work elaborates the complexities of the market factors introduced in Fig.1, utilizing Marshall McLuhan's vision of Understanding Media (1964) to assert what former Intel chairman Andy Grove would describe as a "strategic inflection point"[4] that is attributable to "a revolutionary rise of social capital."[5]

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[4] "a time in the life of a business when its fundamentals are about to change. That change can mean an opportunity to rise to new heights. But it may just as likely signal the beginning of the end." Grove, Andy S., Only the Paranoid Survive, Preface, 1996, Dec. 2007, < http://www.intel.com/pressroom/kits/bios/grove/paranoid.htm >

[5] Lin, Nan, "Building a Network Theory of Social Capital" ©1999 INSA, Connections 22(1): pp.45

The marketing/communications mix has forever changed. Broadcast's monopoly on attention is dead. The symbolic brand, which has been the fastest growing source of corporate value for the last quarter century has reached its pinnacle. It is being absorbed and replaced by the memetic brand. Technologies have evolved and mapped so tightly against the way humans transact, form relationships and create self-identity that it is time for business management to adopt the thinking of leaders in social network theory, such as the University of Chicago's Ronald Burt.

The strategic shift to the Individual as Medium[6] (I.A.M.) from broadcast paradigm, examined through Burt's Structural Holes theory of the social structure of competition, brings to light implications throughout the corporate ecosystem. More importantly, examining how Structural Holes theory (1992) builds upon the work of Mark Granovetter's "Strength of Weak Ties" idea launched twenty years earlier, but "captures the causal agent directly and thus provides a stronger foundation for theory and clearer guide for empirical research"[7] is a blueprint for understanding the relationship between brand and social capital (i.e., explicit content vs. network structural assets; The Oz vs. The Yellow Brick Road).

The paper culminates with a plausible first outline of SCVA's corporate social capital valuation method. The method is a derivative of value-based management that depends upon a theoretical equation between a company's digital footprint and its economic profit. The attempt is to distinguish I.A.M. oriented social capital within the traditional boundaries of corporate goodwill.

What impact might a focus on social capital development have on strategic thinking and corporate direction? In conclusion, the paper highlights the need to adopt state-of-the-art thinking about the characteristics and formation of social networks like that of Stanford's Matthew Jackson. Recently released research (October 2007 version) conducted at Harvard suggesting the possibility that higher margins may be sought through social networks and an associated new rationale for corporate social responsibility also underscore the need for new social network structural management methods.

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[6] Medium is a term rich in meaning. For definitions see < http://dictionary.reference.com/browse/medium >, February 26, 2008

[7] Burt, Ronald S., Structural Holes: The Social Structure of Competition, (Harvard University Press; Cambridge, Massachusetts, 1992) pp.27-28

Fortunately pioneers have been labouring in the field of social capital since as early as 1980[8] (Bourdieu). The lineage of social network analysis can be traced back to three main traditions (sociometric/graph theorist, clique formation, structure of community relations) with roots in the 1930s, eventually brought together again at Harvard in the 1960s and 1970s, when contemporary social network analysis was forged.[9] The paper is not an attempt to review or even proclaim a command of the existing literature; it is designed to build bridges between these knowledge clusters, value-based corporate management and the priorities of marketers.

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[8] Lin, Nan, "Building a Network Theory of Social Capital" ©1999 INSA, Connections 22(1):28-51, see pp.28-31 for compact history of social capital.

[9] Scott, John, Social Network Analysis, A Handbook, Second Edition, (Sage Publications Ltd, London, 2000) pp.7. See Chapter 2, pp.7-37 for history of development of Social Network Analysis.

Yellow Brick Road "on-ramps":
Social Capital & the Corporation

A leader among the social capital pioneers, whose work began with research into social networks in the mid-1960's, is Duke University's Professor Nan Lin.[10] It is Lin's careful "structuralist" definition of social capital, "as a concept, rooted in social networks and social relations, and must be measured relative to its root" (Lin, 1999, pp.35), that is adapted here. Lin notes, "The premise behind social capital is rather simple and straightforward: investment in social relations with expected returns. This general definition is consistent with various renditions by all scholars who have contributed to the discussion (Bourdieu, 1983/1986; Bourdieu, 1980; Burt, 1992; Coleman, 1988; Coleman, 1990; Erickson, 1995; Ericson, 1996; Flap, 1994; Flap, 1991; Lin, 1982; Lin, 1995; Portes, 1998; Putnam, 1993; Putnam, 1995a)" (Lin, 1999, pp.30-31). However, Lin's disambiguation of social capital is critical to the mission of SCVA, which is to empower investors and management with the framework to differentiate more valuable corporate assets (i.e. social networks maximized for social capital) from less valuable ones, and, in so doing, enable the establishment of measurable corporate goals and objectives (in addition to the campaign driven goals and objectives that dominate contemporary discourse[11], such as the budgetary term "ROI" that is often used in a marketing campaign context).

Lin's analysis (Lin, 1999, pp. 31-35) of the perspectives and controversies in social capital theory is relied upon to arrive at the following assertions made by SCVA:

- Social capital is fundamentally an individual asset. (Note: a corporation is a form of individual.)
- The intrinsic elements of social capital that ~~make it work~~ enhance the outcomes of actions (i.e., both instrumental/gain and expressive /preservation/defense actions) are: flow of information, the exertion of influence, certifications of individual social credentials and reinforcement of individual identity and recognition.
- Aggregation of individual returns result in collective assets and properties such as trust, norms, reputation, authority, sanctions, culture, network structure (open, closed, density, clustering, diameter, average path lengths, degree distribution, bridges, weak ties, betweenness and other forms of centrality, etc.) and location (structural holes, structural constraints, etc.), which are extrinsic variables that contribute to the formation, access and use of social capital.

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[10] Lin's research spans Asian and Western cultures and is of personal interest. My own early interests in the application of social networks in marketing began with my study (1994) of the cultural and economic success factors of network marketing companies (such as Avon, AMWAY and Mary Kay) in Asia completed before living and working in China from 1995 to 2000.

[11] "Although one might have predicted that this rumor (or that social media campaign or another viral video contest!) succeeded largely because of its inherent cleverness (something that should stay constant over time) or the greed of Internet citizens (something that should stay constant or perhaps increase), such explanations provide little insight into why this rumor fluctuates." Berger, Jonah and Heath, Chip, "Idea Habitats: How the Prevalence of Environmental Cues Influences the Success of Ideas", 2005, Cognitive Science, 29, pp.195-221

“Therefore, social capital can be (more accurately) defined as resources embedded in a social structure which are accessed and/or mobilized in purposive action” (Lin 1999, pp. 35). In the SCVA context, that purpose is corporate value creation and preservation.

Towards this end, the body of social capital and social network research is still very much in development. Most studies focus either on individual social capital in such contexts as how people find jobs or societal segments such as factory co-workers, schools and communities/villages. SCVA relies upon a theoretical premise that original motives for the conception of the corporation as individual give comfort that the conclusions made in research regarding individuals can be applied to corporate social capital. Research by Brian Uzzi from the Kellogg Graduate School of Management also provides some evidence that there is a growing body of work that corroborates the presence and significance of corporate social capital, delivering a second source of confidence that conclusions made about “ego” and “alter” in existing social capital and social network research may be generalized between individuals and corporate individuals.

Since the corporation was originally designed to enable a group to take on the attributes of an individual in social engagement including transactions, accountability (contracts), liabilities, property rights, etc., it is logical to assume that effects found in the study of individual social capital and social networks may be indicative of similar effects in corporate social capital and corporate social networks.

In "The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect" (2000) Brian Uzzi notes:

> "There is a growing need to understand how social structure assists or impedes economic performance. In particular, the success of organizations' networks has spawned new conjectures about the competitive advantage of social forms of organization relative to market-based exchange systems (Powell 1990; Inzerilli 1991; Perrow 1992). Central to these conjectures is the "embeddedness" argument [defined as social capital in SCVA], which offers a potential link between sociological and economic accounts of business behavior. Embeddedness refers to the process by which social relations shape economic action in ways that some mainstream economic schemes overlook or misspecify [such as brand valuation?] when they assume that social ties affect economic behavior only minimally."[12]

Uzzi draws our attention to "Larson (1992) and Helper (1990) [who] reported that 'thicker information' on strategy, production know-how, and profit margins is transferred through embedded ties, thus promoting learning and integrated production in ways that the exchange of only price data cannot." (2000)

His findings that:

- "embedded ties perform unique functions and have three features: trust, fine-grained information transfer and joint problem-solving arrangements... mutually reinforcing... counterparts to the features of arm's-length ties (see also Uzzi 1996),"
- "trust... facilitated the exchange of resources and information," and,
- "embedded ties develop primarily from third-party referral networks and previous personal relations which (1) set expectations for trust between newly introduced actors and (2) equip the new economic exchange with resources from preexisting embedded ties."

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[12] Uzzi, Brian, "The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect", American Sociological Review, Ms. #94-289, pp. 1

Along with the conclusions:

- that "embeddedness is a unique logic of exchange... particularly beneficial for reducing monitoring costs, quickening decision making, and enhancing organizational learning and adaptation" and:
- "Consequently, knowledge of a firm's embeddedness: Its position in a network, the quality of its ties to network partners, and the structure of the network, provide the basis on which to make predictions about organizational performance and capability, both positive and negative,"

not only suggest parallels between the corpus of corporate and individual social capital but also provide a compelling case for the adoption of SCVA by investors and managers who are interested in "increases (in) economic effectiveness along a number of dimensions which are crucial to competitiveness in a global economy (including) organizational learning, risk-sharing, and speed-to-market" (Uzzi, 2000). "One of the advantages of being in finance or business vs. academics is that speed. If there is a need... if something works, if it makes sense - you use it to your advantage; you don't wait for a mathematical proof."[13]

[13] Olav Sorenson, Jeffrey S. Skoll Chair in Technical Innovation and Entrepreneurship, Rotman School of Management, Toronto during early stage discussions of SCVA with the author.

We’re Off to ~~See~~ BE the Wizard:

The Rise of the Individual as Medium

In a culture like ours, long accustomed to splitting and dividing all things as a means of control, it is sometimes a bit of a shock to be reminded that in operational and practical fact, the medium is the message. This is merely to say that the personal and social consequences of any medium – that is, of any extension of ourselves – result from the new scale that is introduced into our affairs by each extension of ourselves, or by any new technology.[14]

Marshall McLuhan
Understanding Media:
The Extensions of Man, 1964

Let us set aside for another treatise the scaling effects that amplified extrinsic social capital variables must have on the access and use of social capital, not to mention the positive feedback loop that arises with new scales of social capital leading to more such collective assets and so on. For the sake of brevity we can rest our claim that corporations have hit a value inflection point directly upon an examination of the intrinsic elements of social capital: information flow, exertion of influence, certifications of social credentials and reinforcement of identity and recognition. While the recital of amazing facts documenting bewildering technological change often fails to cut through our narcotic numbness[15], perhaps the realization that each underscores a corresponding amplification of an element of social capital will awaken us from the trance.

