

Reconceptualizing Network Dynamics: A Strategic Framework Linking Social Networks and Network Effects

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Abstract:

In the platform-driven digital economy, organizations rely on two intertwined mechanisms to achieve sustained strategic advantage: network effects, which drive scalability, and social networks, which enable trust, coordination, and knowledge. Despite their nascent centrality, strategic literature often treats these constructs in disciplinary silos. The current paper reconceptualizes platform ecosystems by placing strategy at the core—as the orchestrator that aligns network scale with social relational embeddedness. Drawing from foundational theories of network effects, social networks, and strategic orchestration, the study develops a conceptual framework integrating these domain constructs. Employing a pure conceptual inquiry approach, the paper uses analytical juxtaposition and dimensional decomposition to synthesize the structural, functional, and cognitive components of network effects and social networks. The key contribution is a 2x2 typology framework classifying platform configurations based on the strength of network effects and the quality of social network structures. The framework identifies four strategic archetypes—*Resilient Orchestrators*, *Scalable Yet Risky*, *Collaborative Niches*, and *Fragile Systems*—each reflecting different trajectories of value creation and organizational resilience. This work offers a conceptually novel and practically relevant lens on how digital platforms can govern trust, participation, and innovation cohesively. It contributes to the growing literature on platform strategy by demonstrating that scalability without embeddedness is fragile, and that strategic alignment of networks is essential for competitive longevity.

Keywords: Network Effects; Social Networks; Strategic Orchestration; Platform Ecosystems; Digital Strategy; Relational Governance

1. Introduction

In today's digital economy, platform networks function as ecosystems that generate both economic and social value. Central to their operation are network effects, where a platform's value increases as user participation grows (Katz & Shapiro, 1985). These effects amplify user growth within digital environments. However, the strategic implications of network effects extend beyond scale i.e, how they shape social networks—the trust, norms, and relational embedded in networks—formed, maintained, or sustained (Bourdieu, 1986; Putnam, 2000). The intersection of network effects and social networks represents a critical yet fragmented area within the strategic management and innovation literature. While social networks provide the structural map of connections, only when viewed through the strategic lens of network effect captures the relational resources—trust, norms, and shared understanding.

Network Effect Theory (Katz & Shapiro, 1985) posits that growing participation creates self-reinforcing advantages, increasing a platform's appeal. Conversely, Social Network Theory (Bourdieu, 1986; Putnam, 2000) focuses on how trusted relationships generate collective value. Network effects can enhance knowledge sharing, innovation, and collaboration, bridging ties across diverse actors (Huggins et al., 2012; DiMaggio & Garip, 2012). This intersection has gained attention in studies on ecosystems. Meyer (2023) highlights how inter-organizational trust and shared norms foster absorptive capacity and reduce uncertainty. Similarly, Molina-Morales and Martinez-Fernandez (2010) show that dense social networks facilitate tacit knowledge exchange and coordinated action in industrial clusters. These findings suggest that digital platforms can cultivate or erode social networks depending on how network interactions are structured.

Huggins et al. (2012) further distinguish between network and social networks, stressing that mere connectivity does not guarantee trust or knowledge flow. Research by Cao et al. (2024) and Sahut et al. (2022) adds nuance by exploring how different forms of social networks—bonding, bridging, and linking—mediate platform engagement across sectors, underscoring how platform design affects the quality and sustainability of social networks. However, scholars like Huang et al. (2023) question the blanket valorisation of network effects. They argue that such effects can complement or substitute traditional organizational structures, sometimes undermining stable governance. Despite growing interest, key gaps remain. Most studies are industry-specific and lack cross-sectoral analysis. Few explicitly link network effect

theory with social networks theory, and the temporal dynamics of social networks—how it evolves in fast-growing platforms—are underexplored. DiMaggio and Garip (2012) note that even as networks expand, entrenched inequalities may persist due to structural holes, indicating that growth alone does not ensure equitable or productive outcomes.

While network effects observed as self-reinforcing mechanisms that enhance product, service, or platform value with increased user adoption (Rohlf, 1974; Katz & Shapiro, 1985; Qin et al., 2022), and social networks as relational structures that facilitate trust, knowledge transfer, and coordination (Granovetter, 1983, 1985; Nahapiet & Ghoshal, 1998; Burt, 1992), the conceptual linkages between these two constructs remain theoretically underdeveloped and empirically scattered. Although recent studies acknowledge the strategic importance of social embeddedness in amplifying network effects—such as in logistics integration (Lee, 2012), blockchain-based coordination (Lynberg & Deif, 2022), and SME marketing (Rakshit et al., 2022)—there is limited systematic inquiry into how these domains intersect and reinforce each other. Thus, while platforms leverage network effects to scale, their strategic impact on social networks formation and erosion remains insufficiently understood. This presents a significant gap, particularly in clarifying definitions and perspectives that explain joint role in value creation, platform dynamics, and innovation networks.

The current work shifts its analytical lens from merely examining social networks to strategically observing the value creation, collaboration, and resilience embedded within these networks. While platforms scale through network effects, their sustainability depends on the quality of socially embedded networks—yet the strategic integration of these dynamics remains under-theorized. Platforms may achieve growth without resilience, adoption without trust, or scale without innovation without integrating both. Thus, bringing together these concepts is essential for understanding how platforms can strategically orchestrate both user growth and meaningful social and economic engagement. The present study aims to systematically map and synthesize existing literature at the intersection of network effects and social networks, providing a foundational understanding of this nexus in exploring strategy literature.

2. Conceptual Grounding:

The extant literature can benefit from addressing the interaction by reconceptualizing network effects as relational and socially embedded phenomena, rather than purely transactional or technological. Thus, insights from social networks (Bourdieu, 1986; Coleman, 1988) and network effects (Granovetter, 1983; Kadushin, 2012) can be systematically and strategically integrated into models of platform competition, innovation diffusion, and ecosystem

development. This shift would enable a more nuanced understanding of how network structure, actor centrality, and collaboration mediate strategic behaviour under conditions of strong network externalities (Gray et al., 2015; Müller & Peres, 2019).

While both individuals and organizations participate in networks, their roles, motivations, and consequences differ significantly. Individuals leverage social ties for influence and access (Granovetter, 1983; Katz & Shapiro, 1985; Burt, 1992; Qin et al., 2022), while organizations build networked structures for capability enhancement, market shaping, and innovation (Gulati, 1998; Lee, 2012; Belik et al., 2024; Morea et al., 2024).

2.1. Network Effects

Network effects—or network externalities—occur when a platform’s value increases with user participation (Yao & Zhang, 2022). Rohlfs (1974) first formalized the idea of direct network effects, where user utility grows with more participants. Katz and Shapiro (1985) expanded this by distinguishing direct effects (e.g., phone networks) from indirect ones, where growth enhances complementary products. Their work highlighted market tipping, lock-in, and path dependence. These effects influence behaviour and strategy at both individual and organizational levels.

Individually, network effects enhance perceived utility, convenience, and interoperability (Grant, 1987; Yao & Zhang, 2022). Katz and Shapiro (1985) argued adoption rises with expectations of others joining. Nowak (2021) added that network-driven optimism impacts platform stability. In two-sided markets like ride-sharing, value depends on cross-platform participation (Qin et al., 2022), introducing dynamics such as winner-take-all effects and early-mover advantages.

Network effects, at organizational level, drive strategic integration, innovation, and knowledge sharing. Lee (2012) emphasized operational coordination, while Goyal and Gagnon (2016) and Marzi et al. (2021) showed that network structure—centrality, cohesion—enhances innovation through better resource access and trust. Lynberg and Deif (2022) demonstrated how network expansion in blockchain supply chains boosts trust and data accuracy. Yao and Zhang (2022) and Huang et al. (2023) noted network effects can entrench dominant platforms, limiting competition. Giovannetti and Siciliani (2023) added that ecosystem design reinforces user lock-in and entry barriers. Belik et al. (2024) linked network positioning to innovation and competitiveness. Thus, network effects shift value creation from individual to systemic, with both benefits and risks in digital economies.

2.2. Social Networks

Social networks comprise nodes (individuals or organizations) connected through ties based on trust, collaboration, or information exchange (Wasserman & Faust, 2009). Mitchell (1969) emphasized how tie characteristics shape social behavior. Granovetter (1983) introduced the "strength of weak ties," highlighting their role in spreading information. Granovetter (1985), Bourdieu (1986) and Coleman (1988) framed networks as carriers of embedded resources—trust, norms, obligations—central to social networks formation which helped in explaining behaviors, inclusion, exclusion, and performance across levels.

At the micro level, social networks shape identity, behavior, and information access. Kadushin (2012) noted their interdependencies, while Putnam (2000) emphasized trust and norms as facilitators of coordination. Krishen et al. (2018) linked digital network participation to emotional and collaborative benefits. Rakshit et al. (2022) highlighted social networks in B2B SME marketing, enhancing engagement and credibility. Morea et al. (2024) showed community networks foster social innovation and environmental action, aligning with bridging and bonding networks (Putnam, 2000).

For organizations, social networks are structural patterns enabling collaboration. Tichy et al. (1979) and Wasserman & Faust (1994) framed them as actor relations rather than actor attributes. Goyal and Gagnon (2016) highlighted resource access and relational advantages, while Gray et al. (2020) noted how exclusionary structures perpetuate inequality. Marzi et al. (2021) found B2B digital network position affects tech adoption. Müller and Peres (2019) and Belik et al. (2024) linked dense networks to innovation and adaptive capacity. In logistics, Lee (2012) underscored intermodal integration; Lynberg and Deif (2022) emphasized trust in decentralized blockchain systems. Nahapiet and Ghoshal (1998) and Lin (2001) stressed social capital is the preferred analytical construct: while social networks provide the structural map of relationships, it is the embedded social capital—trust, norms, and knowledge—that enables value creation and strategic coordination. In sum, social networks enable knowledge flows and resilience, but also pose structural barriers.

At the outset, the current study positions strategy as the central integrating force—the deliberate individual and organizational logic that aligns network effects with social network to create and sustain value to determine whether network expansion leads to inclusion or exclusion, innovation or inertia.

This paper adopts a conceptual inquiry approach to develop a theoretically grounded framework that integrates the domains of network effects and social networks from a strategic management lens. Rooted in a constructivist epistemology, the study seeks to bridge the

conceptual silos between economic models of self-reinforcing user adoption (network effects), sociological understandings of relational trust and embeddedness (social networks), and strategic orchestration within digital ecosystems at the centre.

The recognition of a persistent fragmentation in the literature guided the selection of constructs. Three primary theoretical anchors - (a) Network Effect Theory (Rohlf, 1974; Katz & Shapiro, 1985), which explains scale-driven value creation in digital platforms; (b) Social Network Theory (Bourdieu, 1986; Coleman, 1988; Granovetter, 1983), which highlight the embedded nature of trust and coordination; and (c) Strategic Orchestration (Teece, 2007; Gulati, 1998; Huggins et al., 2012), which provides the lens through which firms align and govern these network dynamics for sustainable advantage.