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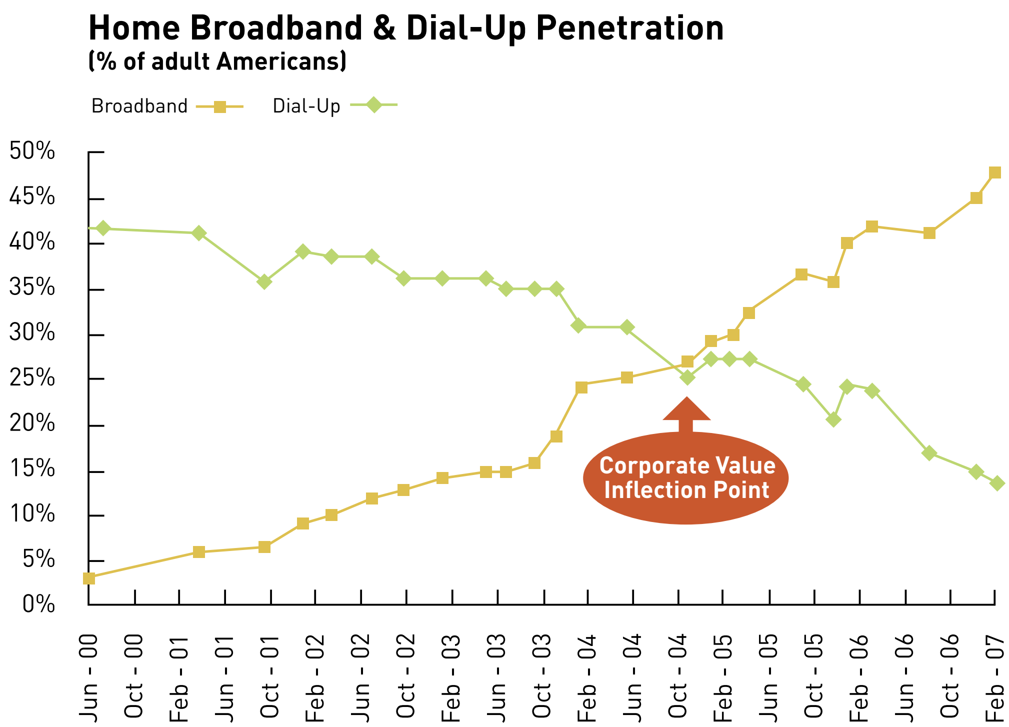
[14] McLuhan, Marshall, Understanding Media: The Extensions of Man, (First MIT Press edition, 1994, © 1964, 1994 Corine McLuhan) pp.7

[15] “It is this continuous embrace of our own technology in daily use that puts us in the Narcissus role of subliminal awareness and numbness … We have to numb our central nervous system when it is extended and exposed, or we will die. Thus the age of anxiety and of electric media is also the age of the unconscious and of apathy. But it is strikingly the age of consciousness of the unconscious, in addition. With our central nervous system strategically numbed, the tasks of conscious awareness and order are transferred … the electric age gave us the means of instant, total field-awareness. With such awareness, the subliminal life, private and social, has been hoicked (sic) up into full view, with the result that we have ‘social consciousness’ presented to us as a cause …” (McLuhan 1964, pp. 46-47)

Information Flow

In mid-2007, 71% of American adults used the internet at least occasionally from any location; of these, 94% had an internet connection at home. Among adults with a home internet connection, 70% went online using a high-speed connection, versus 23% who used dialup.[16]



Source: Pew Internet Project February - March 2007 survey of 2200 adults; 296 were home broadband users

Fig. 2

"The number of home broadband users in early 2007 is now roughly as large (on a percentage basis) as the entire universe of internet users in... June 2000" (Pew June 2007). In most cases, households with higher incomes are more attractive potential customers for businesses and they tend to exercise more influence. More than 76% of these households, those with over $75,000 per annum in income, have broadband internet access. Broadband internet access correlates both to more frequent use and an expansion in the ways that individuals obtain and distribute information flow. (See Fig.3) (Pew June 2007).

[16] "Home Broadband Adoption 2007", Pew Internet & America Life Project, Survey of 2,200 adult Americans, February and March 2007, released June 2007,
< http://www.pewinternet.org/pdfs/PIP_Broadband%202007.pdf >

Percent of Internet Users Who Report Doing the Following Activities Yesterday (from any location)

	All Internet Users	Home Dialup	Home Broadband
Send or read email	56%	43%	65%
Get news	37%	24%	45%
Look for information about a hobby or interest	29%	21%	34%
Do any type of research for your job	23%	15%	27%
Read someone else's online journal or blog	10%	5%	12%
Look for information on Wikipedia	8%	9%	5%
Look for religious or spiritual information	6%	4%	7%
Create or work on your own online journal or blog	5%	5%	5%
Take material you find online and remix it into your own artistic creation	3%	3%	3%
Make a phone call online	2%	<1%	3%

Source: Pew Internet Project February - March 2007 survey of 2200 adults; 296 were home broadband users

Fig. 3

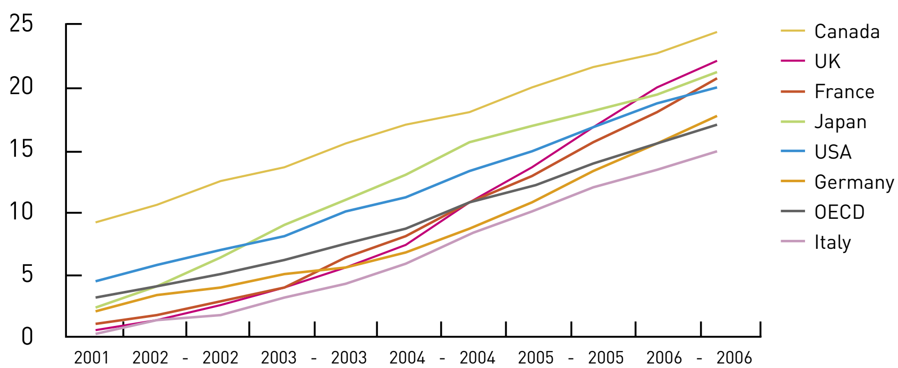
Refer again to Fig.1. Of the more than 25 market factors highlighted as contributing to a strategic point of inflection, at least 18 are factors contributing to increasing information flows. Numb yet? Try to be aware on a subliminal level that for each factor, we are describing exponential increases of information flow. For example, typical broadband connection capacities are five to fifty times greater than 56k dial-up connections. Most of this technology did not exist or did not matter in the decade when brand value began to surpass book value for corporations. There are many more of these kinds of factors not accounted for in this paper. For example, we have better maps than we used to. Consider the implications of the existence of a map of the human genome for a moment.

Nevertheless, of all factors contributing to the expanding flow of information, the global expansion of affordable consumer broadband internet access is the most important to the SCVA argument. It the greatest factor contributing not just to the scale of information flow, but also to exertion of influence and the other intrinsic variables of social capital.

Exertion of Influence

In 2002, John Horrigan and Lee Rainie at The Pew Internet & American Life Project used regression analysis to determine what factors most accurately explain the intensity of a person's Internet use and found that the availability of a broadband connection is the largest single factor.[17] Other factors such as amount of experience with the Internet (which is on the rise) and demographics matter, but availability of a broadband connection matters the most. As we have shown, access to broadband is scaling up and with it, so is the influential online activity of Internet users.

Broadband Penetration Growth Trends for G7 Countries



Source: http://www.websiteoptimization.com

Fig. 4

Creating and posting content to the Internet is the...

> "defining behavioral difference among home broadband users... [A few examples include]: having a blog [or vlog], making online comments, [producing a podcast, posting a personal or professional profile on a social network], posting photos online, or contributing to chat-rooms, [forums, social bookmarking, wikis or citizen journalism sites]. Back [in 2002] when just 12% of adults had broadband at home, it was possible to imagine that the user-generated content phenomenon was mainly an artifact of early adopters. Some modest fraction of leading edge users would demand bandwidth to post content online and that would be about it. User-generated content did not, however, stop with early adopters. As home broadband adoption grew, posting and creating content for the internet became more widespread. The Pew Internet Project reported in a 2006 survey that 44% of home broadband users had done at least one of the following activities that involve user-generated content: having one's own blog or webpage, working on group blogs or web pages, remixing digital content and re-posting it online, or sharing something online created by the user (i.e., artwork, photos, stories, or videos). Although user generated content is dominated by young people, 31% of those over age 50 with a broadband connection at home had engaged in at least one of these activities."[18]

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[17] Horrigan, John and Rainie, Lee, "The Broadband Difference: How online Americans' behavior changes with high-speed Internet connections at home", Pew Internet & American Life Project, June 23, 2002, pp. 13-14

[18] Horrigan, John, "Broadband: What is all the Fuss About?", The Pew Internet & American Life Project, October, 18, 2007, pp. 1

SCVA argues that the aggregation of these behaviors create social network-powered idea habitats[19], where individuals exercise influence on previously unobtainable scales because each individual now has the content production and distribution capabilities that have historically only been available through traditional mass media channels (print, radio, television). Whereas traditional mass media content and channels are bought with financial capital or rented (with great flexibility) by advertisers, I.A.M. is a function of social capital.

The Pew Internet & American Life Project's study "Buzz, Blogs and Beyond: The Internet and the National Discourse in the Fall of 2004"[20] provide some good illustrations of these concepts in action. Examining the Pew study using Berger and Heath's rigorously analyzed and empirically tested findings(their paper reports on seven studies they did against their hypotheses) - that fluctuations and prevalence of idea habitats help determine how successfully an idea spreads - sets out to achieve two objectives. First, we aim to further advance the cause for SCVA by elevating the discussion of the spread of "Rathergate" versus other ideas during the 2004 Presidential campaign from an anecdotal review of blogger influence, to an application of Berger and Heath's framework that provides evidence of greater scale structural assets in action.[21] Second, Berger and Heath's framework is a great example of the kind of strategic thinking that SCVA aspires to encourage in the creation and defence of corporate value.

In their study of "Idea Habitats: How the Prevalence of Environmental Cues Influence the Success of Ideas," Berger and Heath "define an idea's habitat as the set of environmental cues that prime people to think about an idea and cause them to believe it may be relevant to pass along (Sperber & Wilson, 1986)." They found that fluctuations[22] and prevalence[23] of the habitats in which ideas must thrive are factors that determine the survival and spread of ideas (Berger & Heath, 2005).

[19] Berger, Jonah and Heath, Chip, "Idea Habitats: How the Prevalence of Environmental Cues Influences the Success of Ideas", 2005, Cognitive Science, 29, pp.195-221

[20] Cornfield, Michael, Carson, Jonathon, Kalis, Alison and Simon Emily, "Buzz, Blogs and Beyond: The Internet and the National Discourse in the Fall of 2004", Pew Internet & American Life Project, May 2005

[21] i.e., "Studying the structure of the environment (that ideas propagate within, i.e. the idea habitat) is a distinguished, but somewhat rare, approach within the cognitive sciences (Anderson & Schooler, 1991; Brunswik, 1944; Gigerenzer, Todd & the ABC Research Group, 1999). However, understanding the environment seems fundamental for assessing the likely success of cultural ideas (brands, product messages, etc); an idea may be recalled quite readily, but if it is cued only rarely by the environment, it may remain quite rare." (Berger and Heath, 2005).

[22] "The success of cultural ideas will vary with fluctuations in their habitat (fluctuation hypothesis). Whenever an idea's habitat becomes more common, it will be used more frequently, and when its habitat becomes less common, it will be used less; usage of 'April showers bring May flowers' should vary with the number of discussions of weather in April or flowers in May." (Berger and Heath, 2005)

[23] "Habitat prevalence may help determine which ideas succeed in competition (competition hypothesis). Although habitats may fluctuate over time, certain cultural representations may consistently have more cues, and thus more prevalent habitats, than others. Holding other factors constant, ideas with larger habitats should be more successful." (Berger & Heath, 2005)

The Pew study sets out to determine the distinctive influence of blogs in the course of the 2004 election campaign by tracking "buzz"[24]. "If bloggers, or media, or presidential campaigns, were buzz makers plenipotentiary, that is, heavyweight agenda-setters and issue-framers, then there would be a recurring pattern in which one channel led and the others followed," (Cornfield, Carson, Kalis and Simon, 2005). The study "developed a comparative four-channel framework, such that on any day topics mentioned in blogs could be compared with those in mainstream media, the presidential and national party campaign organs, and online citizen chat forums" (Cornfield, Carson, Kalis and Simon, 2005). The study's search for a smoking gun across a wide range of issues held by an individual or a collective of bloggers overshadows its two substantive conclusions that highlight a point in history when there are "full-scale changes in the way business is conducted, so that simply adopting new technology or fighting the competition as you used to may be insufficient" (Grove, 1996). "A blog is a remarkably suitable place for buzz to form. A blogger can spark conversation with choice comments on documents drawn from the internet, and the conversation can build through the tools which make the blogosphere possible" (Cornfield, Carson, Kalis and Simon, 2005). The relative history and financial capital backing the four channels studied are also remarkable:

Channel	History	2004 Costs	Investment Annual
Mainstream Media	Hundreds of years	Billions	Billions
Presidential & National Campaign	Hundreds of years	Greater than $500 million	Greater than $100 million
Online Chat	Less than 10 years	Marginal	Marginal
Blogs	Less than 3 years	Marginal	Marginal

Fig. 5

[24] Buzz is the sound heard in public when a lot of people are talking about the same thing at the same time. Some buzz forms around trivial topics, as the Yahoo! "Buzz Index" illustrates in abundance. But buzz can alter social behavior and perceptions. It can embolden or embarrass its subjects. It can affect sales, donations, and campaign coffers. It can move issues up, down, and across institutional agendas (across being issue re-conceptualization or re-framing). When these changes occur, buzz can shift the balance of forces arrayed in a political struggle, and so affect its outcome (Cornfield, Carson, Kalis and Simon, 2005).

A random check of the 40 blogs included in the Pew study found that most were established in 2002 or 2003, 12 to 24 months ahead of the study period, with virtually no capital investment. Two Pew surveys conducted in early 2005 show that 16% of U.S. adults (32 million) [were] blog readers... the blogger audience... [was a respectable]... 20% of the newspaper audience and 40% of the talk radio audience. Meanwhile, 6% of the entire U.S. adult population had created a blog. That's 11 million people, or one out of every 17 American citizens (Cornfield, Carson, Kalis and Simon, 2005).

The finding that, "the political blogosphere seems less an entity unto itself than a well integrated part of the national discourse" (Cornfield, Carson, Kalis and Simon, 2005) is evidence of a new form of influence that is scaling up in exertive force. It is self-referencing, permanent and growing exponentially. However, more interesting still is the way the Pew study design lends itself to Berger and Heath's framework. In addition to the four channels introduced above, the Pew study data sets were broken into liberal, conservative and general for the Blog and Citizen Chatter channels. The Campaign Releases channel was delineated by the Kerry and Bush divisions and the Media Coverage channel was apparently granted status as "objective," or at least indiscriminate since the set was not delineated (despite the presence of Fox News!). Consider this mashup[25] of the Pew "Rathergate" and Berger and Heath [26] frames, an attempt to illustrate an information cascade.[27]

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[25] Mashup - Jan. 17, 2008,
< http://en.wikipedia.org/wiki/Mashup_%28music%29 >

[26] Throughout September and October of 2004 "bloggers sparked a public outcry against the authenticity of memos cited in a CBS News report about George W. Bush's service in the National Guard, a buzz which culminated in an apology from the media giant and the early retirement of its most prominent figure, Dan Rather." (Cornfield, Carson, Kalis and Simon, 2005)

[27] "Phenomena... during which individuals in a population exhibit herd-like behavior because they are making decisions based on the actions of other individuals rather than relying on their own information about the problem." Watts, Duncan J., "A Simple Model of Global Cascades on Random Networks" Proceedings of the National Academy of Sciences of the United States of America, Vol. 99, No. 9 (Apr. 30, 2002), pp. 5766, January 30, 2008,
< http://www.sociology.columbia.edu/pdf-files/Watts06.pdf >

Information Cascade:

Structural assets, i.e. environmental cues about the media and the absence of neutralizing cues & opinion, destroy "Dan Rather" brand.

Pew Framework	**Idea Habitats**	**Disposition or "Charge"**	**Outcomes**
Mainstream Media • objective	Mainstream Media Mainstream media (including CBS News) • Primarily broadcast. multichannel. Embedded with a relative balance of liberal, conservative and topical environmental cues that encourage people to recall and transmit ideas • indiscriminate • rich with media cues	Mainstream Media • inert state is neutral, but if other Habitats or self interest catalyze can be polarized quickly • competitive	Mainstream Media Attacks Rather and CBS News
Presidential & National Campaigns Bush - Conservative Kerry - Liberal			Campaigns Stays out of it
Online Chat • liberal • conservative • neutral	Liberal • mulitchannel, interactive • rich with anti-media cues	Liberal • collaborative • multi-channel	Liberal Abandons Rather & CBS News
Blogs • liberal • conservative • neutral	Conservative • multichannel, interactive • rich with anti-media cues	Conservative • collaborative • multi-channel	Conservative Attacks Rather & CBS News
CBS News • objective	CBS News • single broadcast channel • content neutral	Monolithic • competitive	CBS News Abandons Rather
Dan Rather • Dan Rather	Dan Rather • single voice • nearly content neutral	Isolated • competitive	Dan Rather brand irrevocably destroyed

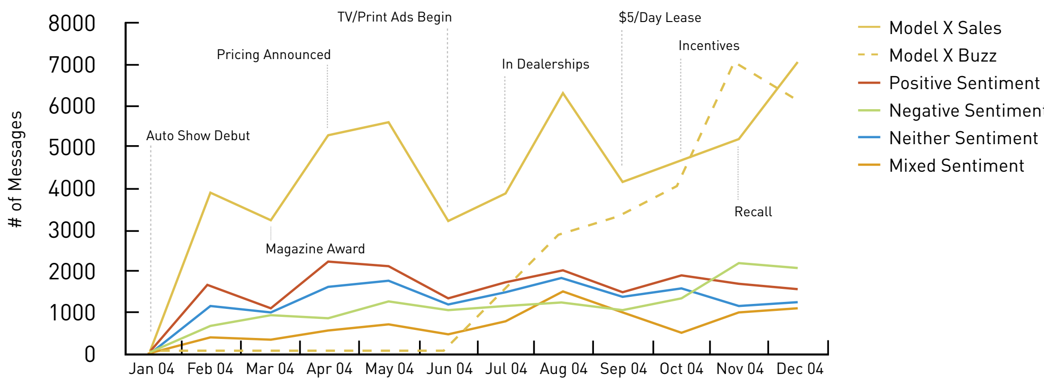
Fig. 6

The Pew study offers a fascinating blow by blow account of "Rathergate." Yet its chronological, player by player, content piece by content piece review is frustrated in the search for the smoking gun. Without the benefit of Berger & Heath, the Pew team intuit that the structural sources of influence have "something to do with location within the mediascape (the general idea behind our blog-positioning hypothesis), and something to do with narrative fit as perceived by voices in all four channels, and as enacted by the players cast in the crucial roles (the general idea behind the notion of the incriminating meme in Rathergate)" (Cornfield, Carson, Kalis and Simon, 2005). Using Berger and Heath's framework, we can speculate that Dan Rather, one of the strongest brands in news, invested in by CBS for decades, not to mention his personal record of dedication and relative innocence in this affair, suffered the effects of what Columbia's Duncan Watts might call a global cascade[28] that in part, "can be explained in terms of the connectivity of the network by which influence is transmitted between individuals" (Watts, 2002). In broadcast speak, Dan Rather ratings were down. Unlike the other seven ideas tested in the Pew study, Rather did not have the social capital required in the era of I.A.M. to cast environmental cues that would neutralize the spread of the idea causing him damage and preserve his brand value.

SCVA postulates that the implicit content repository and transmission infrastructure of idea habitats has been described in social network literature as small-worlds, local level clustering (Johnson and Gilles 2000, Caroyol and Roux 2003, Galeotti, Goyal and Kamphorst 2004, Hojman and Szeidl 2004b and Jackson and Rogers 2005) cliques (Warner and Lunt, 1941: 32), the islands model (Jackson and Rogers, 2005) and separate but related concepts are explored in "The Strength of Weak Ties" (Granovetter 1972) and "Structural Holes" (Burt 1992). While all describe structural assets, SCVA adopts the notion of idea habitats in this context to try to more accurately describe the implicit content assets that impact the exertion of influence. Technology has charged "small worlds" with greater scales of implicit content. The charge can range in disposition towards corporate goals from positive through neutral to negative, and this charge can impact earnings. Warlords, gangsters, kings and politicians have long understood the network effects of patronage and largess in the accumulation and maintenance of power; religions have their "Mardi Gras," the military "softens" the battlefield.

[28] i.e. very large information cascades (Watts 2002)

Putting Your Marketing Plan in Perspective



Not only can CGM be quantified, it can be tracked and linked to specific marketing and ad campaigns, product launches, offers, news events and industry fluctuations. This exhibit shows how varying degrees of internet buzz – by volume, by sentiment, by model – correlate with key marketing events for an auto client.

Source: http://www.artsmarketing.org

Fig. 7

Corporations who invest in similar strategies (see Fig. 7 for a generic example[29]) that are designed to track and prime the potential of I.A.M. phenomena give themselves the opportunity to emerge more valuable. Which asset has more long term residual value? Is it the implicit carnival at MacWorld or the explicit Steve Jobs address? While the "don't walk by, give it a try" brand spectacle is the overwhelming subject of envious management deliberation, SCVA is the reminder that the carrier wave for the Carny's call, the more elaborately produced midway, indicates far more about a company's ability to create and preserve value.

"All the editorial content that has been generated within the last year about how the consumer is now in charge and that the marketer is merely along for the ride becomes more understandable given that one in three Internet users has had a purchase decision influenced by content generated by another Internet user."[30]

[29] Blackshaw, Pete and Nazzaro, Mike, "Consumer-Generated Media (CGM) 101: Word-of-Mouth in the Age of the Web-Fortied Consumer" A Nielsen BuzzMetrics White Paper, Second Edition, Spring 2006, January 18, 2008, < http://www.artsmarketing.org/marketingresources/files/Consumer-Generated%20Media.pdf >

[30] "iProspect Social Networking User Behavior Study", April 2007, based upon survey conducted by JuniperResearch in January 2007, January 18, 2008, < http://www.iprospect.com/premiumPDFs/researchstudy_2007_socialnetworkingbehavior.pdf >

Certifications of Social Credentials, Reinforcement of Identity and Recognition

Once again the need for new structural management methods are highlighted as we consider these remaining complex and inter-related intrinsic elements of social capital. Fortunately, our requisite here is not to determine if the massive new scale of certifications of social credentials, reinforcement of identity and recognition is positive[31] or negative (particularly when it comes to effects during adolescence and issues of gender) or even to recommend which analysis models should be the most talked about topics in marketing today. A worthwhile review of the literature at the intersection of internet usage and the development of self-identity can be found in China Media Research, 3(1), 2007, Long & Chen, Impact of Internet on Adolescent Self-Identity Development. There are debates, different schools of thought and many different frameworks to consider. There is no debate that the internet, especially games and recent forms of social networking software services, provide entirely new and exponentially greater scales of interaction with these elements of social capital.

People have always maintained different personas: professional, personal, private, public, social, family, etc. The simple fact that each of these personas comes with its own social credentials and forms of recognition and is now often developed dialogically, in public and as part of an iteratively published, potentially permanent record in text, photos, audio and video confirms greater scale. However, to reinforce the point, let us briefly highlight the common features of online social network services that incorporate social credentials and recognition in the development of identity and then offer a snapshot of their startling adoption.

[31] I personally believe these trends are far more positive than negative.

Fig 8: Evidence of greater scale of three intrinsic elements of social capital: identity, social credentials and individual recognition. Illustrated by analysis of typical social network service features.