Thus, the paper undertakes a conceptual synthesis to resolve a persistent and critical fragmentation within the strategic management literature, where techno-economic models of network effects and sociological theories of social networks are treated mainly in disciplinary silos. Adhering to the methodological rigour required for impactful theory-building, we employ the specific tools of analytical juxtaposition (Sørensen, 2013; Egetenmeyer, 2020) and dimensional decomposition (Rahman, 2008; Gioia et al., 2013) to systematically deconstruct these core constructs allowing us to reassemble these theoretical fragments through the integrating lens of strategic orchestration, revealing their deep-seated complementarity.

First, Network effects and social networks were deconstructed into structural, relational, and functional components. Then, these components were re-examined through a strategic lens to identify theoretical convergence and complementarity points. The literature was treated as a repository of findings to identify the theoretical fragments capable of forming a coherent whole when synthesised. Finally, the conceptual synthesis articulates strategy as the central mechanism that orchestrates the interaction between self-reinforcing network effects and the quality of social networks. Drawing from the causal logics described in Whetten (1989), the study proposes a 2x2 typology classifying platform configurations along two axes: network effect strength and social network quality. Each quadrant represents a distinct strategic archetype capturing varying degrees of trust, innovation capacity, and system scalability.

As a pure conceptual paper, this study is limited to offering empirical test validation. The significant contribution lies in offering a theoretically coherent, strategically grounded framework for future empirical research and managerial application. However, while the integration is grounded in a structured literature review, it does not claim exhaustiveness. Instead, it provides a conceptual scaffold for understanding how platform-based strategies emerge at the intersection of scalability and social cohesion.

3. A detailed inspection –

3.1. Network Effect:

The concept of network effects—also referred to as network externalities—at its core exists when the value of a product, service, or platform increases as more individuals or entities use it (Yao & Zhang, 2022). These effects manifest at individual and organizational levels and have profound implications for user behaviour, market dynamics, and firm strategy.

3.1.1. Foundational Theories of Network Effects

The earliest formalization of network effects can be traced to Rohlfs (1974), a milestone in the historical development of this concept. Rohlfs's study on networks posited that the utility derived by a user increases with the number of other users connected to the same service. This is known as a direct network effect, where the user benefit is inherently tied to the number of participants. His formulation laid the groundwork for subsequent models that examined adoption equilibria and tipping points in markets with interdependent demand.

Building upon this foundation, Katz and Shapiro (1985) extended the theoretical scope by incorporating network effects into product compatibility, market competition, and standardization models. They distinguished direct network effects (e.g., telephone networks) and indirect network effects, which occur when increased adoption of a base product leads to greater availability or quality of complementary goods (e.g., more apps on a software platform). They emphasized that these effects influence user expectations, lock-in, and path dependence—factors central to strategic market behaviour.

3.1.2. Individual Perspective

Network effects, from an individual perspective, primarily shape consumer utility and decision-making through enhanced utility, convenience, and access. Grant (1987) explains that users perceive greater value when network participation enlarges because of better communication, expanded services, or higher interoperability. As more users join a platform, the value perceived by each user rises due to the increased potential for interaction, content, or transaction opportunities (Yao & Zhang, 2022). This is consistent with Katz and Shapiro's (1985) foundational economic theory, which posits that consumers are more likely to adopt a technology or platform if they expect others to do the same, enhancing its utility.

Nowak (2021) builds upon this idea within the platform economy, illustrating speculative optimism and risk due to network effects shaping platform stability and earnings potential. In digital platforms and communication technologies, the marginal utility of participation often rises super-linearly, creating powerful positive feedback loops.

Recent platform-based economic models, as studied by Quin et al., (2022), have expanded this view in the context of two-sided markets, such as those seen in e-commerce or ride-sharing. In such systems, the network effect operates on both sides of the platform, with users on one side deriving increasing value from the growing number of users on the opposite side. These complex interdependencies challenge linear market models and introduce concerns about market tipping, winner-take-all dynamics, and early mover advantages.

3.1.3. Organizational Perspective:

On the contrary, network effects in the organizational domain extend beyond utility to encompass strategic integration, data interoperability, and collaborative innovation leveraged to secure competitive advantage and innovation outcomes. Lee (2012) demonstrates that network effects facilitate operational integration and knowledge exchange in intermodal logistics, particularly when more actors engage in collaborative networks. Here, value is co-produced through participation rather than merely consumed. Backing this argument, Goyal and Gagnon (2016) explore how inter-organizational social networks, enhanced by network effects, facilitate innovation by improving firms' access to diverse knowledge and collaborative opportunities. The structural properties of these networks—such as centrality, density, and cohesion—are instrumental in determining how effectively firms can mobilize resources and influence. Thus, the quality and configuration of a firm's network ties are as critical as the quantity of connections when benefiting from network effects.

Similarly, Marzi et al. (2021) emphasize the role of network effects in B2B digital platform adoption, highlighting how a broader user base enhances knowledge exchange, trust, and technological legitimacy among participating firms. On the same lines, Lynberg and Deif (2022) explore network effects in blockchain-based supply chains, where increasing adoption by firms enhances trust, data verifiability, and ecosystem efficiency. The organizational network thus functions not only as a technical infrastructure but also as a socio-economic arrangement that scales in value with participation.

Network effects also play a pivotal role in shaping platform competition. As articulated by Yao and Zhang (2022), the dynamics of inter-platform competition are governed by the relative strength of network externalities, where a dominant platform can marginalize others through superior user attraction and retention. This idea is supported by Huang et al. (2023), who analyze platform competition through the lens of complementary versus substitutive relationships and find that strong network effects often lead to market concentration.