Legend: Identity x 16 Social Credentials x 16 Recognition x 17

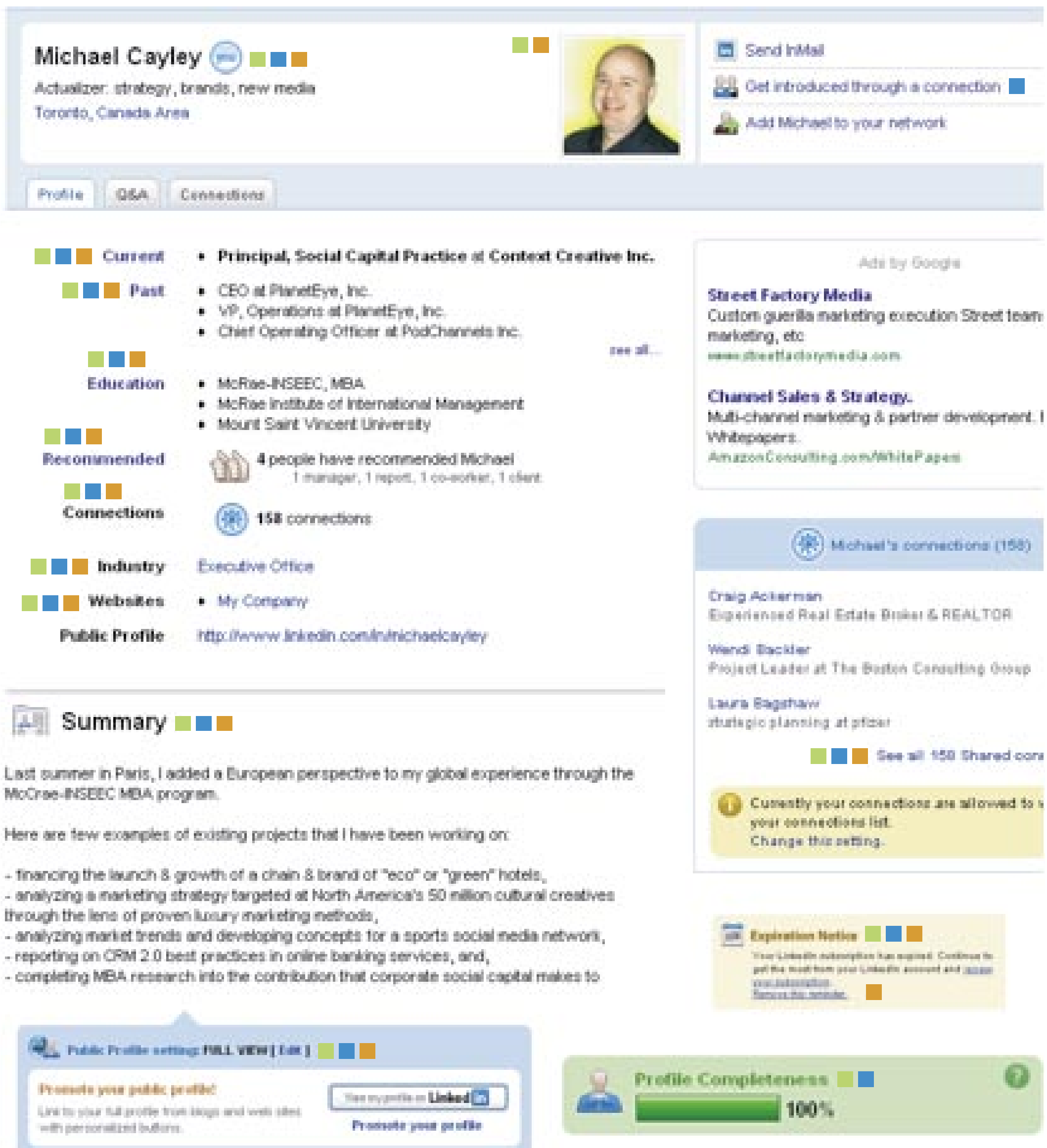


Fig. 8

Online Social Network Services scale with Home Broadband Access[32]

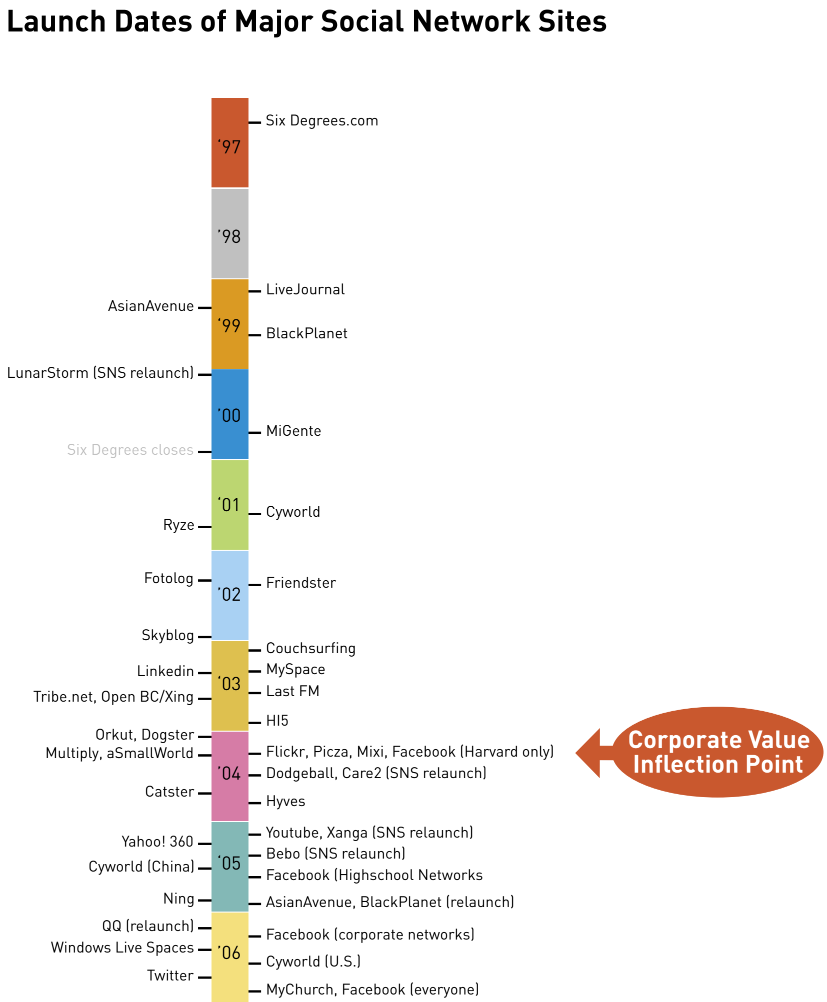


Fig. 9

On January 21, 2007 at 4:30 p.m. EST, this list of online social network sites, which launched with 12 items at www.wikipedia.org on October 10, 2005 at 2:36 p.m., is now edited around a dozen times a day by unpaid contributors and has 100 "notable" sites with over one billion members. Once again, the drama of an authentic point of inflection for business becomes apparent about mid-way through the first decade of the 21st century when, for the first time more internet users are using broadband than dial-up connections.

[32] Boyd, d. m., & Ellison, N. B. (2007). Social network sites: Definition, history, and scholarship. Journal of Computer-Mediated Communication, 13(1), article 11. Jan.21, 2007,
< http://jcmc.indiana.edu/vol13/issue1/boyd.ellison.html >

> I am in the position of Louis Pasteur telling doctors that their greatest enemy was quite invisible, and quite unrecognized by them. Our conventional response to all media, namely that it is how they are used that counts, is the numb stance of the technological idiot. For the 'content' of a medium is like the juicy piece of meat carried by the burglar to distract the watchdog of the mind. The effect of the medium is made strong and intense just because it is given another medium as 'content'. The content of a movie is a novel or a play or an opera. The *effect* of the movie form is not related to its program content. The 'content' of writing or print is speech, but the reader is almost entirely unaware either of print or speech.[33]

We have arrived at a point in history where the *effect* of I.A.M. has been made the strongest and most intense[34] form of media we experience because it has been given all other media as its content. The movie, the play, the opera, the newspaper, the television, the radio, commercial music, print and photographs, even the brand, have all been given over to the Individual to be reincarnated as the YouTube video, the prosumer indie, the blog, the blog comment, the forum, the Tweet[35], the IM chat, rating & review, the Flickr album, the podcast, the viral email and the mashup.

SCVA argues that this *effect* is a new scale of social capital that marks a point of inflection for business and it is this new scaled-up version of social capital (abbreviated herein to SC^x) for which SCVA is determined to highlight the value.

Scaled Up Social Capital = SC^x

Does it not seem natural? Project and scale up the power of the individual, and that value of human connection of which we are all so instinctively aware, emerges in amplified forms as well. In addition to the new scales of intrinsic social capital elements detailed above, SCVA urges corporations to examine the extrinsic variables of social capital such as trust, and most importantly network structure, for similar evidence of new scale to understand further social capital formation, access and use.

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[33] McLuhan, 1964, pp. 18

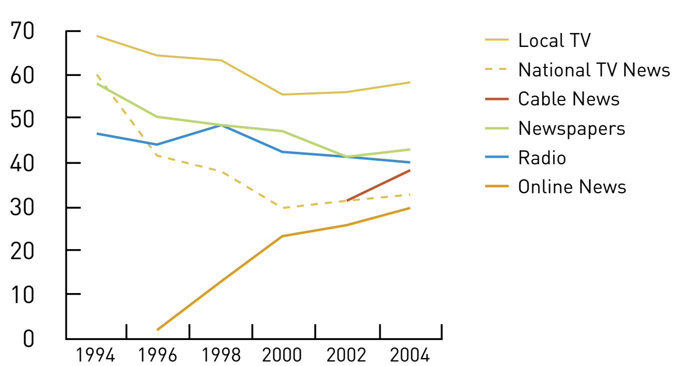
[34] Intense – "having or showing great strength, strong feeling, or tension, as a person, the face or language; susceptible to strong emotion; emotional: an intense person." March 12, 2008,
< http://dictionary.reference.com/browse/intense >

“Pay no attention to that man behind the curtain”:
Brand and Social Capital

Before this point, brand was the fastest growing indicator of corporate value. SCVA predicts that from this point on, social capital is corporate value’s leading source. Over centuries brand evolved as an integral part of business, gaining weight in relation to other factors such as talent, fixed assets, distribution and capital. It broke out as the leading indicator of sustainable corporate value added performance because it was particularly suited to guide investors, managers, employees and consumers in an era when broadcast media – radio, television and print – were the most disruptive technologies and dominant forms of media. In time, brand has come to be understood as the perception that emanates from all activities of the company. Just as production, human resources management and finance have remained critical to business success throughout the brand era; brand will continue to play a starring role as I.A.M., driven by social capital, emerges as the dominant media form transmitting brand. SCVA is not a challenge to brand; it is merely a reflection of broadcast’s eroding command of human attention (see Fig. 10). “There has been a clear falloff in the use of traditional newspaper and broadcast media and a rise in use of the internet…”.[36]

A new focus on social capital will bring about an improved understanding of brand. The symbolic brand evolved from the practice of literally burning a symbol into the side of a barrel or beast to identify the commodity by its owner or manufacturer.[37] It was conceived to relate a lot of information with the least amount of time and space. Both are precious within the broadcast paradigm. Whether you are coping with the constraints presented by a red hot iron and a moving side of beef or the 30-second television spot, a brand is a sublimination of a product or company’s values, slogan, pricing, stories, personality, tastes, smells, sounds, appearances and emotional and physical benefits.

Fragmented Media Environment
(% of all Americans who “regularly” go to news source: PRC People/Press)



Source: http://www.artsmarketing.org

Fig. 10

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[36] Lee Rainie, Director, Pew Internet & American Life Project, 6.7.06, “How the Internet is Changing Consumer Behavior and Expectations”, Speech to ThinkTank06, Seton Hall University, January 23, 2008, < http://www.pewinternet.org/ppt/2006%20-%206.7.06%20ThinkTank%20Seton%20Hall.pdf >

[37] January 23, 2008
< http://en.wikipedia.org/wiki/Brand#Etymology >

Consistency, conformity and continuity – these brand mantras may persist in the era of I.A.M. but broadcast's monolithic brand identities and the methods that built them (symbolic brand) are being replaced, absorbed by porous, malleable imitations with narrowcast mutations over millions of channels (i.e. Individuals), each with unique frequency[38] but in aggregate beyond the reach[39] of any advertisement (memetic[40] brand[41]).

SCVA is a spin-out[42] of brand management. It is designed to bring talent and resources to the relatively unexplored structural value drivers of social network throughout the corporate ecosystem. In the past brand's most important role was sublimination, mostly because communications were expensive and space was precious. Now brand's most important role is rooted in the more structurally oriented idea of findability[43]. On this point it is helpful to make a distinction between the notions of market positioning and information retrieval.

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[38] "**Frequency** is a measure of the number of occurrences of a repeating event per unit time." www.wikipedia.org, January 23, 2008, < http://en.wikipedia.org/wiki/Frequency >

[39] "reach is defined as the size of the audience who listen to, read, view or otherwise access a particular work in a given period. Reach may be stated either as an absolute number, or as a fraction of a given population (for instance 'TV households', 'men' or 'those aged 25-35')." www.wikipedia.org, January 23, 2008, < http://en.wikipedia.org/wiki/Reach_%28advertising%29 >

[40] "A **meme**, as defined by memetic theory, constitutes a theoretical unit of cultural information, the building block of culture or cultural evolution which spreads through diffusion propagating from one mind to another analogously to the way in which a gene propagates from one organism to another as a unit of genetic information and of biological evolution.[1] Multiple memes may propagate as cooperative groups called memeplexes (meme complexes). Biologist and evolutionary theorist Richard Dawkins coined the term meme in 1976.[2] He gave as examples tunes, catch-phrases, beliefs, clothing fashions, ways of making pots, and the technology of building arches. Meme-theorists contend that memes evolve by natural selection (similarly to Darwinian biological evolution) through the processes of variation, mutation, competition, and inheritance influencing an individual entity's reproductive success. So with memes, some ideas will propagate less successfully and become extinct, while others will survive, spread, and, for better or for worse, mutate." www.wikipedia.org , February 4, 2008, < http://en.wikipedia.org/wiki/Meme >

[41] This seems to be a relatively original use of the term. It is externally oriented as described in this paper. It is interesting that others have used the term as an elaboration of the established idea of the cognitively oriented marketing positioning. Memetic brand as a unified theory of brand that may be applied consistently to social network and cognitive marketing communications is a possibility worthy of further study and popular support in my view.

[42] "**Spin out** refers to a type of spin off where a company "splits off" sections of itself as a separate business. The common definition of spin out is when a division of a company or organization becomes an independent business. The "spin out" company takes assets, intellectual property, technology, and/or existing products from the parent organization. Many times the management team of the new company are from the same parent organization. Often, a spin-out offers the opportunity for a division to be backed by the company but not be affected by the parent company's image or history, giving potential to grow existing ideas that had been languishing in an old environment and help them grow in a new environment." www.wikipedia.org, February 8, 2008, < http://en.wikipedia.org/wiki/Spin_out >

[43] "**Findability** refers to the quality of being locatable or navigable. At the item level, we can evaluate to what degree a particular object is easy to discover or locate. At the system level, we can analyze how well a physical or digital environment supports navigation and retrieval. Findability is not limited to the World Wide Web. The concept of findability is universal and timeless. However, with a distributed, heterogeneous collection of several billion items, the Web does present unique and important findability challenges. Findability is not a synonym for information architecture (IA). Information architecture is a discipline concerned with the structural and semantic design of shared information spaces. Findability is a goal of IA, along with usability, desirability, credibility, and accessibility. Many people contribute to the findability of websites and intranets, including writers, designers, and developers." www.wikipedia.org, Feb. 1, 2008, < http://en.wikipedia.org/wiki/Findability >

Market positioning is a cognitive goal, a theory now thoroughly adopted by marketing professionals that was introduced in 1969 by Jack Trout and Al Ries. Since humans cope with overwhelming technology, change and information flow (including brand noise, the proliferation of thousands of brands) by subliminating almost everything we encounter upon reception; we have come to understand brand's role as beacon. Brand signals that "ah-ha!" moment when a consumer remembers a product's name or previous messages that have been associated with it. Traditional brand management is still critical where space is tight. Broadcast media as yet, dominate the market communications mix. Packaging and product design are key in store and on shelf.

However in a networked world, the symbolic brand's mission of distillation is contrary to the ambition of findability. The ultimate goal of the memetic brand is network omnipresence. Within the I.A.M. paradigm, spreading your corporate presence as positively and widely as possible is a key objective. Understanding the environmental cues within as many idea habitats (i.e. context) as possible and their supporting network infrastructure are the methods of achieving this. Syndication of your corporate and product presence can be instigated by corporations and their agencies, but they must activate I.A.M. through social networks to achieve maximum reach and that activation is a function of social capital. On the World Wide Web we are describing a large digital footprint embedded with favourable references and links. Unlike brand content distributed over a broadcast network, brand content on the web has greater residual effects. It is permanently stored for retrieval and when generated by I.A.M. it has an associated geography, thus eliminating the distance between the so called "virtual" and real worlds. A corporation's real world social network positioning and the disposition of idea habitats are just as important as traditional marketing positioning.

In fact for new companies, products and services, which are the most exciting opportunities for growth in corporate value, these structural concerns are even more important to their early success considering the time, cost and waning impact of traditional media. Whereas the achievement of symbolic brand is about arriving at a point of differentiation in the consumer's mind, the achievement of memetic brand is about aligning your business behind a maxim that may resonate[44] across many diverse, existing idea habitats. Think here of claims like The Body Shop's "Against Animal Testing" or Google's unofficial motto, "Don't be Evil"[45] that perhaps rail against an entrenched establishment's worldview, but are blatant attempts to conform to consumer sensibilities about what ideas are worth passing on to others.

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[44] "In physics, resonance is the tendency of a system to oscillate at maximum amplitude at certain frequencies, known as the system's resonance frequencies (or resonant frequencies). At these frequencies, even small periodic driving forces can produce large amplitude vibrations, because the system stores vibrational energy." www.wikipedia.org, February 5, 2008, < http://en.wikipedia.org/wiki/Resonance >

[45] www.wikipedia.org, February 5, 2008, < http://en.wikipedia.org/wiki/Don't_be_evil >

Upon the moment of retrieval, since communications are cheap and space is unlimited, the need is to fully satisfy the search. Time and attention are today's rare commodities, but priority trumps both. When consumers retrieve a brand, they provide permission to use their time and attention to satisfy their search. Their search mode or vigilance for information changes from truncated (continuous partial attention) to elongated (deep dives by amateur experts)[46]. Again, the symbolic brand is at odds with corporate value creation at this point. The need is for elaboration of a product or company's values, slogan, pricing, stories, personality, tastes, smells, sounds, appearances, emotional and physical benefits, not sublimation. The canned message cannot satisfy these needs. Corporations simply do not have the internal resources to anticipate the contingencies of all searches or to articulate how they relate to the search accounting for the subtle complexities of unique language and cultural sensitivities.

The case of Encyclopedia Britannica provides an extreme illustration of the dynamics facing all corporations to some degree. One of history's most relied-upon brands in reference since the 1700s employs fewer than 100 people. How can this force compete with a platform like www.wikipedia.org, powered by more than 28,000 volunteer contributors… all with nearly the same technical capabilities as the traditional company? In any event, most consumers seek and trust the references of other consumers more than the corporation's brand claims[47]. Most importantly, any consumer may now have broadcast capabilities that can surpass ABC or CNN or NBC under the right conditions, so it is more risky to leave satisfying each to the symbolic brand. The corporation needs people involved or it will be overwhelmed by the coordinated action of "connected customers"[48].

SCVA contends that the narcotic numbness (see footnote 14 above) described by McLuhan explains why the vast majority of corporations insist on using the same old hammer of traditional brand management when new tools and management methods focused on maximizing social capital must be fervently developed and employed. The transition required is no less abrupt than that moment when the search of Dorothy, the Tin Man, Scarecrow and Lion reaches confrontation with the Great Oz façade and the curtain is pulled back to reveal a mere mortal. The corporation is at risk of being the "humbug" caught shouting into the loudspeakers and pulling at the mechanistic levers of the past.

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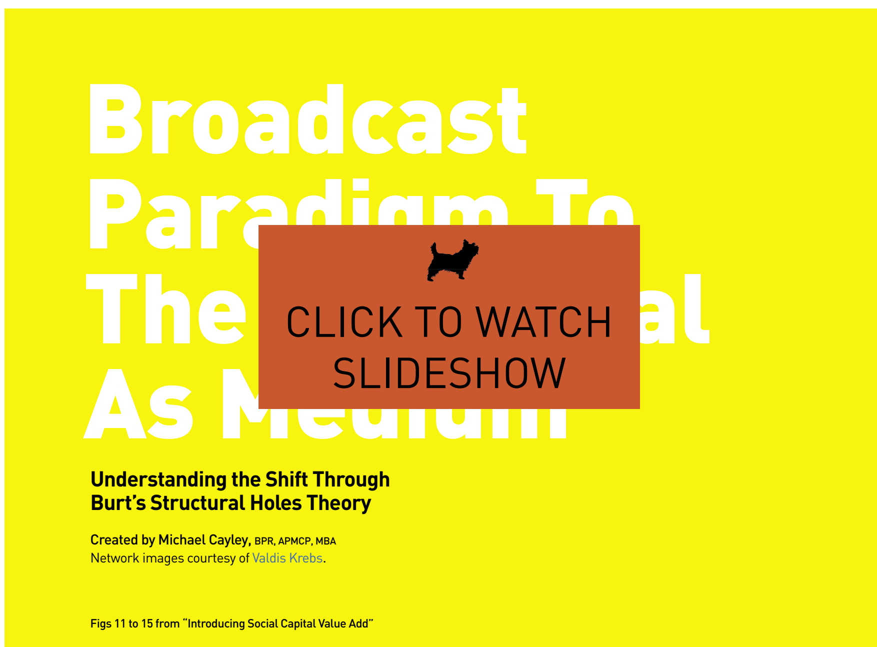
[46] Rainie, Lee, Director of Pew Internet Project, "HOMO CONNECTUS: The impact of technology on people's everyday lives" presentation to University of North Florida, November 5, 2007, p. 40, February 7, 2008,
< http://www.pewinternet.org/ppt/2007%20-%2011.5.07%20-%20Univ%20North%20Florida%20-%20final.ppt >

[47] "Edleman Trust Barameter 2007", p.6, February 7, 2008,
< http://www.edelman.co.uk/insights/trust/Edelman%20Trust%20Barometer%202007.pdf >

[48] Krebs, Valdis, "Connected Customers" Network Weaving blog entry, February 6, 2008, February 7, 2008,
< http://www.networkweaving.com/blog/2008/02/connected-customers.html >
(Note: blog entry is supported by author's white paper "Power in Networks"), 2004,
< http://www.orgnet.com/PowerInNetworks.pdf >

If SCVA is brought into vogue as a compass, the brand establishment need not fear. They are "clever enough wizards" to quickly transform from Great Oz into leadership of great courage, heart and brains. Playing a role in personal identity formation by recognizing their social network connections with certifications (the Scarecrow's diploma), testimonials (the Tin Man's ticking heart) and medals of honour (the Lion's courage) will be familiar aspects of their strategies.