Moreover, Giovannetti and Siciliani (2023) argue that digital platforms create significant barriers to entry for new competitors. In this regard, network effects are not merely emergent

phenomena but are actively designed and maintained by platform owners through ecosystem control and strategic partnerships. Further, switching costs and lock-in exclusion effects can limit user mobility and reinforce monopolistic dynamics once users adopt a platform. This can have adverse consequences, especially in digital economies where platform dominance may stifle competition and innovation.

In a broader strategic context, Belik et al. (2024) argue that organizational network effects are closely tied to network positioning, relational embeddedness, and knowledge flows. The value of a firm's position in a network grows as others join and interact, making such structures integral to innovation and competitive advantage.

Across both individual and organizational levels, the theory of network effects highlights a shift from isolated value propositions to relational and systemic value creation. This evolution has profound implications: for individuals, it affects technology adoption, user retention, and digital engagement; for organizations, it shapes ecosystem strategies, alliance formations, and innovation capabilities. Moreover, network effects are not purely beneficial. They can entrench dominant platforms, reduce competition, and create barriers to entry.

3.2. Social Network:

At its core, a social network is a relationship structure composed of individuals or organizations (nodes) connected by social ties (edges) via an interaction pattern built upon trust, collaboration, or information exchange (Wasserman & Faust, 2009). Social Network refers to the structural configuration of relationships—nodes and ties—between actors (Wasserman & Faust, 2009; Granovetter, 1983). While, Social Capital denotes the resources embedded within these networks that actors can access and mobilize (Bourdieu, 1986; Coleman, 1988; Putnam, 2000). Analyzing such integrated networks helps explain various phenomena ranging from individual behaviour and social networks to inter-firm collaboration and market performance. In sum, social networks represent both the micro-level interpersonal ties and macro-level organizational relationships that shape the understanding both inclusion and exclusion in contemporary society setting.

3.2.1. Classical Foundations of Social Network Theory

Mitchell (1969) provided one of the earliest sociological definitions, describing a social network as "a specific set of linkages among a defined set of persons, with the additional property that the characteristics of these linkages as a whole may be used to interpret the social behaviour of the persons involved." This emphasis on the quality and pattern of interpersonal ties underlines how social position within a network impact individual outcome. Further, the

classical work by Granovetter (1983) introduced the influential concept of the "strength of weak ties," demonstrating that weak social connections can be more instrumental in spreading information and accessing novel resources than strong, redundant ties. This formed the bedrock for understanding how social structures influence behaviour and opportunity.

Social networks theory, particularly by Bourdieu (1986) and Coleman (1988), further emphasized the role of networks in facilitating collective action and resource mobilization. In this view, networks are not merely conduits of information but vehicles of embedded social resources—such as trust, norms, and obligations—that enhance individual and group outcomes.

3.2.2. Individual Perspective:

At the individual level, social networks provide relational resources that influence identity, behaviour, and access to information. Kadushin (2012) broadened this understanding, stating that social networks consist of "a set of relationships among social actors—individuals, groups, organizations, or even entire societies—connected by one or more types of interdependency" such as kinship, friendship, or shared goals. The individual-level understanding of social networks has been extensively applied to study social networks, which Putnam (2000) defines as "features of social organization such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit." Krishen et al. (2018) build on this by examining how individual participation in social networks contributes to trust formation and resource exchange, particularly in digital contexts. Their findings support the view that social networks enhance individuals' access to emotional support, knowledge, and collaborative opportunities, all of which have profound implications for well-being and behaviour.

Rakshit et al. (2022) observed social networks as business-to-business (B2B) marketing mechanisms in SMEs, where personal connections enhance credibility, reach, and engagement in digital environments. Their concept of a "social network marketing metric" underscores how individual agents utilize network positioning to drive brand awareness and customer loyalty. Morea et al. (2024) extend this to local governance, showing how individuals' participation in community-oriented networks fosters social innovation and environmental consciousness. Social networks act as incubators of shared values and collective problem-solving, aligning with Putnam's (2000) notion of bridging and bonding social networks.

3.2.3. Organizational Perspective

In contrast, from an organizational perspective, social networks are viewed as inter-firm or intra-organizational structures that facilitate network embeddedness. Tichy, Tushman, and Fombrun (1979) characterized organizational networks as patterned relationships connecting

various organizational units and external stakeholders. Further, Wasserman and Faust (2009) define a social network as "a finite set or sets of actors and the relation or relations defined on them." This graph-theoretical approach emphasizes not the attributes of the actors themselves but their position within the broader structure of relationships.

Goyal and Gagnon (2016) emphasize the strategic role of inter-organizational social networks in shaping firm performance. They argue that these networks facilitate resource access and enable firms to leverage relational advantages in competitive environments. Similarly, Gray et al. (2015) demonstrate in their analysis of exclusionary networks that structural properties such as centrality and clustering can perpetuate inequality by limiting access for marginalized actors. Supporting this observation from a different lens, Marzi et al. (2021) highlight that in B2B digital platforms, network structure significantly affects firms' ability to adopt new technologies and participate in collaborative ecosystems. The positional advantage within a network—such as being a central or bridging node—enables firms to influence others, coordinate activities, and absorb new capabilities more effectively.

Müller and Peres (2019) argue that firms embedded in dense and cohesive social networks are likelier to achieve higher innovation performance due to improved knowledge sharing and trust among partners. Along similar lines, Belik et al. (2024) argue that organizations embedded in dense, collaborative networks benefit from enhanced knowledge transfer, simulation modelling, and adaptive strategies. They emphasize that network-based simulations provide insights into real-world coordination challenges in innovation-driven industries. At this juncture, a basic conceptual clarity would help further understand the difference, yet its overlap. Social networks act as the backbone connecting actors, social capital is the value yielded within these networks, and social embeddedness highlights the environment (networks and institutions) enveloping outcomes, resource frame and action constraints. Here, social capital and embeddedness rely on networks, while social capital (especially trust) is a mechanism of embeddedness.

In blockchain-enabled supply chains, Lee (2012), focusing on intermodal logistics, highlights the importance of social and operational integration in fostering supply chain efficiency with strong inter-organizational ties, enhancing real-time information flow and joint problem resolution. This reflects Nahapiet and Ghoshal's (1998) assertion that social networks embedded in networks is vital for intellectual capital creation. Further, Lynberg and Deif (2022) show how trust-based social networks among actors facilitate decentralized collaboration and data verifiability. Social networks serve both instrumental and expressive functions. For individuals, they provide access to diverse knowledge and support mechanisms. For

organizations, networks facilitate innovation, learning, and adaptive capacity. However, the literature also highlights limitations.

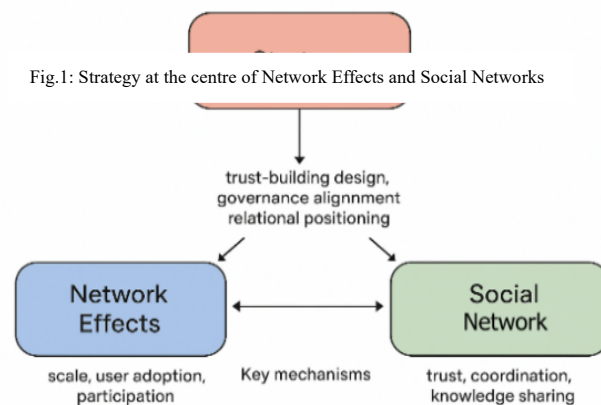
In sum, the literature emphasises a multilayered mechanism - personal networks fuel ideas and legitimacy that scale up to the firm performance, while firm networks mobilise resources that enable individual actors to be more effective. Strategic value emerges when these layers are integrated. As Belik et al. (2024) suggest, using simulations or empirical analysis to "mimic core properties of real-world networks" can reveal how aligning micro and macro structures leads to innovation. Managers who understand their networking and their firm's alliances can orchestrate connections to maximise information flow, trust, and strategic learning across the organisations.

Based on the literature synthesis, the review proposes a conceptual understanding in which: **Network Effects** contribute to scale, user adoption, and participation; **Social Network** enables trust, coordination, and knowledge sharing. While, **Strategy** acts as the intentional force that aligns these dynamics to maximize innovation and competitiveness. This identifies key mechanisms—such as trust-building design, governance alignment, and relational positioning—as strategic levers for orchestrating the interaction between network effects and social network.

While dynamic capabilities (Teece, 2007) describe a firm's general capacity to adapt, they do not specify the unique mechanisms required to manage the inherent tension between economic scale and socially embedded networks in platform ecosystems. Similarly, strategic alliances (Gulati, 1998) focus on formal inter-firm ties rather than the governance

of a diverse ecosystem of firms, individuals, and communities. This conceptual void leaves a gap in understanding the deliberate, integrative work required to build resilient platform i.e., a firm-level capability for intentionally aligning the economic scaling mechanisms of network effects with the sociological trust-building mechanisms of social networks to create and sustain ecosystem value. This capability is not monolithic; rather, it comprises three core managerial dimensions:

- **Trust-Building Design:** Proactively designing platform architectures and governance rules that foster relational trust and psychological safety among actors.



- **Governance Alignment:** Establishing and adapting the formal and informal rules that coordinate heterogeneous actors and balance the needs for growth.
- **Relational Positioning:** Actively managing the firm's position within the ecosystem to bridge disconnected groups, facilitate knowledge flows, and build reputational capital.

Network effects—defined as the self-reinforcing dynamics wherein the value of a platform or product increases with user adoption (Grant, 1987; Giovannetti & Siciliani, 2023; Muller & Peres, 2019)—are shown to be not merely technological phenomena but socially embedded structures capable of reshaping participation patterns, amplifying connectivity, and catalysing scale. Yet, as DiMaggio and Garip (2021) and Morales & Cointe (2021) demonstrate, network effects alone do not yield uniformly beneficial outcomes; their implications for polarisation, inequality, and exclusion are contingent upon the underlying network architecture. This is where social networks become foundational.

4. Discussion:

To fully understand the implications of aforementioned network effects and social networks, strategy as a central mechanism—the deliberate logic through which individuals and organizations orchestrate network structures and mobilize relational assets to create and sustain value. Strategy shapes who connect to whom and how these connections function across micro and macro levels to influence behaviour, innovation, and inclusion. Whether examining the unit of analysis (individual vs. organizational), networks' structural configuration and functional roles, the purpose behind networking behaviour, or the mechanisms through which value flows, a strategic lens reveals networks as a source of advantage.

In this light, each sub-section explores how strategy integrates network effects with socially embedded networks to enable ecosystem dynamics.