Nevertheless, SCVA management is not a metaphoric exercise. For example, homophily or bonding and heterophily or bridging are concepts, well developed in social capital theory, that may add great value to corporate symbolic and memetic branding efforts in the age of I.A.M.. Even a quick flip through the following remedial slide show demonstrates how powerful, existing work like Burt's Structural Holes theory, is useful in understanding today's business environment:



Social network structural analysis (Burt is just one example) can take business management and value creation strategy far beyond such simple illustrations. Beginning with the premise that social capital is a competitive "factor as routinely critical as financial or human capital", "all the more true when financial and human capital are abundant – which in essence reduces the investment term in the production equation to an unproblematic constant" (Burt, 1992) (i.e. the forces behind rapid commoditization highlighted in Fig.1), Structural Hole theory elaborates the kinds of advantages, substance of advantages and the social structural condition responsible for advantages, providing a framework that may guide actions intended to maximize social networks for better returns on investment. (See Fig. 16[49])

A Question of Opportunity
↓
Profit = Investment + Rate of Return
↑
A Question of Production

Competitive Advantage of Structural Holes

Kind of Advantage	Substance of Advantage	Social Structural Condition Responsible for the Advantage
Information Benefits	Access, Timing and Referrals	**Contact Redundancy & Structural Holes** network trust, size & diversity cohesion & structural equivalence efficient-effective networks structural holes & weak ties
Control Benefits	Tertius Gaudens, Entrepreneurial Motivation	**Structural Autonomy** holes & entrepreneurial opportunity primary holes & constraint secondary holes & constraint hole signature & structural autonomy

Conclusion: Players with contact networks optimized for structural holes – players with networks providing high structural autonomy – enjoy higher rates of return on their investments because they know about, have a hand in, and exercise control over more rewarding opportunities.

Fig. 16

For example, through Burt's vision, business management may come to see how the age of I.A.M. marks the end of broadcast's "tertius gaudens[50]" position between the corporation and its customers, question to whom broadcast's eroding control and profits will accrue and bring to the fore investments, plans and actions that are focused on achieving the power in networks[51]. Developing expertise in such new structural management methods requires understanding that traditional brand management was developed for the broadcast paradigm and so is inexorably focused on broadcast-driven strategy.

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[49] Burt, Ronald S., Structural Holes: The Social Structure of Competition, (Harvard University Press; Cambridge, Massachusetts, 1992) pp.46, February 11, 2008,
< http://books.google.ca/books?id=E6v0cVy8hVIC&printsec=frontcover&dq=structural+holes&sig=jM8oaZ-VseMVbUM-t9gGMmusteA#PPA46,M1 >

[50] The tertius gaudens is "the third who benefits" (Simmel, 1923:154, 232). The phrase survives in an Italian proverb, Far I due litiganti, il terzo gode (Between two fighters, the third benefits), and, to the north, in a more jovial Dutch wording, de lachende derde (the laughing third). Tertius, terzo or derde, the phrase describes an individual who profits from the disunion of others.

[51] Krebs, Valdis, "Power in Networks", 2004, February 11, 2008,
< http://www.orgnet.com/PowerInNetworks.pdf >
You should read Power in Networks and keep the example of Google overtaking Yahoo in the back of your mind.

Why introduce SCVA when brand valuation and other schools of value-based management such as Economic Value Added[52] (generically known as economic profit) are already well known and do not require delving into entirely new areas of theory and complexity?

The first answer to this question is, as described earlier in this paper, and more directly in my preliminary investigation of this topic, "Is There Motive for Corporate Social Capital Valuation" (2007), clearly business has reached a value creation point of inflection. Companies like Google and Amazon have brand valuations among the 100 most valuable in the world, overtaking decades-old brands with a fraction of the time and money invested. By any existing definition, the premium valuations paid for Facebook, MySpace, YouTube and many other companies including eBay's US$2.6 billion acquisition of Skype (since written down by US$900-million, an interesting move worth further study), are not attributable to brand. On a product level, the expectations of consumers that hold a brand accountable for quality, price and other marketing factors and enable a corporation to charge a higher margin for branded products are scaled up in the I.A.M. era to new levels of influence. Brand related value added earnings are subjected to new risks. In short, delving into entirely new areas of theory and complexity is exactly what is needed for corporations to survive and maybe even thrive in the new competitive environment.

Like SCVA coming after brand, Structural Holes was introduced twenty years after the simpler and well known "Strength of Weak Ties" argument introduced by Mark Granovetter. "Weak ties and structural holes seem to describe the same phenomenon" (Burt, 1992), just as Interbrand has measured Google's success right alongside of traditional brand stories like Coca-Cola and Honda.

Let us avert elaboration here of the Strength of Weak Ties argument, although it should be a useful model for understanding memetic brand within a networked paradigm (i.e. the era of I.A.M.) and touch only upon Burt's reasons for persisting with the Structural Holes argument. Firstly, he argues that tie weakness is a correlate, not a cause. Example: Google becomes one of the most valuable companies on the planet and therefore appears as number 20 on the list of the world's most valuable brands (Interbrand, 2007), yet Google's value has not been created by brand.

[52] The formula for calculating EVA is as follows: EVA = Net Operating Profit After Taxes (NOPAT) - (Capital * Cost of Capital), February 11, 2008,
< http://www.investopedia.com/terms/e/eva.asp >

Secondly, "by shifting attention away from the structural hole responsible for the information benefits, to the strength of the tie providing them, the weak tie argument obscures the control benefits of structural holes" (p. 28, Burt, 1992). Bingo!

There are many inspiring examples of companies taking a structural approach to strategy, including the work of Wendi Backler at Boston Consulting Group and Valdis Krebs' clients applying orgnet.com's InFlow social network analysis software. The International Network for Social Network Analysis, founded in 1978 by Barry Wellman, brings together about 1000 members, primarily academics, many of whom consult with corporations. Popular book and blog author Seth Godin has observed a class of a few million "Digerati" who are dedicated to "using the learning tools built into the Net to get smarter, faster" (Godin, 2005) and he himself evangelizes marketing methods aligned with SCVA. However Godin also notes the minority status of these examples. He describes a new digital divide separating such early adopters from the rest of business' investors and managers.

SCVA is an attempt to appeal to the sensibilities of the early majority, shift attention away from brand in business circles and bring attention and investment to radically new methods of value creation. There is not much here that will impress the Digerati. Thomas Friedman has attempted to drive bottom-up adoption with a gigantic metaphor and educational effort targeted at individuals in The World is Flat. Malcolm Gladwell picks up on associated tactical marketing communications dynamics in The Tipping Point and Duncan Watts is provocative at the level of product/idea positioning and design. SCVA would like to facilitate this crossing of the chasm by placing the typically unseen structural sources of corporate control in the networked age directly on the boardroom table using the carrot of increases in corporate value and the stick of performance metrics (and, just an itsy, bitsy, teeny, weenie Wizard of Oz metaphor to keep the marketing folks awake!).

Over the Rainbow:
The SCVA valuation method

SCVA is based on the premise that social capital is primal to human interaction. It therefore concerns every individual, every social connection and is then applicable to every corporation. The method is likely to be tested early by its usefulness in evaluating online social network-oriented companies like Facebook and MySpace which derive all or most of their revenues from social capital. In the era of I.A.M., all companies are already directly impacted by the effects of new scales of social capital or they have the opportunity to take advantage of it. Concurrent with this individual empowerment or perhaps consistent with it, is our arrival at a time of awareness related to our collective impact on universal quality of life and our environment, along with an accompanying sense of accountability. Social capital matters to every business, big or small, local or global, B2C or B2B. It is predictable then that the method may also be valuable when applied to any corporation in such diverse industries as the mind can imagine, including retail, fast-moving consumer products, oil & gas, transportation, entertainment, hospitality and health care, to name a few. Social capital means far more to Coca-Cola than Coca-Cola means to social capital.

The goal of the SCVA valuation method is to place a dollar value on a company's most promising social capital, calculated as net present value (NPV), or today's value of earnings that a company's SC^x is accountable for in the future. This number will become the best top line measure of how SC^x is driving a company's economic performance. As with all valuation methods SCVA is a snapshot, based on context at a point in time, of the overall worth of a company's SC^x that enables investors and managers to compare the company to its competitors, its history and to track its actual performance against projections.

The overarching principles of the method are transparency, simplicity and above all consistency.

While the method itself is easily understood, can be executed with available or cheaply developed technologies and is based upon accepted accounting and financial management practices, the major impediment to adoption of SCVA is that it can not be derived without the co-operation of the company being valuated. Social capital is a product of social connections. To obtain an accurate snapshot of a company's social capital, we must have an accurate report detailing with whom the company (either corporately or via its agents and employees) is engaged in meaningful interaction (i.e. interaction involving the intrinsic and extrinsic elements of social capital). Future work on SCVA will focus on the development of:

- a technology solution designed to ease the valuation process by removing barriers to data exchange while addressing the privacy, security and competitive concerns of the participating corporations and individuals involved, and:
- a consistent approach to determining with whom the company is connected based upon publicly available sources, and then augments this with a model to estimate the unknowns, perhaps providing an accompanying accuracy notation that is familiar along with most sample-based survey research.

These may seem like discouraging hurdles. However reflection upon the adoption of the brand valuation techniques advanced by Interbrand provides perspective on the context in which they may be overcome.

In 1988, London's Interbrand conducted the world's first brand valuation for RHM Group in the UK[53], a food company fighting off a hostile takeover bid. A year later Interbrand was hired by Grand Met to conduct a valuation of the Pillsbury brand portfolio as part of a $5.2 billion takeover bid. "It was the wave of brand acquisitions in the late 1980s that exposed the hidden value in highly branded companies and brought brand valuation to the fore."[54] In the context of Microsoft's $45-billion hostile takeover bid for Yahoo!, the time and money that will be required to solve the problems outlined above do not look so daunting. Using the SCVA argument, Yahoo's board may present a plan to refocus its business on the assets that originally made it a leader and outline how a merger with Microsoft would dilute the quality of its future earnings and perhaps encumber any structural assets it has to compete with Google, i.e. social networks that are maximized for social capital. Microsoft, on the other hand, may be able to justify a higher bid. As the volume of transactions like the acquisition of YouTube, the write down of Skype, the investment in Facebook and many lower profile deals increases, opportunities exist. If SCVA has merit, it may emerge.

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[53] Interbrand Corporation History: 1980s.
< http://www.interbrand.com/history_1980.asp >

[54] Yates, Jane,"Brand Valuation and its Applications" Spring, 1999, July 10, 2007,
< http://www.poolonline.com/archive/iss6fea5.html >

In addition, working from the insight that "knowledge diffusion associated with science-based innovation stems from the norm of openness and incentives for publication"[55], SCVA will pursue an open and publication-focused strategy. Publication has been a key factor contributing to the diffusion of Stern Stewart & Co's formula of Economic Value Added and Interbrand's brand valuation method. In 1988, Stern Stewart launched The Journal of Applied Corporate Finance and its principals have released a number of books and articles to advance their concepts. Through seven years of publishing their Best Global Brands study, most of them in collaboration with BusinessWeek magazine, Interbrand's work has risen to be regarded as the third most sought-after benchmark among the top 500 CEOs and CFOs in the US according to a study by PRWeek (Interbrand, 2006). Given the dramatic changes in publication dynamics that are detailed in this paper, if SCVA has merit, it is possible its basic ideas will spread and be effectively developed very quickly. Can you Digg[56] it?

SCVA's valuation approach is a derivative of brand valuation technique championed by Interbrand and economic profit advanced by Stern Stewart & Co.'s trademarked formula of Economic Value Added, both of which are derivatives of the overall practice of value based management[57]. The three components of the SCVA formula are Financial Analysis, SC^x Factor and the SC^x Inventory.