4.1. Unit of Analysis

Network research often distinguishes micro-level (individual) and macro-level (organizational) networks. At the individual level, the unit of analysis is a person (e.g., consumer, employee, entrepreneur) and their ties. Seminal work shows that individuals' networks confer social networks. Granovetter (1983) argued that an individual's weak ties – casual acquaintances – are especially valuable "in providing access to new information and opportunities". Coleman (1988) similarly observed that closeness in a person's network – when contacts are densely connected – creates trust and information monitoring, ensuring that "no one can escape the

notice of others". Burt (1992) focused on how individuals who span structural holes (gaps between disconnected groups) gain early access and brokerage power: "Individuals with contact networks rich in structural holes... know about, have a hand in, and exercise control over more rewarding opportunities". Thus, individual networks theorized in terms of social networks, information diffusion, and brokerage directly relate to personal and career outcomes. By contrast, at the organizational level, the unit of analysis is the firm or other collective actor and the ties between firms (e.g., alliances, joint ventures, interfirm partnerships). Here, classical network scholars like Gulati (1998) introduced a social network perspective on strategic alliances, noting that a firm's position in the network of alliances shapes its opportunities and constraints in forming new partnerships. Dense inter-firm networks can build trust and legitimacy across an industry, whereas bridging ties to new partners can bring novel resources and markets. These ideas echo Granovetter's (1983) notion of embeddedness at the organizational level: firms embedded in webs of social ties influence competitive behaviour. More generally, scholars now emphasize multi-level network analysis. Belik et al. (2024) note, "Social networks shape innovation dynamics within and across organizations". In other words, the individual-level network of people and the firm-level network of organizations are interrelated layers of analysis.

Managers and employees both participate in personal networks and represent their firm's place in inter-organizational networks. For example, a manager's contacts can enable their firm to spot industry opportunities (an interplay of levels), while a firm's reputation in the alliance network can empower its representatives to convene external partners. Contemporary studies illustrate this integration. Morea et al. (2024) analyze a "local action group" (an organizational convenor) that leverages its network of 150 local entrepreneurs (individuals) to stimulate new business models addressing social and environmental goals. Thus, while the unit of analysis differs, researchers increasingly study how the micro (individual ties) and macro (firm ties) levels coalesce to produce strategic outcomes.

4.2. Structure and Function

The structure of networks – who is connected to whom and how – is central at both levels. The network measures density, centrality, and structural holes matter at the individual level. A tightly knit personal network (high closure) provides trust and sanctioning (Coleman, 1988), whereas a sparse network with many nonredundant contacts offers diverse information (Burt, 1992). Granovetter (1983) famously showed that "weak ties" connect people to distant clusters, making them key conduits of novel ideas. In other words, individual network structure shapes

its function: closed networks facilitate reliable information sharing and cohesive norms, while open "brokerage" networks allow boundary spanners to access new knowledge and innovation. Each structure has trade-offs (strong vs. weak ties, closure vs. holes), and the function (learning, support, control) depends on context.

Organizational networks have analogous structural concepts. Inter-firm ties can form cliques or dense clusters (e.g., industry consortia) that build collective trust and standardized practices. Alternately, firms may occupy brokerage positions between otherwise disconnected industries, gaining strategic insight and a "first-mover" advantage. Gulati (1998) described how a firm's existing network influences its choice of alliance partners and learning from them – its network structure thus governs its strategic function in logistics and supply chain research. Lee (2012) has applied the embeddedness perspective to show that firms with well-integrated intermodal networks can exchange knowledge more efficiently, enhancing operational performance. At the organizational level, dense linkages foster collective efficiency and stability, whereas sparse bridging ties open new markets and technologies.

Crucially, the two levels interact. Individuals often serve as linking mechanisms between organizational networks. A manager's network might overlap with the firm's formal alliances, effectively merging the two layers. Belik et al. (2024) note that researchers can simulate networks to explore exactly these properties: they "compare empirical organizational networks with their simulated counterparts" to see how core network properties emerge. Through such models, one can show how a firm's network structure can, in turn, influence the structure of its members' networks and vice versa. In practice, an employee who maintains a strong external network (e.g. through professional associations) can import valuable contacts into the firm's alliance portfolio, altering the overall network's shape. Conversely, a firm embedded in a rich inter-organizational network may incentivize its employees to cultivate certain connections. This interplay of structure and function across levels creates strategic value: firms effectively get double leverage when internal and external networks align.

4.3. Purpose

Individual and organisational networks also differ in their purpose or intended function. Individuals typically form networks to gain information, advice, support, or advance opportunities. For example, entrepreneurs and SME managers often network intensively in industry circles or online platforms to market products and learn innovations. Rakshit et al. (2022) exemplify this micro–meso linkage by devising an integrated social network marketing metric for B2B SMEs, reflecting how individual-level social networks contribute to firm

marketing effectiveness. In essence, the purpose of an individual network is often personal or professional attainment.

By contrast, as highlighted by Morea et al. (2024), an organisation's network serves a hybrid purpose - a "local action group" intentionally harnesses its network to achieve social and environmental objectives alongside economic ones. Firms build networks of alliances, joint ventures, and partnerships to combine complementary assets to achieve resource acquisition, product development, market entry, or competitive advantage. Further, collaborative R&D networks seek knowledge exchange at scale, and supply-chain partnerships aim to streamline logistics.

Significantly, individual and organisational network purposes can reinforce each other. When employees align their contacts with the firm's aims, networks at both levels integrate more effectively. Contemporary work thus emphasises network integration for strategic outcomes - by aligning the micro-level networking behaviours with macro-level objectives, firms create synergies. Lynberg and Deif (2023) discuss how blockchain-driven supply-chain platforms rely on network effects – both in the technology platform (organisational network of firms) and among participating individuals – to coordinate governance and innovation. Although network effects usually refer to technology adoption (larger network adds value), they underscore that individual adoption decisions and interfirm collaborations are intertwined in generating value.

4.4. Effect Mechanisms

At the individual level, the mechanism often involves information and tapping social networks. Granovetter's (1983) weak ties mechanism speeds the flow of novel ideas into an individual's view. Individuals with rich brokerage networks can gather and act on heterogeneous knowledge first. Meanwhile, a dense network (Coleman's closure, 1988) enables trust and coordinated action – people share information more freely when they know each other, and sanctions deter cheating. Thus, an individual's network yields benefits through rapid information diffusion and reputation effects.