[55] Sorenson, Olav and Singh, Jasjit, "Science, Social Networks and Spillovers" (December 26, 2006). December 15, 2007, < http://ssrn.com/abstract=953731 >

[56] "Digg is a community-based news article popularity website. It combines social bookmarking, blogging, and syndication with a form of non-hierarchical, democratic editorial control. News stories and websites are submitted by users, and then promoted to the front page through a user-based ranking system. This differs from the hierarchical editorial system that many other news sites employ." www.wikipedia.org, February 14, 2008, < http://en.wikipedia.org/wiki/Digg > When a story hits the front page of Digg, it achieves a social credential. The story quickly circulates to hundreds of thousands of users, who in turn publish blogs and forward the story by email, distributing it very quickly to highly targeted readers, who in turn, may forward the story under the right conditions, and so on. Some estimate that Digg has about 2.7 million users in January, 2008 and is growing at rate of about 110,000 users every month. Graham-Cumming, "How many users does Digg have?", January 28, 2008, February 14, 2008, < http://www.jgc.org/blog/2008/01/how-many-users-does-digg-have.html >

[57] "Value based management is the management approach that ensures that corporations are run consistently on value. (normally: maximizing shareholder value), February 13, 2008, < http://www.valuebasedmanagement.net/faq_what_is_value_based_management.html >

1. Financial Analysis

Human capital is the primary source of competitive intangible earnings for today's corporations. So a major challenge for SCVA is to propose a consistent approach that highlights only the portion of human activity behind SC^x, a new driver of corporate growth and value that deserves particular management attention.

After all, a telephone call is a form of social media (albeit synchronic and only rarely published[58]) and most employee activity is taken up by a plethora of essential preoccupations (learning, meetings, planning, selling, reporting, routine correspondence, checking Facebook, talking to someone about the weekend!, etc.) Coordinating manufacturing involves human interaction. Brand evolves out of the connections between owners, managers, employees, agencies and customers of the corporation. Social capital is involved in all of these activities and therefore all revenues of the company.

Recognizing the social capital involved in all of these age-old operations of the company, SCVA maintains that most of this activity is already measured by traditional accounting methods, and performance along these metrics is best measured and tracked by accounting profit. Burt might describe these aspects of the business as investment terms in the production equation that are an unproblematic constant.

For example, the tangible assets of corporations are increasingly subjected to global forces of commoditization. Competitive advantages attributable to associated lower costs may erode quickly. Particularly in developed economies such as the United States, management of fixed assets is critical as freer trade and cheap transportation and logistics has brought incredible competitive pressures to bear. In this context, fixed assets are typically not viewed as the most promising source of growth in corporate value.

Getting at SC^x begins by calculating a company's economic profit (EP)[59], which is a well-known process widely accepted by finance experts and firmly rooted in corporate finance theory. Economic profit's major contribution is to account for the costs of capital required to fund the earnings and growth of the company. In addition, economic profit is the "big bucket" that catches all of the cash flowing from the "value added" performance of the company (i.e. performance that provides returns over and above the cost of capital). Parts of this stream are attributable to tangible assets such as equipment, materials and land and the management needed to operate them effectively (superb supply chains, speedy distribution methods and thrifty operations). Other parts of the stream flow from the talented human capital required to market (brand is included here), develop and direct the company towards the delivery of exceptional performance.

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[58] Podcasts of Corporate Earnings are a growing example of how this is changing though.

[59] For a tutorial on calculating EVA see < http://www.investopedia.com/university/EVA >

SCVA sets out to distinguish a particular stream of cash flowing into the EP bucket, so the starting point for calculating SCVA is a six-year projection[60] of economic profit based upon a consensus view from a sufficient sample of qualified analysts.

As we shall see in the following sections, SCVA asserts that in the age of I.A.M., one of the most important segments of earnings that corporations must come to understand, develop and track are those subjected to fluctuation due to forms of scaled-up social capital (SC^x) like the memetic brand. Ideally, SC^x will be the fastest growing segment of earnings, its unique role in B2B businesses will require unique management and it is essential to the efforts of all companies defending brands established during the broadcast era (like 'Dan Rather' or 'Dell,' (see "Dell Hell") or launching relatively new brands (like Agent Provocateur who, when counted in July of 2007 for a Times Online article, had received 360 million views over five years since releasing this Kyle Minogue video). SCVA leaves all of the other earnings generated by the corporation in the EP "bucket", including those attributable to the "real world" and broadcast marketing techniques like the symbolic brand, which are maturing business activities even though they are likely to be the largest portion of earnings, particularly in established consumer facing companies.

[60] The six year projection period is selected to conform to Interbrand's brand valuation projection period so that these figures may be tracked side by side.

2. SC^x Factor (SC^xF)

The objective of SC^xF is to bring into focus the portion of earnings that are not attributable to the fungible resources of the business.

Economic profit is also the starting point for brand valuation (BV), which then outlines a series of adjustments that are subjectively arrived at through consultation with analysts and survey work. The first adjustments BV makes are to account for cash flows that are attributable to certain legal intangible assets such as copyrights, patents and trademarks. Next, brand valuation technique relies on the development of a proprietary "role of brand" factor to determine what percentage of intangible earnings are generated by the brand, based upon survey work studying the brands and the categories examined. The survey work is an estimate of the minds' of buyers as they reflect upon their decision made at the time of purchase. For example, if 60% report brand was a factor, BV attributes 60% of intangible earnings to brand and the remainder of intangible earnings is typically attributed to management expertise.

SCVA, on the other hand, relies on a series of audits and ratios to make its determinations.

Digital Footprint Audit – This is a customized search of the entire internet to identify every piece of content that contains a reference to the corporation being valuated. A September 13, 2006 report entitled, "The Forrester WaveTM: Brand Monitoring, Q3 2006" evaluates seven leading vendors who are capable of performing this audit including Biz360, Brandimensions, Cymfony, Factiva, MotiveQuest, Nielsen BuzzMetrics, and Umbria. The outcome of the DF Audit is the Total Digital Footprint (TDF).

Social Identity Audit – This is an analysis of the Digital Footprint results to distinguish all of the content that is attributed to an individual identity and create a list of all associated identities. The SI factor.

Social Engagement Audit – This is a collection and analysis of the recorded correspondence that the corporation has with individual identities. This includes email, on the Web and through subscriptions, billing, warranty registrations, administration and all customer lists. The SE factor.

Social Capital Opportunity – Identities discovered during the Social Identity Audit are then searched for matching identities from the Social Engagement Audit. These matches provide the sum Social Capital Opportunity (SCO).

$SCO/TDF = SC^xF$

SC^xF (EP) = earnings subjected or exposed to SC^x.

SC^xF does not delve into the qualities of the social capital or the associated earnings that it is identifying (SC^x Inventory does). It relies on two basic assumptions:

i. An account of a company's total digital footprint (i.e. its entire existence on the web) is equal to an account of a company's total value added earnings.

Obviously, this assumption needs further research and modeling. It is not valid, as at June 2007 when broadband penetration rates, even in OECD countries, stand at roughly 19 per 100 inhabitants[61]. It is less true of a company that deals in the trade of commodities such as sugar or sugary drinks, than companies born in the wake of the internet browser and whose fortunes are more clearly linked to broadband. SCVA will benefit from a method to make adjustments to more closely align TDF and its proportionate share of economic profit. It is important to keep in mind that EP is fundamentally a measure of a company's ability to produce stable, value added performance and this kind of performance often requires managers to make decisions in anticipation of future trends. The usefulness of this assumption is dependent upon how it contributes to SCVA's mission. Trends are converging in the right direction. This assumption contains a bias that is good for corporations. It is true that many companies like Google and Amazon, which have recently shown the most remarkable stories of growth in corporate value, trend in the direction of TDF = EP. It is true that the segment of business represented by TDF, given its correlation to attractive and influential consumers, is a very important - perhaps the most important - segment to track. It is true that all companies are exposed to the same dynamics and need to learn to cope with these trends. A company's presence in the "real world" and its presence on the Internet are beginning to become one. SCVA projects that we are moving towards the convergence of TDF = EP as broadband penetration continues to proliferate, I.A.M. continues to emerge and corporations become increasingly connected through concurrent and related technology trends (for example, through geotagging[62] and inventory controls enabled by radio-frequency identification tags on every item at Wal-Mart, etc).

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[61] June 2007, February 19, 2008, < http://www.oecd.org/dataoecd/21/35/39574709.xls >

[62] "Geotagging, sometimes referred to as Geocoding, is the process of adding geographical identification metadata to various media such as websites, RSS feeds, or images and is a form of geospatial metadata." www.wikipedia.org, February 19, 2008, < http://en.wikipedia.org/wiki/Geotagging >

ii. The portion of a company's web presence that is a product of meaningful social interactions correlates to the portion of value added earnings that are subjected to these interactions.

This assumption is subject to the same forces as described above, except it zeroes in on the portion of digital footprint that is a product of SC^x. Unlike approximations based upon survey work, a direct link to sales can be established in the case of SC^xF, since SE factor is developed from customer lists (which could be tracked as a subset within the SE Audit). It may be useful to breakout the portion of SC^xF that is directly linked to sales for management purposes, but SCVA argues that whole SC^xF, as detailed here, is the best for arriving at the top measure we are seeking because it encompasses almost all the influences of SC^x and therefore addresses almost all earnings that are exposed to fluctuations due to SC^x.

Whether portions of SC^x are positively applied to develop earnings or are a negative drag on earnings is not determined by SC^xF. For example, a Google search for "Wal-Mart" returns more than 55 million web pages. A Google search for "Agent Provocateur" returns less than 2.5 million web pages. For the most part, Wal-Mart is a business that was built prior to the inflection point in value that we have described above. Wal-Mart's value added earnings may prove to be highly exposed to SC^xF and, in the absence of strategies to focus on this exposure, may experience growing risks as the era of I.A.M. emerges. Agent Provocateur has adopted methods and tactics designed to leverage SC^x. Its business may also be highly exposed to SC^xF. However, this exposure could be a stable source of high margin, rapid growth. SC^xF simply illustrates the relative exposure that any company has to SC^x in a way that is consistent, meaningful over time and powerful for investors and executive management.

3. SC^x Inventory (SC^{x}I)

The objective of SC^{x}I is to bring into focus the risks to earnings that are attributable to SC^x, i.e., a specific, new asset discount rate that is not otherwise accounted for in corporate management.

Using the Wal-Mart/Agent Provocateur example cited above we have noted that SC^{x}F demonstrates that both companies, indeed all companies will have a portion of their value added earnings exposed to the effects of SC^x as the age of I.A.M. emerges (along with other technological advancements that lead to TDF = EP). The question that SC^{x}I addresses is the relative risk of these SC^x exposed earnings materializing over the projection period. In deriving net present value of forecasted earnings, the standard practice, accepted by finance professionals and rooted in financial theory, is the development of a discount rate that represents the relative risk profile of earnings, in this case value added earnings that are exposed to SC^x. Of course, the discount rate must take into consideration the time value of money. The calculation of economic profit required as a starting point for SCVA, presupposes the calculation of Weighted Average Cost of Capital (WACC)[63]. Consulting with analysts and making adjustments to arrive at a company-specific projected WACC that covers the projection period is a common practice and prerequisite to arriving at a meaningful factor here.

The more challenging requirement is to develop a method of SC^x quantification with concrete terms. Final development of this method and these terms is beyond the scope of this paper; however, it is important to establish both the theoretical and practical possibilities that support the SCVA argument.

"The measurement of social capital with a focus on individuals' 'access' to social capital, considering a diversity of measured resources, and including resource availability indicators, has… been pursued following two methodological paths. The oldest method is the "name generator/interpreter' approach (McCallister and Fischer, 1978)"[64]. "A second measurement instrument that has been used to collect access-type social capital data is the 'position generator' (Lin and Dumin, 1986; Lin et al, 2001)" (p.6, Snijders, Van Der Gaag, 2004). Both methods have relative strengths and weakness. "To overcome these disadvantages Snijders (1999) proposed to combine the positive aspects of the position generator (economy, internal validity) and the name generator/interpreter (detail resource information) by more clear referral to specific resources, and omitting name identification from name generator questions. The resulting instrument, the 'Resource Generator', asks about access to a fixed list of resources, each representing a vivid, concrete sub collection of social capital, together covering several domains of life" (p.7, Snijders, Van Der Gaag, 2004).

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[63] "The weighted average cost of capital (WACC) is used in finance to measure a firm's cost of capital." www.wikipedia.org, February 20, 2008, < http://en.wikipedia.org/wiki/Weighted_average_cost_of_capital >

[64] Snijder, Tom, A.B and Van Der Gaag, Martin, "The Resource Generator: Social capital quantification with concrete items", part of the Research program "Creation of and returns to social capital; Social Capital in education and labor markets" (SCALE), a combined project of the universities of Utrecht, Groningen and Amersterdam, funded by the Dutch Organization for Scientific Research. October 21, 2004, p. 5

Once again the existing work in the study of social capital will provide fertile ground for the development of SCVA. A reliable, consistent SC^{x}I will be built on the experiences of the name generator/interpreter, position generator and resource generator approaches. A preliminary review suggests that designing such a SC^{x}I is feasible:

- Goal attainment is clear and common across corporations, i.e. the development and preservation of corporate value;
- common "domains" of business activities such as product development, human re sources management, marketing & sales, etc. may assist in developing the "fixed list" of social capital resources that a resource generator-like approach would require;
- the narrow scope, i.e. developing a fixed list that is specifically designed to measure SC^x, will also assist the assessment design;
- employment of online survey technology can greatly reduce the cost and time required to generate the "fixed list" of resources, to measure and maintain it[65];
- ideally the assessment can be conducted through analysis of SCO (i.e. the results of the audits noted above), however, even if a survey is required to complete the assessment, again, time and costs should be greatly reduced by readily available technology.

In very practical terms, SC^{x}I can be envisioned as a vertical specialization or extension of the talent management practiced by many leading firms such as GE, EDS and many banks and consulting companies.[66] SAP already integrates talent inventory management and "visualization capabilities to enhance and extend the SAP(R) ERP Human Capital Management (SAP ERP HCM) application".[67] The difference is that SC^{x}I will specifically track SC^x resources available through connections among both employees and assets outside the traditional boundaries of the corporation (vendors, consumers, resellers, analysts, etc).

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[65] I was a VP at ClickIQ.com, one of many companies that provide platforms with these capabilities.

[66] "Talent on Demand: Applying Supply Chain Management to People", Knowledge@Wharton, Human Resources, February 20, 2008, March 3, 2008, < http://knowledge.wharton.upenn.edu/article.cfm?articleid=1899 >

[67] "SAP to Resell Nakisa's Talent Visualization Software", www.sap.sys-con.com, Dec.11, 2007, March 3, 2008, < http://sap.sys-con.com/read/473098.htm >

Follow the Yellow Brick Road:
The need for new structural management methods

"There's less to Facebook and other social networks than meets the eye."

"Silicon Valley's craze for the 'social graph' ... is overdone."

"For bigger companies such as Google, the (social) graph is simply the web of links among its many users."[68].

Quotes from the October 18th, 2007 issue of The Economist.

How should a global investor or senior business executive evaluate this information?

The above outline of the SCVA valuation method is a first draft. The plausibility of this first draft is intended to support a demonstration of the need for new social network structural management methods. The point here is that the vast majority of corporations do not understand how to tap into the extraordinary value creation dynamics represented by MySpace and Google. Nor do they understand how the business factors lifting MySpace and Google are exposing their sacred cash cows to new risks. This paper is a call for investment in understanding.

In Issue 12.10 - October 2004 of Wired Magazine, Chris Anderson wrote a 5,200-word article called "The Long Tail". This article commercialized power law. Powerful concepts were illustrated with contemporary examples so that the "rest of us" could start to put them to work in our business plans.

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[68] "Internet Companies: Social Graph-iti", The Economist print edition, October 18, 2007, October 18, 2007, < http://www.economist.com/business/displaystory.cfm?story_id=9990635&CFID=6893160&CFTOKEN=7dc5b488dd50cdc8-3AB-CAAF3-B27C-BB00-0143C0C3EB961394 >

As one reviews Matthew Jackson's 2005 paper "The Economics of Social Networks," the thought occurs that there is an urgent need to lock Chris Anderson and Matt Jackson in a room together. Here is a quote from Jackson:

> "Another application of obvious importance in understanding how network structure impacts behavior, is to understand how information propagates through a network, and in particular how people in a social network learn from each other. Taking a Bayesian perspective is a standard approach in economic modeling, and an obvious starting point. The model of Bala-Goyal (1998) builds from this perspective (see also Allen (1982) and Ellison and Fudenberg (1993, 1995)).
>
> Bala and Goyal (1998) make a very simple but important point. Consider a series of agents connected in a social network who all face the same stationary, but random, environment. The network is fixed and time progresses in discrete dates where agents each choose one of a finite set of actions at each date. The payoffs to the actions are random and their distribution depends on an unknown state of nature. The agents are all faced with the same set of possible actions and the same unknown state of nature. They all have identical tastes and face the same uncertainty about the actions. Over time, each agent observes his or her neighbors choices and outcomes.
>
> The main conclusion is that eventually the agents will converge to choosing the same action, based on the observation that over time players who observe each others actions and payoffs should eventually come to choose the same action. The intuition is as follows. We need only reason that any two neighbors earn the same long run utility, as this implies the same must be true network-wide. If one neighbor is doing better than another, then the neighbor with the poorer payoff will learn from observing the other agent, and eventually change behavior to obtain a similar payoff. Note that the fact that all agents end up with the same long run utility does not mean that all agents converge to choosing the right action. However, Bala and Goyal show that if the network is large enough, and there are enough agents who are optimistic about each possible action spread throughout the network, then the probability that the society will converge to the best overall action can be made arbitrarily close to 1. The idea is that there will be sufficiently many experiments by the optimistic agents so that the true payoff of each action will be learned and then the society will converge to the right action."

That is how a network economist explains hope. I think.

All readers are asked to save the quote above so that they may easily cut and paste it into the comments section of any blog rant about the dangers of bringing greater corporate attention to that great bastion of freedom of expression, democracy and anonymity – the Internet. That should just about shut "the conversation" down (in more ways than one!).

Jackson is one of academia's best communicators on the state-of-the-art of the science of social networks, yet his work needs further translation for business people, more so the work of many of his contemporaries[69]. "The many regularities in network structure across applications makes a scientific study of social networks a possibility. The deep and pervasive impact that networks have on behavior makes such a study a necessity."[70]

For example, a recent study conducted at Harvard University may provide alternative insight into how to compete with Apple, a company that is able to maintain high margins in consumer electronics, an industry symptomatic of rapid product cycles and commoditization. Strength of brand and design are typically given most of the credit in Apple's case.

The study "How Much is a Friend Worth? Directed Altruism and Enforced Reciprocity in Social Networks" (originally titled "Social Capital in Social Networks") finds that "decision-makers... pass at least 50 percent more surplus to friends as opposed to strangers when decision-making is anonymous. Under non-anonymity, transfers to friends increase by an extra 24 percent relative to strangers, but only in games where transfers increase social surplus. This effect increases with the density of the social network structure between both players."[71]

Can corporations be friends with individuals? They can certainly take great steps, particularly in the age of I.A.M., to reduce the level of anonymity and social distance between them and their customers. Perhaps an investment in a strategy to reduce anonymity and increase the density of social network structure will cost less and lead to higher margins than a brand campaign or the addition of 4G of memory to an mp3 player.

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[69] International Conference on the Formation of Social Networks aimed "to bring together some of the best scholars working on networks formation".

[70] Jackson, Matthew, O., "The Economics of Social Networks", p. 1, Revised: December 13, 2005

[71] Leider, Stephen, Mobius, Markus, Rosenblat, Tanya and Do, Quoc-Anh, "How Much is a Friend Worth? Directed Altruism and Enforced Reciprocity in Social Networks" p.1, October 2007

Perhaps most compelling to our argument that new social network structural management methods, like SCVA, are needed is the methodology employed in this study. All of the experiments were entirely web-based and for part of the study, information on social networks was collected through an online trivia game at www.facebook.com. More than 90 percent of Harvard undergraduates are members of the service (Leider, Mobius, Rosenblat, Do, 2007). Facebook is a service that enables users to post their online profiles, broadcast updates of their actions and interests and post biographical information, as well as connect with friends. It has all of the characteristics enabling new scales of social credentials, social recognition and identity that we highlighted as evidence of new scales of social capital early in the paper. Facebook use is not limited to the students at Harvard. It is now the most popular website in the U.S. for 17 to 25 year olds.[72] Demographically, the trends of new scales in social capital and I.A.M. are growing. Two out of every three Canadians are active on social media sites.[73]

Should the introductory argument here pass the tests of reviewers, many next steps in the research agenda are suggested. As noted above, much work would be required to make the formula for SCVA valuation credible and workable. In addition, a complete examination of new scales of the extrinsic elements of social capital, in particular trust and social network structure, would be useful for marketing professionals regardless of the acceptance of SCVA. It is however, more interesting to end off with some hope for future study of the "transfers that increase social surplus" (Leider, Mobius, Rosenblat, Do, 2007).

"Economic theory suggests at least three mechanisms which induce the decision-maker to treat the partner more generously when there is a prospect of future interaction. First, the decision-maker can grant favors because she expects the partner to repay these in the future (enforced reciprocity)... Second, the possibility of future interaction gives incentives for the decision-maker to signal her altruistic type to the partner (Benabou and Tirole 2006). Third, psychological game theory has modeled preference-based reciprocity where decision-makers behave generously because they expect the partner to behave kindly towards them in some future interaction, and because they derive utility from rewarding kind behavior (Rabin 1993, Dufwenberg and Kirchsteiger 2004)" (Leider, Mobius, Rosenblat, Do, 2007).

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[72] "Facebook Extends Lead as Fave Young Adult Site", www.emarketer.com, March 2, 2007, February 24, 2008, < http://www.emarketer.com/Article.aspx?id=1004636 >

[73] Dr Hunter Madsen, Marketing Director, Yahoo! Canada, keynote address at Online Revealed Canada, May 28, 2007, February 24, 2008, < http://falkow.blogsite.com/public/item/170445 >

The definition of social surplus that most "iPod killer" strategies employ is greater "utility." They seek to beat iPod by building a better mousetrap with better product features and better design. Rebate strategies and typical loyalty programs (earning points for rewards) are also widely tried methods.

It is a social surplus defined as greater signal of altruistic type that may be the most interesting to study further if a link between social capital and corporate earnings comes to be accepted. There is some evidence that social causes are the kind of maxim behind which business may align their activities as they develop memetic brands. For example just the top 5 causes on the Causes application on Facebook reach about 7.5 million people.[74]

It brings with it the possibility of new motives for corporate social responsibility. Not only will the corporation be asked to be more accountable for its actions, perhaps the corporation can be encouraged to invest in ways for its social connections – consumers, suppliers, employees, investors, owners, analysts and value added resellers – to move beyond feel-good CSR tactics towards a relationship in which the opportunity is seized by each forging identities based upon greater social contribution.

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[74] Catone, Josh, "Facebook Graduates: Now Do Something For the World", ReadRightWeb blog, February 5, 2008, February 29, 2008, < http://www.readwriteweb.com/archives/facebook_social_change.php >

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