At the firm level, networks yield benefits through analogous but scaled processes. A firm embedded in a dense network can coordinate complex projects with trusted partners, share standards, and build collective legitimacy (advantage through reputation). Bridging ties between firms allows access to new markets and technologies. Firms that span structural holes (gaps between disconnected groups) in industry networks can leverage combined resources from different sectors and often enjoy higher innovation rates. The underlying mechanism is, again, information and resource flows, but at the organisational scale - ideas, knowledge, and

opportunities jump across firm boundaries via network links. Belik et al. (2024) note that networks "shape innovation dynamics within and across organisations". In short, networks are conduits of learning and coordination, and at each level, they convert connections into capability.

Crucially, individual and organisational networks interact to amplify such mechanisms. The firm learns faster when employees share the knowledge they gain through personal contacts. Morea et al.'s (2024) study illustrates that by linking entrepreneurs' networks, the local convenor organisation achieved social goals and "improved local area stakeholders' performance". The network backbone of individuals enabled the broader community to achieve shared objectives. Finally, some mechanisms arise only when levels interact, i.e., network externalities occurring when the value of a firm's network depends on the number of participants, where individual adoption decisions matter to the firm's success. Lynberg and Deif (2023) argue that in blockchain–supply-chain platforms, the combined network of organisations and users produces emergent value, i.e., more participants lead to richer data and smarter contracts. Thus, a firm might strategically recruit well-connected individuals (through hiring or partnerships) to trigger positive network effects.

Conceptualised in its structural, relational, and cognitive dimensions (Cao et al., 2024; Huang et al., 2023; Ortiz et al., 2017), social networks and network effects govern access to knowledge, trust-building, and coordination. It provides the interpretive and relational glue that allows networks to function as more than aggregated nodes. However, the alignment between these two domains—network structure and relational effect—does not arise spontaneously. Strategy acts as the intentional force that aligns these dynamics with organisational goals. As Petricevic & Verbeke (2019), and Huggins et al. (2012) highlight, the capacity to orchestrate inter-organisational relationships, govern platform ecologies, and deploy relational ties strategically determines whether networked environments translate into sustained innovation advantages.

Accordingly, three mechanisms emerge as central to this orchestration: the design of trust-inducing architectures (Lee, 2012; Meyer, 2021), the governance of coordination across heterogeneous actors (Rakshit et al., 2022; Chimenti et al., 2025), and the deliberate cultivation of relational positioning to access knowledge (Zasa et al., 2021; Molina-Morales & Martínez-Fernández, 2010). These mechanisms enable actors to navigate and shape the evolving interplay between scalability and social embeddedness, reframing network effects not as deterministic outcomes but as strategically mediated processes. Thus, the conceptual model offered here moves beyond deterministic accounts of technological diffusion and instead

foregrounds the contingent, strategic, and social dimensions of innovation in networked environments.

5. Typology Framework integrating Network Effects and Social Networks:

This paper posits that the aforementioned myriad properties of networks can be conceptualised along two fundamental strategic dimensions: scalability - driven by the strength of network effects, and sustainability - driven by the quality of the social network. The argue the capability for managing the inherent tension between these dimensions, as dynamic that underpins our proposed typology. By synthesizing the proposed strategic impartment, grounded in the literature, of integrating network effects and social networks, the study puts forth a 2x2 typology framework which classifies the platform actor’s mechanism based on the strength of network effects and the quality of social network structure. The strategic dynamics of distinct as per the design response and interaction.

Social Network Quality ↑ Strong Weak ↓	Collaborative Niches Niche Engagement User Trust and deep interaction Co-creation and Reputational Capital	Resilient Orchestrators Self-reinforcing User-embedded relational trust Sustained innovation and Competitive insulation Strategic orchestration and Ecosystem resilience
	Fragile Systems Absence of scalability and Trust Structural vulnerability Weak adaptation and user engagement	Scalable yet Risky Rapid user growth Weak cohesive infrastructure Volatile dynamics
	Weak	Strong
	Network Effect Strength →	

Fig2- 2x2 Typology Framework Strategy imparted integrating network effects and social networks

Strategic Typology Interaction of Network Effects and Social Network –

- a. *Collaborative Niches* – In this quadrant, the platform actors exhibit strong relational trust, deep ties, and active user engagement; however, they operate at a modest scale and typically serve the niche users' depth of interaction. Meanwhile, strategic value arises from

co-creation and reputational capital rather than user volume and knowledge exchange. Thus, it can be attributed to low network effect and high social network quality, for e.g. ResearchGate, DOAJ.

- b. *Resilient Orchestrators* – This quadrant's platforms largely benefit from self-reinforcing user-embedded relational trust. Hence, the orchestrators engage in sustained innovation, competitive insulation and ecosystem resilience. While aligning the strategic orchestration with the scale of coordination, enabling value creation across stakeholders i.e., platform actors. Thus, high in network effects and social network quality like Wikipedia, Airbnb.
- c. *Fragile Systems* – In this quadrant, the platforms struggle to generate meaningful user engagement due to the absence of scalability and trust, which makes them vulnerable to irrelevance and, thereby, collapse. Strategically, orchestrators in these platforms require rethinking the purpose, interaction, structural design, and incentives for stakeholders. Hence, low on network effects and low at social network quality.
- d. *Scalable yet risky* – the orchestrators in this quadrant may experience rapid growth due to a strong user network but lack relative relational cohesive infrastructure. While strategically, long-term viability often demands dedicated trust-building and participatory mechanisms to attend to establishing reputational interactions. Thus, it can be attributable to high network effects and low social network quality, the early Twitter.

The paper's perceived juxtaposition largely stems from its conceptual breadth and static framing; however, these aspects can, in fact, be recast as its most powerful contributions. The proposed 2×2 topology—mapping network effect strength against social network quality—should not be viewed merely as a classification grid but as a dynamic framework that captures how digital platforms evolve through distinct phases of orchestration. As embedded in the framework, strategic orchestration functions as the crucial capability that propels a firm to transition from one quadrant to another, balancing the imperatives of scale with the demands of social trust.

Consider, for instance, from a bird's eye view, the trajectories of platforms, like Airbnb and LinkedIn - both began in the "Collaborative Niche" quadrant, grounded in strong relational trust but limited in scale. Through governance alignment and technological scaling, they transitioned into the "Resilient Orchestrator" space—demonstrating that orchestration mechanisms such as transparent policies, reputation/trust-building systems, and participatory design can convert social legitimacy into sustainable scalability. Conversely, platforms like Twitter (pre-2022) illustrate a move from "Scalable Yet Risky" toward systemic fragility when network effects intensified faster than trust mechanisms could adapt.

The topology thus serves as both a diagnostic and a developmental lens: it helps scholars conceptualise platform evolution and offers managers a structured pathway for orchestrating transitions between strategic states. Rather than being static, this model reveals the co-evolutionary mechanism—how scale and social cohesion/trust interplay under uncertainty, governance reform, and technological turbulence. The framework's merit lies in its ability to guide both retrospective understanding and extrospective design of strategic orchestration.

6. Conclusion and Implication:

The integrated examination of network effects and social networks across individual and organizational levels underscores their mutual reinforcement in shaping strategic behavior, innovation, and value creation. While distinct in origin—network effects being economic mechanisms of increasing returns and social networks being sociological structures of relationships—these constructs interact dynamically in digital and organizational ecosystems. From this dynamic framing emerge two actionable propositions that invite empirical exploration.

Proposition 1: Strategic orchestration mediates the relationship between network effect intensity and ecosystem resilience; platforms exhibiting higher orchestration maturity (trust-building design, governance alignment, and relational positioning) will sustain user participation even during rapid scaling.

Proposition 2: Firms that consciously invest in orchestration mechanisms experience nonlinear movement across the topology to achieve higher innovation capacity and retention stability than firms that emphasise scale-first growth.

These propositions are not abstract claims but testable pathways linking theoretical logic with measurable outcomes such as user engagement, innovation rate/technological adaptation, and network churn/trust-building.

At the individual level, network effects enhance perceived value as more users adopt a product or platform, driving user engagement, content richness, and interaction opportunities (Rohlf, 1974; Katz & Shapiro, 1985). These effects are amplified by social networks, which serve as channels of trust, information, and influence. Individuals' weak ties and brokerage positions foster the spread of innovations and ideas (Granovetter, 1983, 1985; Burt, 1992), while strong ties support coordinated behavior and emotional support (Coleman, 1988; Kadushin, 2012).

At the organizational level, network effects shape platform strategies, supply chain integration, and collaborative innovation. Firms embedded in dense, interoperable ecosystems benefit from increased trust, data verifiability, and strategic adaptability (Lee, 2012; Lynberg & Deif, 2022).

Social networks, in turn, govern access to critical resources, shape alliance structures, and define positional advantages (Wasserman & Faust, 1994; Belik et al., 2024). These networks are not merely passive structures but actively curated to foster innovation and resilience.

Far-reaching, the interaction between network effects and social networks generates emergent strategic dynamics. Individuals serve as bridges between firms, enabling knowledge transfer and alliance formation. Organizations, by aligning employee networks with strategic goals, multiply their capacity for learning and adaptation. However, these mechanisms can also lead to exclusionary outcomes, reinforcing inequalities and barriers to entry (Huang et al., 2023; Gray et al., 2020). For managers, they offer an operational compass: audit the firm's position within the topology, assess orchestration maturity, and realign governance practices to strengthen relational foundations before accelerating growth. For researchers, they represent an open invitation to quantify orchestration dynamics through longitudinal or network-based modelling—tracking how shifts in trust or participation correspond with structural changes in network density and reach.

In conclusion, strategic value in platform ecosystems no longer stems from isolated actors or static resources, but from relational and systemic configurations that connect users, firms, and technologies. It is through the deliberate alignment of network effects—which drive scale, user adoption, and participation—and embedded social networks—which enables trust, coordination, and knowledge sharing—that firms can unlock sustained value. To thrive in complex, interconnected environments, organizations must move beyond simply facilitating growth. They must strategically orchestrate these intersecting forces through trust-centric design, collaborative innovation, and adaptive governance.

Strategy, in this context, is not an afterthought but the central architect of ecosystems, shaping how network structures and relational assets co-evolve at both micro and macro levels. As digital platforms become foundational to modern economies, effective strategy requires an integrated understanding of how to govern this triadic relationship to foster inclusion, resilience, and competitive advantage. Future research should focus on deepening this inquiry by examining how strategic configurations influence—and are influenced by—the dynamic interplay between network effects and social capital. By empirically validating the aforementioned propositions across diverse contexts—from gig economy platforms to healthcare ecosystems—scholars can move the discourse from conceptual speculation to strategic evidence. Ultimately, the challenge and opportunity lie in transforming orchestration from a theoretical metaphor into a measurable managerial practice, empowering firms to consciously *scale with trust* rather than stumble through growth.

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